Annual Report 2018

DELTICOM
Aktiengesellschaft

Profile

Delticom AG is an E-Commerce company operating primarily in Europe and the USA. It specialises in the design and operation of online shops, internet-based customer acquisition, internet marketing, developing partner networks and complex, highly efficient product picking and distribution logistics.

Delticom AG is the leading online distributor of tyres and automotive accessories. Our product range also includes the online second-hand vehicle trade and efood. Delticom has extensive experience in creating shops for the international market and in transnational E-Commerce. In addition to design, Delticom also provides product descriptions and a comprehensive customer service programme in your national language. Establishing efficient warehousing and logistics processes is utilized not only in selling tyres, used vehicles and online grocery shopping, but is also offered to third parties as an additional service.

Since its establishment in Hanover, Germany in 1999, the company has accrued exceptional expertise in designing efficient, fully integrated internal ordering and logistics processes. The company owns its own warehouses, including a fully automated small item warehouse.

In 2018, Delticom AG generated sales in excess of € 645 million. The E-Commerce specialist operates in 77 countries with over 460 online shops and online distribution platforms, serving over 13.6 million customers. The product range offered to private and business customers includes over 100 brands and more than 25,000 models of tyres for passenger cars, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the around 40,000 service partners of Delticom AG around the world.

Our range also encompasses over 500,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

The shares of Delticom AG have been listed in the Prime Standard of the German Stock Exchange since October 2006 (ISIN DE0005146807).

Key Figures

		01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017	–/+ (%, %p)
Revenues	€ million	645.7	667.7	–3.3
Total income	€ million	683.8	693.5	–1.4
Gross margin[1]	%	21.8	20.6	+1.2
Gross profit[2]	€ million	178.7	163.2	+9.5
EBITDA	€ million	9.0	9.3	–3.3
EBITDA-Marge	%	1.4	1.4	0.0
EBIT	€ million	1.1	2.0	–46.3
Net income	€ million	–1.7	1.1	–249.9
Earnings per share	€	–0.13	0.09	–249.9
Total assets	€ million	232.5	202.4	+14.9
Inventories	€ million	99.6	79.8	+24.8
Investments[3]	€ million	10.7	7.9	+35.6
Equity	€ million	49.3	52.9	–7.0
Equity ratio	%	21.2	26.2	–5.0
Return on equity	%	–3.4	2.1	–5.5
Liquidity position[4]	€ million	3.4	3.9	–12.3

(1) Gross profit ex other operating income in % of revenues
(2) Gross profit including other operating income
(3) Investments in tangible and intangible assets (without aquisitions)
(4) Liquidity position = cash and cash equivalents + liquidity reserve

Highlights 2018

Revenues

> € 645 million

2017: € 667.7 million

EBITDA amounted to

€ 9,0 million

2017: € 9.3 million

Consolidated net income

€ –1,7 million

€ –0,13 earnings per share

More than

1,371,000

new customers in 2018

More than

698,000

customers made a repeat purchase with us

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Letter to Our Shareholders

Dear shareholders, colleagues and friends,

Delticom will celebrate its 20th anniversary in July this year. This is a good opportunity to take a brief look back, assess where we are and gain an insight into our future.

When we launched our first online shop for end customers in 2000, we were among the trailblazers in the German and European online tyre trade. The commercial use of the Internet for buying consumer goods was still in its infancy. We knew right from those early days of online shopping that the World Wide Web wouldn’t just change the buying habits of private consumers in the coming years - it would revolutionise them. Anticipating the approaching boom in digital shopping, we rapidly forged ahead with the international expansion of our business and devoted all of our energies to establishing ourselves in a number of countries early on. We became acquainted with the distinctive local features of the replacement tyre markets we entered. We made contact with regional suppliers and set up delivery channels. The networks we set up in the various markets gave us a lead over our competitors.

It was clear to us from the start that supply and price would be the key factors in the transparent business of online trading, and that the profit margins in the tyre trade would be limited. That’s why we placed an emphasis on maintaining a lean cost structure.

Our success proved us right: we grew and gained proof that our business model worked. We decided to go public in 2006 to help fund further growth. The flotation was an important strategic milestone because it enabled us to embark on a step-by-step expansion of our cooperation with industrial partners in the years that followed, and to increasingly purchase tyres straight from producers and warehouse them.

Since we went public, three factors have driven the growth in margins at Delticom. Firstly, our warehouse business made up a growing share of the revenues. In addition, there was little competition in our core business of online tyre trading in the years from 2006 to 2011. There were various other factors in these five years that had a positive impact on European replacement tyre demand. They included new regulations on the use of winter tyres, the so-called "scrapping incentive", supply shortages in the market caused by limited production capacities, the financial and economic crisis from 2007 onwards and the expansion of broadband which provided fast Internet access to ever broader swathes of the European population. All these factors resulted in consumers increasingly going online to find low-cost alternatives to bricks-and-mortar tyre retailers. As the European market leader, Delticom reaped the rewards of this trend. But we kept our feet firmly on the ground: it was clear to us that the double-digit EBIT margins we enjoyed in the years 2010 and 2011 were not a realistic reflection of the online tyre market’s potential, and would not be sustainable over the long term.

The years that followed confirmed our view. For one, factors that had previously driven our business began dampening demand: regulatory measures like the winter tyre directive and the scrapping incentive had led to purchases of replacement tyres being brought forward. Eventually, the market became saturated and demand weakened. In addition, production capacities had been enlarged. More supply, less demand: it doesn’t take an economics degree to realise that prices will come under pressure as a result. Also, online competition began to increase across Europe. New online players emerged while bricks-and-mortar tyre dealers increasingly used the Internet as a sales outlet. That compounded the mounting pressure on prices and margins.

We acquired the strong but heavily loss-making competitor Tirendo in 2013. This investment did not just turn a challenging rival into a partner; it also enabled us to rejuvenate ourselves and to upgrade our know-how in modern online trading through a knowledge transfer in marketing, modern IT, business intelligence and online technology. Buying Tirendo also enabled us to pave the way for our multi-shop approach, which consisted of a variety of web presences and pricing models to specifically address different market and consumer segments that each had their own preferences regarding the Internet shopping experience. Once we had completely restructured Tirendo, we knew we were on the right track with this multi-shop strategy and that we had to expand it across Europe to win new customer groups. We also set about opening up new online distribution platforms such as price search engines, online marketplaces and social media to approach different target groups with different surfing habits.

But the back end of online tyre trading is every bit as important as this front end. Ensuring that tyres are constantly available and can be delivered to our customers quickly and at low cost requires a complex and smooth-running supply and processing chain in the background. That’s why we’ve been investing heavily in our IT architecture and our warehouse infrastructure in recent years including in fiscal year 2018. We opened a smaller tyre warehouse in France and bought technical equipment and machinery for our warehouse in Sehnde to further increase our daily dispatch capacities for the winter season. The shortage of skilled workers in the eased labour market meant that these measures had less impact than we had hoped. That’s because trained staff are needed to perform a number of non-automated tasks that lie between the warehousing and the dispatch of tyres. Finding these staff at short notice for a temporary period at seasonal peaks proved difficult, not just in Germany but across Europe. This together with the mild winter was a further reason for the decline in revenues from € 667.7 million in the previous year to € 645.7 million in the reporting year — a drop of 3.3 %. We therefore missed our revenue forecast of € 690 million. But we have never lost sight of our goal to achieve a healthy balance between revenue growth and profit.

Our takeover of the efood and logistics companies Gourmondo and ES Food in 2016 wasn’t just an important step towards our long-term goal of becoming a comprehensive provider of e-commerce solutions. It also gave us access to expertise regarding a highly efficient and automated small items logistics system. This is primarily suited to the processing of Fast Moving Consumer Goods (FMCG). Delticom doesn’t just use this logistics expertise for its own efood shops - it also makes efficient warehouse logistics services available to third parties. We were able to gain additional customers in this segment during the last fiscal year which further increased our warehouse capacity usage. Interest has continued to grow this year. Our acquisition of online food trader Allyouneed Fresh last year was primarily aimed at increasing capacity usage, which is a major factor determining profitability in the FMCG fulfilment segment. We completed the restructuring of the Berlin-based online supermarket at the end of February this year, laying the foundations for a profitable business.

Tyres and groceries may not appear to have that much in common. But at second glance, one notices that in addition to both products being sold online, they’re also similar in terms of their rather low margins. These margins are so low not at least because logistics makes up an enormous share of costs. In bricks-and-mortar supermarkets, the costs end once the groceries have been stacked onto shelves because after that, it’s the customer who picks them up, takes them to the cashier and carries them home. It’s different for efood retailers — most of their costs arise after the shelf-stacking because that’s when a complex chain of IT, order processing and transport has to be set in motion. It’s only profitable if the links in this chain connect smoothly, efficiently and with a high level of automation. We wanted to take a closer look at how that works by acquiring efood and logistics companies. The lessons we have learned from studying and perfecting small items logistics will now be applied to our core business of online tyre selling. The solution isn’t off the peg, it’s tailor-made by us. Such creations can’t be fashioned overnight, but when they’re ready, they fit all the better. Thinking outside the box of our core business enabled us to add the automation needed to optimise costs and processes. We’re making good progress here. The innovation we injected into our main business with this transfer of know-how underscores our belief in the growth potential of the replacement tyres and mobility segment – despite a market environment that remains difficult. The German replacement tyres market was in a downtrend or at best stagnating in the months up to and including November last year, and December brought no turnaround. Despite growing demand for all-season tyres and 4x4/off-road tyres, unit sales in the German replacement car tyre business fell 2.8 % in 2018 from the previous year, according to the German Rubber Industry Association (WdK) and the manufacturers’ association ETRMA.

The only suitable response to this industry trend is to continue streamlining processes in order to cut costs. Our investments in the last few years are aimed at expanding our market leadership in Europe’s online tyre trade, and reclaiming cost leadership. Logistics is relevant here because the steady growth in online trading is causing increasing bottlenecks among transport services which is resulting in price increases. We’re investing in optimising our logistics processes and in adding more warehouses so that we can optimise delivery costs as well as shorten supply routes and delivery times for our customers. We expect to open a new tyre warehouse currently under construction in the border triangle of Germany, France and Switzerland at the end of next year. We started work on enhancing our delivery system last year when we opened an additional warehouse in France.

We are convinced that Internet trading will continue growing in the future and will spread to new product categories that do not feature much in online selling right now. Optimising the delivery routes, innovative and efficient warehousing concepts, merging offline with online systems and changes in online searching and purchasing habits are just some of the most pressing challenges in e-commerce. We are continuously striving to find solutions, to improve processes and services and to come up with creative ideas.

The digital revolution will continue to change the face of mobility in the coming years. The big trends in the automotive industry are e-cars, connected driving, intelligent assistance systems and navigation tools as well as autonomous driving. But regardless of whether cars are powered by petrol, diesel, hybrid or battery: they will all need tyres in the near future.

Our earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by 3.3 % from € 9.3 million to € 9.0 million in the reporting period. That means we missed our forecast of an EBITDA increase to around € 14 million. In the first half of the year, it became increasingly clear that market conditions in the European tyre trade would remain difficult due to the ongoing consolidation process. It was difficult for us to answer the question of the extent to which our pricing policy could be enforced on the market in the further course of the year, especially in the winter tyre business, in the middle of the year. One of our corporate responsibilities is to sound out opportunities. One such opportunity last year was the acquisition of Allyouneed Fresh. Since the takeover of Tirendo, we have built up extensive know-how in the field of acquisition and turnaround of loss-making start-ups. Our clear focus on cost and process optimization along the value chain is a key prerequisite for building sustainable profitable business models within a manageable time horizon. In the middle of last year, we came to the conclusion that a possible takeover of Allyouneed Fresh could generate earnings. So we took a closer look. At the same time, weighing up all opportunities and risks, we came to the conclusion that we had to test new things and adapt processes and procedures in order to create new and improved structures for future profitable growth in a changing market environment. This decision was accompanied by an increase in our cost base in the second half of the year, which we ultimately largely offset by the revenues from the acquisition of Allyouneed Fresh. Due to a high tax expense in the 2018 consolidated financial statements, consolidated net income of € –1.7 million or € –0.13 per share was significantly lower than in the previous year (2017: € 1.1 million or € 0.09 per share). This development is mainly associated with an increase in deferred tax expenses in connection with loss carryforwards.

Against the backdrop of last year's earnings performance and in view of the investments required in the current year to create the structures necessary to return to a sustainably profitable growth course, the Management Board and Supervisory Board have jointly decided to propose to the Annual General Meeting on 12.08.2019 to not pay any dividend for the past financial year. This step goes hand in hand with the clear objective of strengthening Delticom AG's earnings power in order to enable shareholders to participate in Delticom's business success again in the future.

The Delticom Group expects a revenue corridor of between € 660 million and € 690 million for the current fiscal year and an EBITDA of between € 8 million and € 12.5 million. Our focus in 2019 will remain on maintaining the right balance between revenue growth and profitability. We will also invest in promising projects to position the Delticom Group for further profitable growth over the long term.

Our long expertise in international online trading, our stable relationships with our partners, our strong innovation capabilities, our courage to step off well-trodden paths and explore new ones and our highly motivated employees are the essential pillars of our future success. As realistic visionaries we accept that our investments in the future of our business may continue to burden the result of the Delticom Group in the short term.

We thank you, dear shareholders, for your trust. We face an exciting and profitable future full of opportunity. We look forward to our continued journey into this future together.

Hanover, 25 June 2019

from left: Philip von Grolman, Andreas Prüfer, Susann Dörsel-Müller

Susann Dörsel-Müller Philip v. Grolman Andreas Prüfer

Report of the Supervisory Board

Dear Shareholders,

During the year under review, the Supervisory Board constantly supervised and consulted regularly with the Management Board concerning the management of the company, and extensively fulfilled the tasks that are incumbent upon it pursuant to the law, the company's articles of incorporation and the rules of business procedure. On a regular basis, we dealt intensively with the net assets, financial position and the results of operation as well as with the company's risk management. The Supervisory Board was routinely informed about the course of business and major business events. We received written reports on a monthly basis. Scope and contents of the reports had been defined beforehand. Furthermore, the Supervisory Board took the opportunity to engage the Management Board in lively exchanges of information and ideas. As in the years before we also had regular telephone calls and meetings with individual members of the Management Board to discuss current events and developments.

In addition, outside of the meetings the members of the Supervisory Board provided consulting to the Management Board. In instances where decisions were needed to be made quickly we took them in circulation procedure. All resolutions were unanimously approved during the period under review. No member of the Supervisory Board took part in less than half of the Supervisory Board meetings in the fiscal year.

During the reporting period, Mr Rainer Binder, Mr Michael Thöne-Flöge and Mr Alan Revie were members of the Supervisory Board. Mr Rainer Binder is Chairman of the Supervisory Board, Mr Michael Thöne-Flöge is Vice Chairman as well as financial expert in the sense of Section 100 (5) of the German Stock Corporation Act (AktG). Also, the members of the Supervisory Board as a whole are familiar with the sector in which the company operates.

The Supervisory Board has not established any committees in the sense of Section 107(3) of the AktG (German Public Limited Companies Act), because this was considered unnecessary in light of only three Members.

Main topics of Supervisory Board consultation

Important recurrent issues that claimed the attention of the Supervisory Board concerned the company’s strategic development and strategy. One main topic was the acquisition of All you need GmbH from Deutsche Post DHL Group. In this context, the extension of Delticom AG's portfolio in the eFood segment, including the advantages, but also the challenges and risks arising from this, was discussed.

Meetings and written resolutions of the Supervisory Board

There were four regular Supervisory Board meetings in 2018. Each of the meetings were attended by all members, partly by means of conference calls. Thirteen resolutions were passed by way of written circulation procedure.

At our first ordinary meeting on 20.03.2018 we concerned ourselves with the financial statements and management reports of Delticom AG and the Group for fiscal year 2017, as well as with the appropriation of the balance sheet profit achieved in 2017. At this meeting, we also decided to change the auditor. A further topic was the annual corporate governance statement and the declaration of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda and the proposed resolutions of the Supervisory Board for the Shareholders' General Meeting on 08.05.2018.

In the meeting on 08.05.2018, the Management Board reported on the Group’s development of business and of employment. It was also resolved to make an editorial change to Delticom AG's articles of incorporation.

In its meeting on 18.09.2018, the Management Board reported on the current performance and financial position of the Group at the end of the second quarter of fiscal year 2018. The benefits of the acquisition of All you need GmbH from Deutsche Post DHL Group and the associated expansion of the eFood product range were also discussed. Moreover, as recommended by Code item 5.6 of the German Corporate Governance Code, we carried out an audit of the efficiency of our work based on a catalog of questions.

In the last regular meeting on 04.12.2018, the Management Board reported on the course of business. Moreover, we deliberated on the Management Board’s medium-term and investment planning for Delticom AG and gave our approval. At the same meeting, we took note of the complete risk report and informed ourselves of the effectiveness of the risk management system. In addition, we once again invited employees and members of the Management Board to acquire share options.

Along with the four regular meetings, thirteen resolutions were passed by way of written circulation procedure.

These related to

- the issuing of option rights to entitled persons and the setting of exercise prices (05.01.2018),
- the approval of the granting of a loan to DeltiCar SAS (10.01.2018),
- the approval of an amendment to the articles of incorporation of TyresNet GmbH (11.01.2018),
- the approval of the acquisition of shares in Gigatires LLC by the subsidiary Delticom North America Inc. (26.01.2018),
- approval of an amendment to the articles of incorporation of Delti-Vorrat-1 GmbH (now: DeltiStorage GmbH) (17.02.2018),
- the purchase of land and warehouses by DeltiStorage GmbH (17.02.2018, 21.02.2018),
- the termination of the employment contract and the revocation of the appointment of Mr. Thierry Delesalle as a member of the Management Board (29.08.2018, 05.09.2018 and 07.09.2018),
- the adjustment of Mr. Philip von Grolman's contract of employment (31.08.2018),
- the reallocation of responsibilities within the Management Board (06.09.2018) and

- the issuing of option rights to beneficiaries (28.12.2018).

Corporate Governance

On 20.03.2018, together with the Management Board, we issued a declaration stating that all Delticom's activities are in conformity with Section 161 of the German Corporate Governance Code. The declaration has been made permanently available on the Delticom AG web page (www.delti.com/CG) and will be updated every year after the accounts review meeting of the Supervisory Board, or earlier if the necessity arises.

Additionally, information on corporate governance at Delticom AG is contained in the Corporate Governance Report for the purposes of Section 3.10 of the German Corporate Governance Code.

Audit of annual and consolidated financial statements

In the presence of the auditor, the Supervisory Board dealt intensively with the annual financial statements and audit reports for the fiscal year 2018, in particular the annual financial statements in accordance with German commercial law and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), each as of December 31, 2018, as well as the management report of the Company and the Group and the dependent company report for the fiscal year 2018. Representatives of the auditor reported on the main results of the audits and were available to the Supervisory Board for additional information. The auditor's reports, the annual financial statements for the AG and the consolidated financial statements prepared by the Management Board, the dependent company report and the management reports for Delticom AG and for the Group as well as the Management Board's proposal for the use of net retained profits, in each case for the 2018 financial year, were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them. The auditor KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Prinzenstraße 23, 30159 Hanover, had previously audited the annual financial statements. There are no concerns regarding the auditor's independence.

In the auditor's opinion, the parent company single-entity annual financial statements and the consolidated financial statements for fiscal year 2018 present a true and fair view of the financial and assets position, results of operations, as well as the cash flows, of both the company and the Group, in accordance with the accounting regulations. The auditor's review of the dependent company report for fiscal year 2018 resulted in no reservations. The auditor has issued an unqualified audit certificate for both areas. The auditor's certificate for the dependent company report contains the following wording: "Following our audit and assessment in accordance with our duties, we confirm that the actual statements made in the report are correct, and that the consideration paid by the company in legal transactions listed in the report was not inappropriately high, or that disbenefits were compensated for."

As part of its assessment of the risk management system, the auditor confirmed that the Management Board had implemented the measures required pursuant Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) for identifying risks which could jeopardise the company as a going concern at an early juncture. Following our own examination of the annual financial statements, the consolidated financial statements, the management report, the Group management report and the dependent company report for the 2018 financial year, we fully concurred with the auditor's report. On 25 June 2019, the Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2018 financial year. The annual financial statements of Delticom AG are thus adopted. On June 25, 2019, the Supervisory Board also concurred with the Managing Board's proposal for the appropriation of retained earnings in 2018.

The Supervisory Board would like to thank the Managing Board and all employees for their excellent work.

Hanover, 25 June 2019

Rainer Binder

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2018 at € 7.18.

Development of the stock markets

2018 stock market

The year 2018 was marked by a clearly negative mood on the stock market. The reasons for the gloomy stock market climate were manifold: the expectation of a weaker economic development, rising US interest rates, which could have a negative impact on the earnings situation on the corporate side and at the same time make bonds more attractive again as an investment form, the dispute between the EU and Italy over budgetary policy, the uncertainty as to how the UK's withdrawal from the EU will take place as well as the trade dispute between the US government and China and Europe made themselves felt as negative factors on the stock market. The DAX started the year at 12,871 points. The DAX reached its high of 13,560 points on 23.01.2018. On 27.12.2018 it marked a low at 10,382 points. It closed the year at 10,559 points, an overall rise of 2,312 points or 18.0 %.

Development of the Delticom share (DEX)

Benchmarks

We use the STOXX® Europe 600 Retail (SXRP) as a benchmark for DEX. SXRP comprises large European retail companies, which also includes large online retailers.

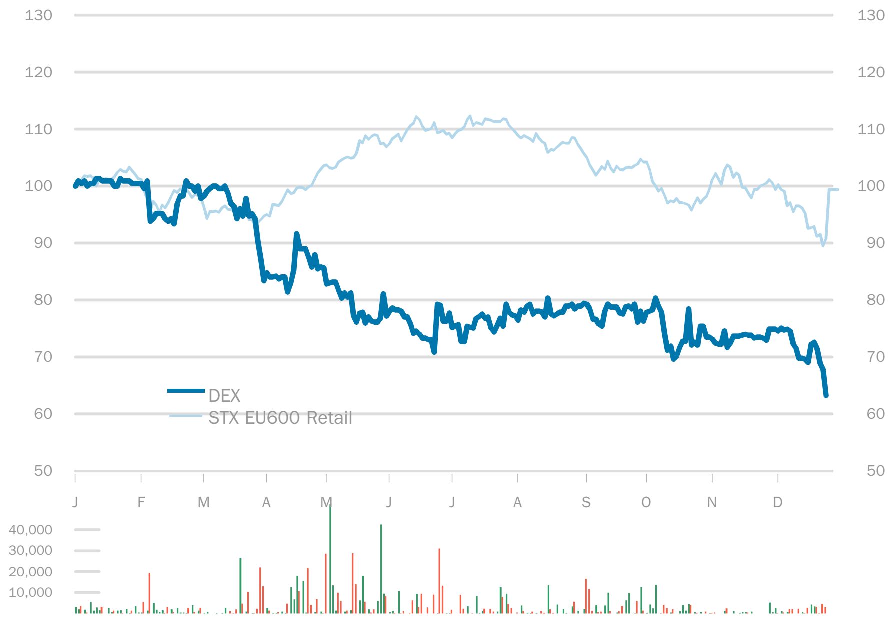
As customary, we use the performance index which takes dividend payments into account for SXRP. When comparing the performance of DEX to the benchmarks we therefore take the dividend for 2017 into consideration, amounting € 0.10 per share as decided on the Annual General Meeting on 08.05.2018. The chart *Share performance* shows the performance of DEX and SXRP since the beginning of 2018 over the course of the year.

DEX performance

After beginning the year at € 11.35, DEX reached an annual low on 28.12.2018 at € 7.18, at which point it also closed the stock market year. The shares' annual high was recorded on 12.01.2018, 13.01.2018 and 23.01.2018 at € 11.50. DEX closed the year on € 7.18. In the course of 2018 the market capitalisation of DEX decreased from € 141.5 million to € 89.5 million.

Share performance 2018

indexed, traded volume in shares (XETRA)



Index membership

Apart from DAX Composite Index (CDAX) DEX is included in the calculation of the following indices:

- Classic All Share
- DAXplus Family Index
- DAXsector All Retail
- DAXsector Retail
- DAXsubsector Retail Internet
- DAXsubsector All Retail Internet
- NISAX 20
- Prime All Share

Earnings per share and dividend recommendation

Undiluted earnings per share are € –0.13 (2017: € 0.09). Diluted earnings per share are € –0.13 (previous year: € 0.09).

The calculation of the earnings per share was based on net income after taxes totalling € –1,675,893.95 (previous year: € 1,117,760.32) and the weighted average number of shares outstanding during the fiscal year totalling 12,463,331 shares (previous year: 12,463,331 shares).

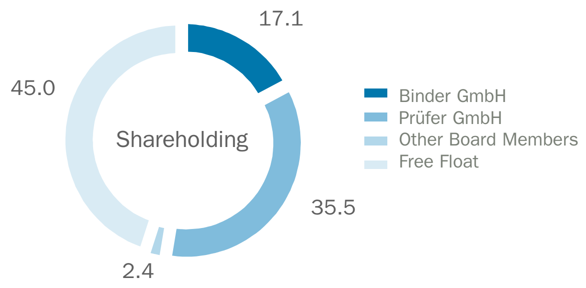
The Management Board and Supervisory Board will propose to the Annual General Meeting on 12 August 2019 not to pay any dividend for the 2018 financial year and to carry forward the balance sheet profit of € 15,936,301.23 to new account.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2018.

Shareholder structure

Shareholding in % of the 12,463,331 shares outstanding, as of 31.12.2018



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2018, Andreas Prüfer as Board Member and Rainer Binder as Chairman of the Supervisory Board held more than 50 % of the outstanding shares.

The Corporate Governance report lists the total holdings of the board members, split into the Supervisory Board and the Executive Board.

Coverage

In total 1 analyst from a renowned bank regularly offer his view on the course of Delticom AG's business and future prospects (with recommendation as of 25.02.2019):

- Marc-René Tonn, Warburg (Sell)

Investor relations activities

Since the IPO we have attached great importance to the ongoing dialogue with institutional and private investors, as well as analysts and the financial press. The aim of our investor relations activities is to pass on comprehensive company-specific information to interested parties quickly and reliably. This extends to the timely publication of company news and the precise depiction of developments in management reports and investor presentations. We accompany the release of financial statements with conference calls.

In 2018, the Management Board presented business developments and strategy of the company during the yearly analyst conference on the occasion of the German Equity Forum in Frankfurt. Furthermore, we had many one-on-one talks with investors.

The internet is an important part of financial communications. On www.delti.com/Investor_Relations/index_en.html we offer annual reports, quarterly corporate news as well as investor and analyst presentation for download.

The investor relations department gladly answers any further questions:

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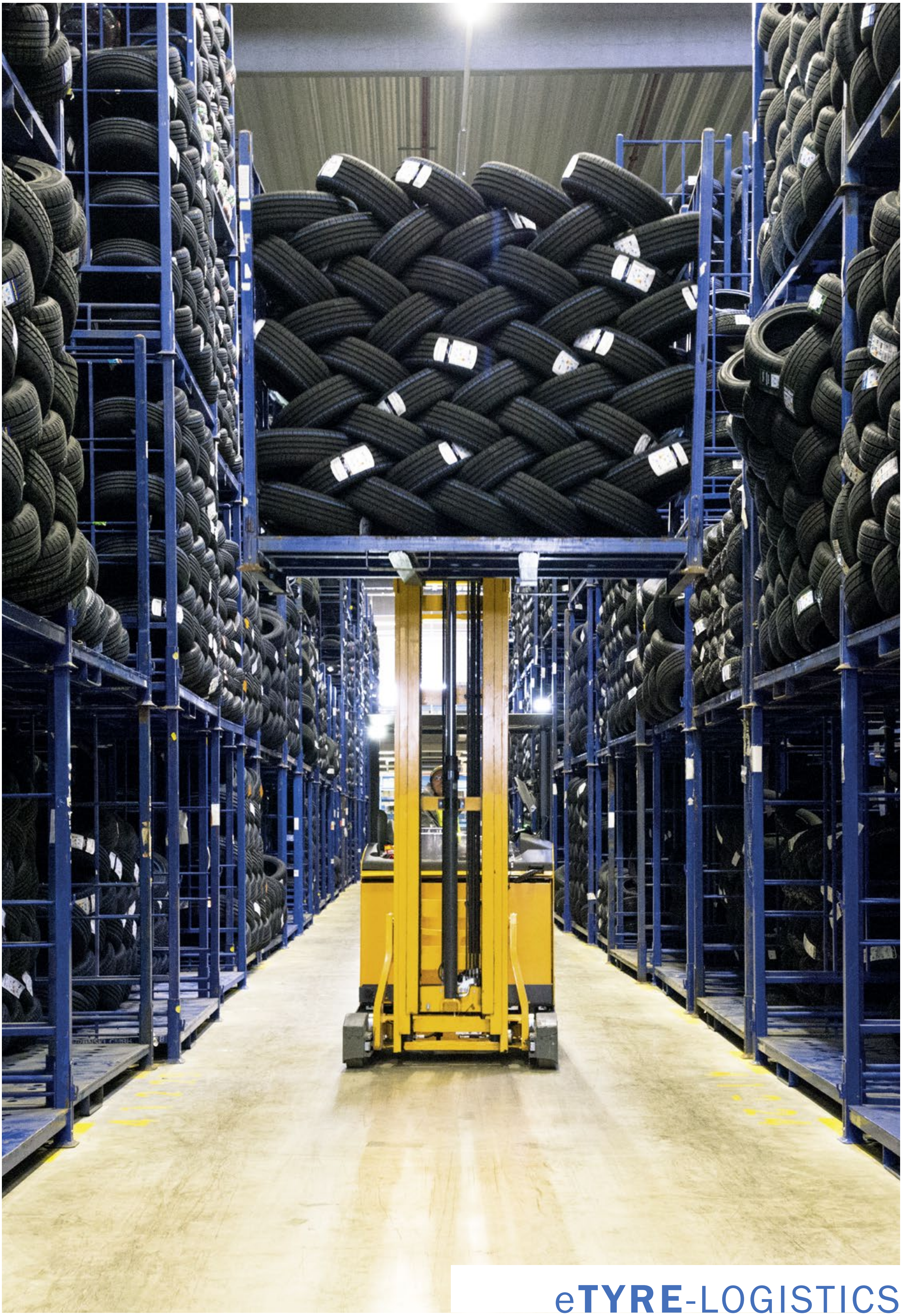
Stock key information

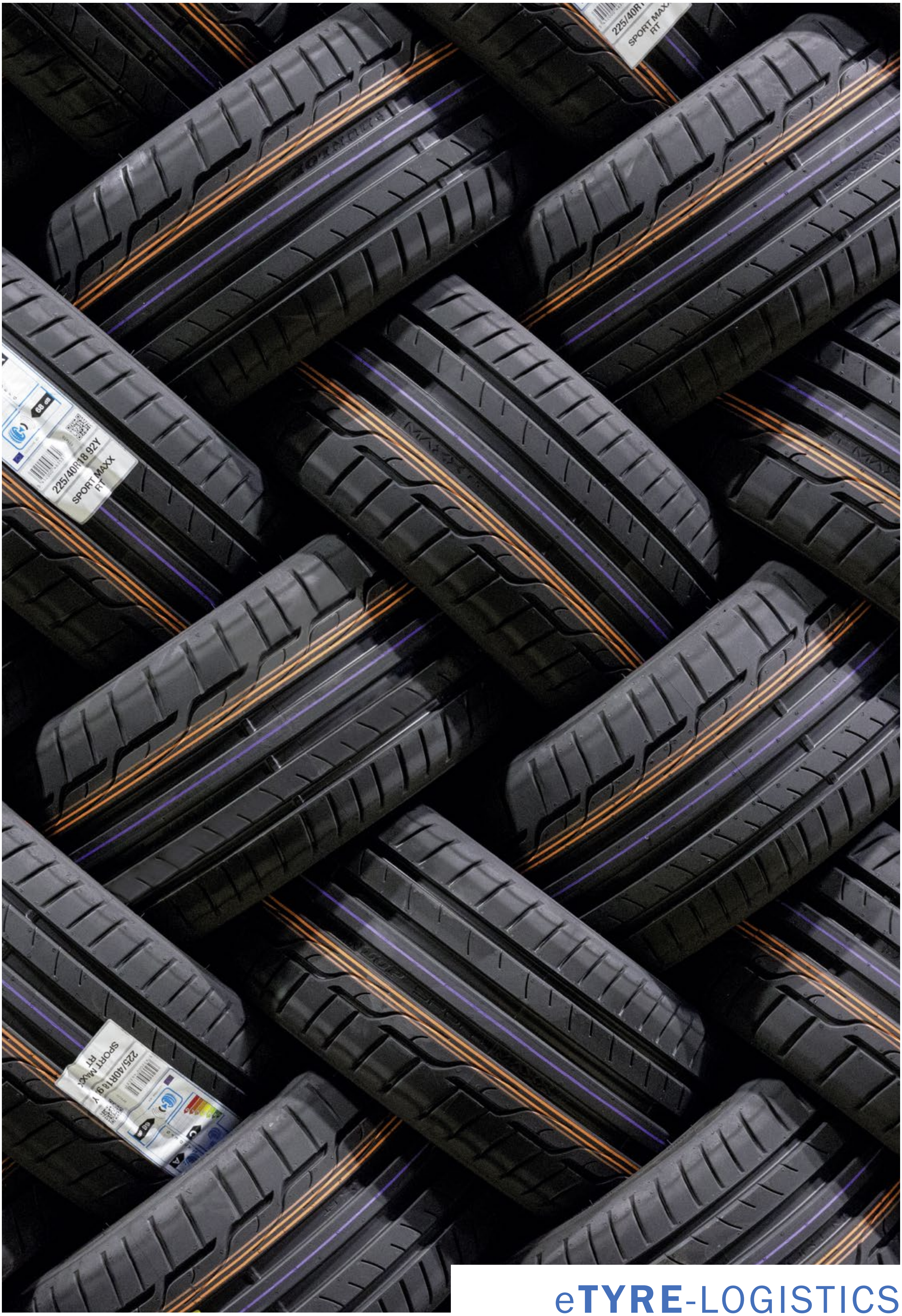
		01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Number of shares	shares	12,463,331	12,463,331
Share price on first trading day[1]	€	11.35	17.83
Share price on last trading day of the period[1]	€	7.18	11.50
Share performance[1]	%	–36.7	–35.5
Share price high/low[1]	€	11,5 / 7,18	18,04 / 11,19
Market capitalisation[2]	€ million	89.5	143.3
Average trading volume per day (XETRA)	shares	3,902	3,189
EPS (undiluted)	€	–0.13	0.09
EPS (diluted)	€	–0.13	0.09

(1) based on closing prices
(2) based on official closing price at end of quarter



eTYRE-LOGISTICS

eFOOD-LOGISTICS



eTYRE-LOGISTICS

eFOOD-LOGISTICS

eTYRE-LOGISTICS

eFOOD-LOGISTICS

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Group fundamentals

Since it's foundation in 1999, Hanover-based Delticom has significantly grown in revenues and profits, both in Germany and abroad. Today, Delticom is Europe's leading E-Commerce company of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics. The Delticom group operates 469 online shops and online distribution platforms in 77 countries.

Organisation

Delticom group is a highly efficient company with an average of 235 employees. We are supported by partners in the warehouses and transportation logistics. Manual routine work is passed to operation centre. The highly automated business processes form a company-wide, scalable value chain. Partnering with other companies allows us to fulfil the overall needs of our customers.

Legal Structure

The following section lists the subsidiaries that are fully consolidated in the consolidated financial statements as of 31.12.2018:

- All you need GmbH, Berlin (Germany)
- DeltiCar SAS, Paris (France)
- Delticom North America Inc., Benicia (California, USA)
- Delticom OE S.r.l., Timisoara (Romania)
- Delticom TOV, Kiev (Ukraine)
- Delticom Japan GK (Tokyo, Japan) - owned 100 % by Delticom OE S.r.l.
- Delticom Russland OOO, Moscow (Russia)
- Deltiparts GmbH, Hanover (Germany)
- DeltiStorage GmbH, Hanover (Germany) (formerly: Delti-Vorrat-1 GmbH)
- DeltiLog Ltd., Witney (United Kingdom) (formerly: DeltiTrade Ltd.)
- DeltiLog GmbH, Hanover (Germany) (formerly: DeltiTrade GmbH)
- Extor GmbH, Hanover (Germany)
- Giga GmbH, Hamburg (Germany)
- Gigatires LLC, Benicia (California, USA)
- Gourmondo Food GmbH, Munich (Germany)
- MobileMech GmbH, Hanover (Germany) (formerly: Reife tausend1 GmbH)

- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Ringway GmbH, Hanover (Germany)
- Tireseasy LLC, Benicia (California, USA)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Tirendo Holding GmbH, Berlin (Germany)
- Toroleo Tyres GmbH, Gadebusch (Germany)
- Toroleo Tyres TT GmbH & Co.KG, Gadebusch (Germany)
- TyresNet GmbH, Munich (Germany)

Corporate Governance

As a German joint-stock corporation, Delticom operates a dual management system, with a Supervisory Board and a Management Board: The boards' common goal is to achieve a sustainable appreciation of corporate value.

Supervisory Board

The Supervisory Board appoints, supervises and advises the Management Board, and is directly included in decisions of fundamental significance for the company. As part of its supervisory and advisory function, the Supervisory Board also works closely together with the Management Board outside the scope of its meetings.

Management Board

The Management Board determines the company's strategy, which it coordinates with the Supervisory Board, and subsequently implements. It informs the Supervisory Board regularly, promptly and comprehensively about all relevant questions relating to planning, business development, risk position, risk management, and compliance with codes of conduct, laws and guidelines.

Management Board members bear joint responsibility for overall management. As the result of the business allocation plan, they also have clearly defined and delineated task areas for which they are individually responsible. Along with regular Management Board meetings, there is a constant exchange of information between Management Board members.

External factors influencing the course of business

Business expansion

Delticom group expanded its business activity in the course of the fiscal year 2016. Thanks to AutoPink, a French online used-car dealership, Delticom completed its product offering in the automotive field. In addition, the company now also operates the online shops for Gourmondo, an online retailer of high-quality food products. With DeltiLog GmbH (formerly DeltiTrade GmbH), Delticom group enhanced its competence in high efficiency E-Commerce logistics. With the acquisition of the online supermarket Allyouneed Fresh from Deutsche Post DHL

Group, the company expanded its efood activities in the past financial year. Owing to the high proportion of online tyre retailing in the Group's revenues, the key factors of influence for the car tyre replacement business in particular are described in the following.

Increasing internet penetration

The growing importance of the internet as a sales channel is the key factor of our business success. The number of internet users is constantly increasing worldwide, and as a result, so is the number of online shoppers. The "Global Digital Report 2019" estimates that 86 % of the European population will already be online in 2018, an increase of 7.6 % compared to the previous year. Within the scope of the study, 86 % of German internet users alone stated that they had made an online purchase in the last month. The dealer association Ecommerce Europe expects that the turnover of European E-Commerce in 2018 has already amounted to more than € 535 billion.

Vehicle stock, mileage, replacement cycle

Due to the high share of online tyre revenues Delticom Group is not fully independent of the tyre market's underlying volume growth. Currently there are more than 250 million cars on Europe's roads. According to the manufacturer association ACEA, the passenger vehicle stock in the EU has grown by 5.7 % over the last five years, which represents growth of around 14 million passenger vehicles.

The average age of the European vehicle stock is around 11 years. In Germany, the EU nation with the largest stock of passenger vehicles, these vehicles have an average age of 9 years – making them relatively young compared to the rest of Europe. Cars are becoming increasingly durable, which increases their lifespan accordingly. The result: Even in the case of falling numbers of new car registrations, the number of vehicles will continue to increase over the coming years.

In Europe, the average car and the tyres mounted on it travel 14,000 kilometres annually. Thanks to similar road conditions throughout Europe, tyres typically require replacement after 60,000 kilometres of travel. As a result, the replacement cycle is roughly four years. Some drivers will respond to the rising cost of running a car by limiting the use of their cars or changing to smaller, more economical models. Despite slower growth than in previous years, the trend away from traditional cars towards SUVs (Sport Utility Vehicles) continued throughout Europe in the past financial year. Last year, more than 5.4 million SUVs were registered in Europe. This was 19 % more than in 2017, the market share increased from 29.2 % to 34.6 %.

It is generally expected that sales growth in automotive will flatten out both in Europe and the USA in the future. In the long term, substantial growth will only come from Eastern European countries and emerging economies like China and Brazil, where levels of vehicle density remain comparatively low.

Price and mix

On the one hand revenues and margins of an E-Commerce company are determined by volume demand and unit sales, on the other hand by purchase and selling prices.

Raw material price trends are a key pricing factor in the tyre trade, particularly those for natural rubber and oil. Changes in raw material prices only factor into tyre manufacturers' calculations four to six months down the line.

Manufacturers have successfully made their production operations more flexible over recent years. Today, they are generally in a good position to adapt their capacities to the actual demand. Despite this, over- and understocking in the supply chain occur time and again. This has an impact on sell-in prices between manufacturers and traders and sell-out prices to end-customers. Margins can come under pressure if there is a lack of sales-drivers such as beneficial weather conditions.

The tyre demand is distributed across premium brands and lower-tier brands as well as budget tyres. The actual mix depends on the region, season and the economic situation of the tyre buyer. If the mix shifts, the average value of the basket of goods sold changes, and consequently so do revenue and margin.

Weather-dependend demand

In many countries, business with car replacement tyres depends to a large extent on the seasons with their different weather and road conditions. For example, the business in the northern parts of Europe and in German-speaking countries is characterised by two peak periods – the purchase of summer tyres in spring and winter tyres in early winter.

Volume is generally weaker in the first quarter, as most winter tyres are bought and fitted with the first snow, and thus before the end of the year. By contrast the second quarter is characterised by strong sales: With the rising temperatures in April and May or rather after the Easter holidays many motorists buy new summer replacement tyres for their cars.

The third quarter is a transitional quarter between the summer and winter business, with sales volumes somewhat weaker than in the preceeding quarter. In most European countries, the last quarter generates the highest sales as motorists face difficult road conditions and become aware of the fact that they need new winter tyres.

Both the summer and the winter tyre season cover a longer period of many months. Consequently, the demand often shifts between quarters, due to an earlier or later onset of the season. Furthermore, base effects often influence year-on-year growth rates because weather conditions usually differ between subsequent years. The seasonal variations warp the long-term trend. They do not hint at a structural change in growth patterns, but simply reflect the weather-related demand.

Weather conditions vary considerably throughout the different countries. Thanks to its international business model, Delticom group is often able to at least partially compensate for weaker sales in some countries with growth in other markets. Extending its range of products and services will lead to a reduction in seasonality in the medium-term.

Regulatory effects

Legislation also influences tyre demand. In Germany, for instance, there has been a situational obligation to use winter tyres since 2006, and this legislation was revised once again in 2010. According to this regulation, only vehicles with properly labelled winter or all-weather tyres are permitted to drive in "black ice, hard-packed snow, slush, ice or frost" conditions.

For the benefit of the consumer and in an effort to enhance road safety, the fifty-second regulation amending road traffic regulations, which came into force on 01.06.2017, reformulated and clarified the definition of winter tyres. According to this, only tyres labelled with the snowflake symbol are considered as winter tyres. As a result, mandatory minimum requirements for the performance of winter tyres on snow-covered roads are now being defined for the first time. Tyres marked “M+S” (“mud and snow”) which were manufactured up to 31.12.2017 are permitted to be used until 30.09.2024 (including in wintery conditions). In the event of tyres being shown to be inadequate, the vehicle owner will now be held responsible in addition to the driver if he or she permits or even instructs that the vehicle is driven without winter tyres in snow or black ice conditions.

In parts of Scandinavia and the Alpine regions, motorists are generally obliged to use winter tyres during specific time periods.

EU tyre labelling

Improved tyre characteristics contribute to road safety and can play a significant part in reducing transport energy intensity and emissions.

According to a directive issued by the European Union, all tyres produced after 01.07.2012 and sold from 01.11.2012 onwards have to carry standardised labels that classify and depict ratings regarding fuel efficiency, wet grip and external rolling noise. This classification applies to tyres for cars, vans, light trucks and trucks. Exceptions will include retreaded tyres, off-road tyres for commercial purposes, spiked tyres and racing tyres.

A system similar to the EU’s energy efficiency ratings for household appliances will inform tyre buyers about the products’ characteristics. A coloured-coded scale from A to G will be used for fuel efficiency: a dark green A will stand for the best level, while a red G will stand for the lowest level of energy efficiency.

Another A-to-G rating system will be used to assess wet grip, while the third element to the labelling system will indicate external rolling noise in decibels.

Tyre makers will have to test and certify their products in line with methods approved by the European Commission.

With this directive the European Commission aims to ensure that private and business tyre buyers have access to ample factual information before making a purchase. The tyre label will promote transparency and help car owners to make an informed choice about the qualities they prefer.

In many settings it might not be feasible for a tyre dealer to display the whole range of products in their showroom. In any case, though, dealers are obliged to provide consumers with the mere label information prior to purchasing. Additionally, the information shown on the label must be included on the invoice. Delticom group uses its online shops as well as the various other forms of communication with customers to provide extensive information about the tyre labels.

Tyre Pressure Monitoring System (TPMS)

A tyre pressure monitoring system (TPMS) is a system designed to monitor air pressure inside pneumatic tyres on vehicles. Since 01.11.2012, all new type-approved cars and camper vans that are sold within the EU must be equipped with a TPMS. Since 01.11.2014, all cars and camper vans with initial registrations must also have a TPMS. The aim of this EU regulation is to increase motoring safety, prevent excessive fuel consumption due to sub-optimal tyre pressure, and to reduce tyre wear due to higher rolling resistance, as well as CO2 emissions. Such systems are split into two different categories in relation to their functionality.

Indirect systems

Indirect systems are generally integrated within the vehicle's ABS/ESP controller, and derive tyre pressure or pressure loss from the wheels' revolutions. The system informs the driver of any fall in air pressure. Indirect systems have the advantage of utilizing existing vehicle technology to calculate the required information. Vehicle owners incur no additional costs and maintenance expenses, as no special sensors are required. Indirect systems cannot display pressure.

Direct systems

In direct-measurement TPM systems, sensors in the wheels gage the air pressure and air temperature of the tyre. These data are radioed to a vehicle controller device, and also within the car cockpit depending on display concept. The information is always displayed to the driver and give warning in case of a change in pressure.

Complete wheels

For vehicles with direct TPMS, additional sensors are required for complete wheel orders. Delticom group has many years of experience in the complete wheel business, and offers such complete wheel systems in its shops in an easy-to-understand presentation for consumers and specialist buyers. Our assembly specialists provide expert installation of the various sensor types, vehicle-specific programming and final controlling.

Hazard Analysis and Critical Control Points concept (HACCP)

Food retailing is subject to strict controls. The HACCP is a clearly structured concept aimed at implementing preventative measures to reduce risks involving food products that could result in illness or injury to consumers.

As Delticom does not trade open food products and does not process food, there are a limited number of control points. The latter essentially encompass controls involving sanitised transport vehicles (in the case of self-delivery), temperature measurements upon goods delivery (documented on the delivery notes), checking the best-before date, checking refrigeration cell temperatures, despatching fully packaged foods (random control sampling), trial deliveries of refrigerated and frozen goods with a temperature data logging device, pest monitoring and sanitising facilities according to the cleaning plan and with selected cleaning materials as per specifications. Delticom has a dedicated HACCP officer charged with ensuring the control points.

Competitive position

Low barriers to entry

With barriers to entry being low, Delticom competes with many smaller, regionally specialised online dealers. According to the "Global E-Commerce Report 2018" E-Commerce now constitutes a 4 % share of the world's gross domestic product. In the medium term, competition will become tougher, as the internet as a sales channel is gaining momentum.

Thanks to their multi-shop approach, Delticom group is able to fulfil the individual requirements of different customer groups and maintain its position in the face of increasing competition going forward. By continuing to expand the company's offerings, with the addition of services and new product groups, Delticom is strengthening its customer loyalty as well as offering additional cross selling potential in the years ahead.

First mover

As "first-mover", we have established good business relationships with manufacturers and wholesalers in Europe over recent years. In contrast to many other E-Commerce companies, Delticom group operates throughout Europe and beyond. This allows us to react rapidly to regional differences in supply and demand. Furthermore, the mix of stock-and-ship and drop-ship fulfilment helps to balance out tyre demand fluctuations.

Cross-border

Many E-Commerce companies find the challenges of transnational business very daunting. Many activities play a decisive role in its success, such as adapting website design to local demands, describing products and providing customer service in the local language, processing payments in foreign currencies, offering the correct range of common and secure methods of payment as well as dealing with transnational shipping, customs regulations and local tax laws. Delticom group has many years of experience in transnational online trade and currently distributes its products in 77 countries.

Streamlined value chain

Because we focus on online trading, we have no need for physical sales outlets with labour-intensive on-site service. Delticom maintains a tightly-knit network of around 40,000 professional fitting partners who stand ready to change our customers' tyres on request.

A streamlined and scalable value chain has been created by largely automated business processes. Our highly efficient positioning provides us with the necessary scope to offer our customers a broad product range at attractive prices. Due to the strong balance sheet we can make purchases off-season and are able to deliver products at any time.

Even though competitive pressure is likely to rise, we expect Delticom group to remain one of Europe's leading E-Commerce companies in its field, due to its economies of scale and competitive head start.

Market environment

Replacement tyre market

The world tyre market is divided into two parts: the first supplies tyres to newly manufactured vehicles (original equipment), the second part relates to replacement tyres. In established markets, sales of replacement tyres dominate, while a relatively large proportion of business in emerging markets is accounted for original equipment tyres. Of relevance to Delticom Group is only the replacement market, which accounts for approximately three-quarters of world tyre sales. More than 60 % of all tyres sold are car tyres, while around 20 % are truck tyres, the rest are motorcycle tyres, and industrial and special tyres.

Europe, where the bulk of Delticom's activity takes place, accounts for roughly one-third of global tyre replacement demand. More than a quarter is sold in North America, while Asian markets provide another 35 % of total world sales. Demand in Europe is concentrated in five main markets: Germany, France, Great Britain, Italy and Spain. Taking unit sales and weighting with average tyre prices, the European market volume relevant to Delticom amounts for more than € 10 billion.

Tyre distribution chain

The largest tyre manufacturers command a significant share of the world tyre market. Additionally, a number of medium-sized players have established themselves globally. As has been the case in other product groups, other smaller manufacturers based in emerging countries have been gaining a foothold.

Wholesalers traditionally carry out a warehousing and logistics function in the tyre distribution chain, usually for several brands. At the same time, wholesalers operate as "brokers" on the global markets, thereby balancing regional differences and timing mismatches of supply and demand.

European tyre trading is highly fragmented. Different sales channels compete directly with each other: independent tyre dealers, manufacturers' chains, independent garages as well as national and international fast-fit chains, and now for some years online retailers.

Online tyre dealing

In the past, it was barely possible for tyre buyers to gain an overview of the market's entire available product range. Nowadays, consumers increasingly gather information online and use the internet to search for attractively priced options. Broadly available highspeed connections and the growing up of a more internet-savvy customer group further drive the growth of the E-Commerce as a sales channel.

However, the share of tyre sales made online is still relatively low. Experts estimate that online tyre sales have accounted for nearly 13 % of European sales to end customers in 2018.

In Europe, there are still great variations from country to country in the share of online tyre sales. As an example, market observers see the proportion of tyres sold online in Germany at around 13 %. There is, however, striking potential, as it is evident from a study conducted by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.). For the coming years the industry experts predict further growth potential: until 2020, the proportion of tyres sold online could rise up to 15 to 20 %.

Additionally, Delticom has a unique network of around 40,000 service partners that take customer requirements in terms of tyre changes into full consideration.

With its strong internet presence and international profile, Delticom is well positioned to both drive and benefit from the consumer shift towards online tyre purchases.

Online replacement parts

Experts value the annual volume of the European replacement parts market at over € 100 billion. According to a recent study conducted by the Freier Ersatzteilemarkt e.V. association (VREI) and the market research and consulting company 2HMforum, with 4-5 % (Scandinavian countries and France) and 8 % (Germany), internet penetration is currently still lower than in the tyre trade. Overall, the experts expect online shares of up to 18 % in the coming years. Delticom has been distributing selected automotive replacement parts and accessories in the online shops for many years. Thanks to our small items warehouse we have been able to further optimise the replacement parts logistics processes and improve cost efficiency. This will allow us to profit from an increase in the online share in the coming years.

efood & logistics

The European retail food industry achieves annual sales of approximately € 1 trillion. In 2016, online grocery sales across Europe amounted to around € 9 billion, representing a penetration rate of almost 1 %. Growth rates and market penetration currently vary greatly between the various European countries. According to recent studies, Great Britain currently sits in first place on the EU food rankings with an online retail grocery share of around 8 %, closely followed by France with around 6 %. In Germany, the largest single grocery market in Europe, the online share of sales is currently less than 2 %, i.e. small in comparison.

Experts predict that there will be attractive opportunities in the European online retail food industry in the coming years. A major barrier for online food retailers is the cost-effective and efficient logistics process. Delticom operates a super modern and almost fully automated small item warehouse that fulfils these requirements to the highest degree, offering its services in this field to third parties as well.

Used passenger vehicle market

The used car market generates an annual market volume of approximately € 300 billion. Many car buyers have now come to use online sales platforms as an important source of information. According to a study conducted by the market and opinion research institute Ipsos on behalf of the Stuttgart-based testing company Dekra, 78 % of used car buyers in Germany already use internet portals to obtain information prior to purchase. About one in three not only obtains information online, but also buys online.

Important business processes

Purchasing

Over the last few years, we have established stable business relationships with manufacturers and wholesalers (supplier capital). The purchasing department regularly forecasts prospective volumes by tyre brands and models, procures the goods and allocates deliveries to warehouses, shops and countries. In addition, the purchasing department sets selling prices of available stocks in line with demand.

Customer acquisition

We acquire most of our new customers through online marketing. This includes search engine marketing and optimization, affiliate marketing, and listings in price search engines. Regular newsletter campaigns increase retention and customer loyalty. We also cooperate with organisations such as the German motorists’ organisation ADAC to disseminate information to potential customers.

Many end consumers are not yet aware that they can buy online easily, securely and at a good price. Our PR department informs routinely about novelties in our shops and the safety aspects of the online purchase.

Customer Capital

Since the company's founding more than 13.6 million customers have made purchases in our online shops (previous year: 12.2 million, double counting not excluded). Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances.

Warehousing

Delticom carries own inventories stocked in rented warehouses. We have built up significant Process Capital with the investments into packaging machines, warehouse infrastructure, as well as into proprietary inventory management systems.

Transportation logistics

The products sold online are shipped to the customers by parcel service companies. The service partners collect the goods directly from the warehouse locations. We track rolling in, delivery and return shipments of articles with software which uses automated interfaces to integrate with our partner companies' systems.

Ordering process and order processing

At Delticom, the individual steps of the business processes are largely handled by internally developed software. Some of the order processing and responding to customer enquiries has been outsourced to operation centre, that are securely linked to our systems.

Products

Replacement tyres

Delticom group generates the bulk of its revenues through sales of brand-new replacement tyres for cars. We offer a product range of unequalled breadth: More than 100 tyre brands and 25,000 models, all of which can generally be shipped within short lead times, as well as rims and complete wheels. In addition, we sell tyres for a variety of vehicles such as motorcycles, trucks, industrial vehicles and also bicycles. Not only do we sell premium manufacturers' tyres, but also a large number of attractively priced quality tyres in the medium and budget price segments. Visitors of our websites have 24/7 access to test reports and manufacturers' specs for all our products. Thus customers are well-informed before placing an order.

Seasonal product ranges

In Germany, as well as in the Europe's northern and Alpine regions, tyre retailing is characterised by seasonal changes in the weather. With our product ranges we cater to all our customers' needs to drive safely on Europe’s roads.

Accessories and spare parts

Thanks to the supplementary range of accessories articles, engine oil, snow chains, batteries and selected spare parts, Delticom is increasingly able to tap cross selling potentials and boost revenue per customer accordingly.

High-quality groceries & logistic services

Delticom distributes high-quality gourmet and organic foods in selected countries through the Gourmondo online shops. Individual and business customers can find an extensive range of daily food products at Lebensmittel.de and Allyouneedfresh.de. The company has a cutting-edge, fully automated warehouse system for efficient logistics and product picking.

Used vehicles

The used vehicle market is one of the largest markets that has yet to penetrate the internet as a single comprehensive process. Every year around 28 million used vehicles are sold in Western Europe. As approximately half of all European used car sales are executed via advertisements - and therefore without dealers - not every vehicle vendor necessarily achieves the best outcome. In France Delticom operates the domain AutoPink.com.

Via these websites, potential buyers access high quality used vehicles from the fleets of large companies as well as private vehicles. Potential vendors profit from a comprehensive free valuation of the vehicle and receive a direct offer at a fair and market-based price immediately following the on-site inspection.

Business Model

Delticom Group sells tyres, automotive accessories, used vehicles and groceries to private and commercial end customers via online shops and online distribution platforms. The main focus of our business is online tyre sales. The online tyre shop with the greatest turnover is www.reifendirekt.de. Both ReifenDirekt and Tirendo are well-known brands in the German-speaking E-Commerce space. With the Gourmondo online shops, offering high quality gourmet and organic foods, Delticom is one of the leading online gourmet food retailers in Germany. In France the company operates one of the leading domains for online used vehicle sales for private and commercial customers.

Delticom Group generates a large share of its revenues by selling from own inventories. This stock-and-ship business strengthens the ties with manufacturers and enhances the supply capability, while generating good margins. Using dropship fulfilment, the company also sells tyres from the warehouses of manufacturers and wholesalers: Either the goods are transported directly from the supplier to the customer, or Delticom commissions parcel services to carry out the delivery.

The online tyre shops present the entire product range in a consistent look and feel. A high level of service quality is secured by the global fitting partner network and hotlines catering for the different languages.

The group offers its product range in 77 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, focusing mainly on the USA.

Employees

346 employees

On 31.12.2018, the company employed a total of 346 employees (incl. trainees). Due to the acquisition of Allyouneed Fresh, the number of employees increased significantly compared to the previous year (2017: 204). In the reporting period on average 235 staff members were employed at Delticom (previous year: 185). This calculation is based on the number of employees taking into account the number of hours worked.

Education and training

Delticom offers its staff both personal and professional development opportunities with targeted education and further training programs. Salaries are supplemented by performance bonuses wherever possible. The company provides an employee pension scheme for its staff members.

We offer training to junior staff both in business and IT areas. A total of 8 young people completed their apprenticeships in our company in the 2018 financial year. A total of 10 trainees were employed as of the end of 2018 (previous year: 11).

Individual responsibility

Creative and motivated employees form the basis of our corporate success. Consequently, we grant our staff latitudes for independent action within the scope of daily work, and assign responsibilities accordingly. All staff members are expected to improve established processes with regard to costs, quality, throughput and scalability. Every employee is encouraged to initiate new and enhance existing processes and systems. Efficiency and successful teamwork are promoted by short communication and decision-making paths.

Employees' confidence in the company and mutual loyalty are essential to successful cooperation, including in difficult situations. This is the only way in which human capital can benefit corporate objectives.

IT infrastructure

Good work needs good tools. For Delticom, as an E-Commerce company, this means: high-speed internet, and open but yet nonetheless secure browser and e-mail accounts installed on high-performance office computers and external home-based workplaces. Our network infrastructure also includes the operation centres.

Dependent company report (Section 312 Paragraph 3 AktG – German Stock Corporation Act)

According to Section 312 of the German Stock Corporation Act (AktG), Delticom has prepared a dependent company report and concluded this report with the following declaration by the Management Board: "We declare that Delticom AG has received reasonable compensation for all of the transactions listed in the report on relationships with affiliated companies according to the circumstances which were known to us on the date on which the transactions were performed. Other reporting-related activities were neither performed nor not performed."

Compensation System

The Supervisory Board is responsible for determining the structure of the compensation system as well as the compensation of the individual members of the Management Board. The Supervisory Board reviews the appropriateness of the compensation system on a regular basis. In its meeting of 20 March 2012, the Supervisory Board of Delticom decided to adopt a new system for compensation of the members of the Management Board of Delticom AG, one which satisfies the requirements of the Act on the Appropriateness of Management Board Compensation (VorstAG). The Annual General Meeting on 30.04.2012 approved this new compensation system. The Management Board's remuneration comprises three components:

- a monthly base salary
- performance-related, variable remuneration
- variable components with a long-term incentive

The variable components with a long-term incentive effect include both the performance-related salary components and the issue of stock options.

The performance-related salary components for all members of the Managing Board are based on the Delticom Group's revenues and operating profit. In order to align the remuneration structure with the sustainable development of the company, payment is spread over a longer period of time. These remuneration components are subject to a bonus/malus system geared to sustainability. As in the previous year, none of the members of the board were granted advances on their salaries or given loans during 2018.

Stock options

Taking into account the requirements contained in the resolution of the company's Annual General Meeting on 29.04.2014 regarding the main characteristics of the Stock Option Plan 2014, the company's Supervisory Board resolved on 28.12.2016 to invite the members of the company's Management Board to subscribe up to 135,000 no-par value shares in multiple tranches. On 05.01.2017, the Supervisory Board of Delticom AG resolved to issue the first tranche of the option rights for the subscription of new no-par value registered shares in the company equally among the members of the company's Management Board Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer.

Moreover, the company's Supervisory Board resolved on 21.11.2017 to invite the members of the company's Management Board to acquire option rights to subscribe no-par value shares in the second tranche. On 05.01.2018, the Supervisory Board of Delticom AG resolved to issue option rights from this second tranche equally among the members of the company's Management Board Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer.

Furthermore, on 04.12.2018, the Supervisory Board of the company resolved to invite the members of the Management Board of the company to subscribe for option rights to no-par value shares of the third and final tranche. On 28.12.2018, the Supervisory Board of Delticom AG resolved to issue option rights from this third tranche to the members of the Managing Board Susann Dörsel-Müller, Philip von Grolman and Andreas Prüfer in equal parts.

The vesting period for all stock options is four years beginning on the respective issue date. As a result, the share options are currently not yet exercisable. The option rights have a respective term of a maximum of ten years from the day the respective option right was created.

The Board of Directors and the Supervisory Board will report in detail on the option rights issued and the exercising of the option rights for each financial year in accordance with the applicable rules in the appendix to the annual financial statements, in the consolidated financial accounts or in the business report.

Members of the Supervisory Board receive a fixed compensation without performance-related components.

Corporate Governance Statement

Further information on corporate governance as well as the disclosures required by Section 289f and § 315d of the German Commercial Code (HGB) are contained within the *Corporate Governance Statement*, which is available for download on the website www.delti.com/CG.

Company Management and Strategy

Delticom Group is one of the leading E-Commerce companies in Europe in its market. Our customers benefit from a broad range of products and services at optimum prices. The focus of our distribution operations is the online sale of tyres and automotive accessories. The company does not maintain any outlets but solely sells online. We deliver goods from our own inventories and third party tyre warehouses. Revenues and EBITDA are key management indicators.

Management by Objectives

Financial objectives

The company as a whole is run using financial and non-financial objectives.

- Revenues and revenue growth are reported for the Group as a whole. During the year, current sales and revenues are compared against the short term and medium term targets.

- Divisional managers and shop managers steer their business according to unit sales, revenues and costs directly attributable to sales, like transportation costs, stocking costs and marketing costs. Target agreements are also based on quarterly and yearly contribution margins.

For Delticom as a whole, revenues and the EBITDA on group level are the key financial figures.

Along with these main management metrics, we also apply the following performance indicators.

Liquidity

Current and forward rolling budgeted liquidity measures additionally represent an important management metric in our day-to-day business. Liquidity management aims mainly to finance the inventories flexibly and at low costs.

Non-financial objectives

Apart from financial objectives, management and employees use non-financial objectives to manage the business. The development of new customer figures is the key non-financial performance indicator.

Customer numbers

The development of the customer numbers exert a significant impact on the company's revenues and earnings. Accordingly, the success and efficiency of marketing measures are closely controlled in our daily business. In 2018 the number of 1,372 thousand new customers was higher than in 2017 (1,350 thousand). The company has thus exceeded its target formulated at the beginning of the year of convincing more than 1 million new customers of its products and value-for-money offerings in the year under review. In addition, customers who come back contribute to the success of the business. In the past year 699 thousand of those customers (2017: 729 thousand) made repeat purchases at Delticom. Since the company was founded more than 13.6 million customers have made purchases in our online shops.

Ability to deliver

Delticom Group generates a significant part of its revenues through the sale from its own warehouses. Holding own stocks is essential to be able to make deliveries also at seasonal peaks. Our strategy focuses on securing stocks well in advance, in dependence of the market situation. Due to the great importance of own stock for margin and delivery capability, additions and disposals from warehouses are strictly controlled using flow of goods and warehouse management metrics. Our drop-ship business, where our suppliers supply directly to our customers, completes our product range, and gives us the opportunity to respond quickly and flexibly to changes in market conditions.

Order processing

Order processing is largely automated. Most of the daily incoming orders are transferred within a few hours to warehousing or our suppliers in order to ensure rapid goods dispatch.

Efficient warehouse handling

Our aim is to transfer all orders that are ordered in one of the warehouses that we operate by the defined weekday cut-off time to the parcel services on the same day for dispatching to our customers. Warehousing processes are operationally controlled by respective departmental managers utilizing software-supported warehouse management systems. Full warehouse counterchecks are also regularly conducted (according to the "two sets of eyes" principle).

Financial and non-financial performance indicators are aggregated in different views, summarised in reports and distributed automatically. The reporting forms the basis for discussions among Management Board, the controlling function and the individual departments. Cross-departmental meetings ensure a constant exchange of information in the company.

Strategy

Delticom has many years of experience in international E-Commerce. The success of our company is largely underpinned by a well-established understanding of online marketing and our ultramodern IT infrastructure. Thanks to our multi-shop approach, we are not only able to fulfil the requirements of different customer groups in the best possible way, but also respond quickly and flexibly to changing market conditions and customer needs.

Sustainable and profitable growth

The market volume in the European replacement tyre trade amounts to more than 10 billion € annually, the online share is currently around 13 %. Delticom is the clear market leader with online revenues of more than half a billion € per year in its core automotive business. The aim of the Delticom Group is to maintain and further expand its existing market leadership in the European tyre trade in order to further increase its revenue and earnings potential in the medium and long term.

Thanks to our multi-shop concept, we are already reaching various target groups. However, Internet penetration in the individual European markets in which we operate still varies considerably with regard to online tyre trade. Accordingly, the Internet and Internet trading in Europe continue to offer growth potential for the future. It is therefore important to position the Group in this way today and to create the necessary structures to continue to be able to take advantage of future growth opportunities.

The continuous improvement of cost efficiency is a key target for sustainable and profitable growth. Accordingly, the company will continue to invest in the automation and optimization of its process landscape in the coming years in order to maintain and further expand not only its market but also its existing cost leadership.

Focus

We focus on selling tyres and car accessories to European private and business end customers. By continually expanding our range of products and services, we are expanding our core competencies to other spheres of business. This will contribute immensely to the success of the business in the medium term. At present, revenues of products other than tyres are still comparatively low. In recent years, however, the company has laid the foundations for further increasing revenues in these product areas in the future.

Online only

Delticom sells exclusively online, does not operate any bricks-and-mortar outlets, has few fixed assets and low personnel costs. Further automation and additional outsourcing are going to streamline the organisation. In the medium and long term, the sales focus of the Delticom Group will continue to be on online trading and the complementary offering of E-Commerce services.

Optimised sourcing

A large part of revenues is generated by the sale of goods from the company's own warehouses (stock-and-ship). Buying in bulk in low season guarantees good purchasing conditions and allows us to deliver tyres to the end customers in high season. In order to achieve its growth and profitability targets in the medium to long term, Delticom will continue to invest in its warehouse infrastructure. Using drop-ship fulfilment, the company also delivers from third party warehouses. Each method of delivery has its own advantages. Therefore we shall continue to use both.

Logistics

The core competencies of the company include our advanced automated and highly efficient product picking and distribution systems. Short delivery times and a low incorrect delivery rate are two of the major success factors when it comes to E-Commerce. Innovative product development and continual process optimisation are essential to ensure our future growth and extend our competitive advantage.

Liquidity management

Liquidity management aims mainly to finance the inventories flexibly and at low costs. The seasonality in the tyre trade, amplified by the strong underlying growth of the company, result in broad fluctuations in our cash position over the course of the year. In order to remain as independent as possible from external capital providers in the future we have established a corporate treasury function, tasked with the day-to-day liquidity management. The treasury department uses a comprehensive set of instruments for liquidity management.

Reliable partners

Improving our already good relationships to our partners is important to us. Over the past years dependable business ties have been established with manufacturers and wholesalers both in Germany and abroad. Reliable, long-standing parcel services deliver the goods in a timely and cost effective manner. Delticom's customers can access a network of tenthousands of fitting partners who stand ready to mount the tyres. Hotline services and parts of order processing have been outsourced to operation centre.

Research and Development

Proprietary software

Highly specific proprietary software solutions have played a key role in the company's success over the past few years. This software largely automates the order and delivery process at low costs. Existing solutions are maintained and extended on an ongoing basis.

Suggestions and change requests are prioritised in an inter-departmental steering committee and implemented by the Software Development department.

Services for research and development purposes

Delticom develops software for E-Commerce (shop systems and backend systems) and technical logistics systems by its own employees, but also purchases development services.

Test markets

As Delticom operates on an international basis, the impact of innovations in the shops (such as different order routes, types of payment and service offers) have first to be assessed in test markets before allowing the changes to be rolled out on a global basis. Additionally, Delticom always enters new geographical markets with a test phase. Only after successful completion of the tests the business is ramped up in the respective country. We regularly adjust our processing and customer communication to regional specifics.

Report on economic position

General conditions in 2018

The global economy continued to grow in 2018, but in view of the increasing conflicts over trade policy, the global economy has cooled down since the spring of last year. In emerging markets such as India and Russia, the economy has recently been unable to maintain its pace of expansion, and in Japan economic output even declined in the third quarter of 2018. By contrast, the Chinese economy grew dynamically, and growth also accelerated again in Brazil. In the USA, the economy continued to benefit from the tax reform.

Macroeconomic development

Europe

The pace of the European economy also slowed over the year as a whole. In particular, the danger of a disorderly exit from the EU by Great Britain, protests against government policy in France and budget policy in Italy weighed on the economy.

Germany

The growth of the German economy also lost momentum in the course of 2018. In addition to the difficult external economic environment, this was due to production and delivery problems in the automotive industry due to the transition to a new registration standard and to restrictions on inland navigation due to the low water levels of rivers. In addition, special effects such as the wave of influenza or strikes dampened the economy. Despite this, private consumption was once again an important pillar of the economy in view of the good development of employment and income in the past year.

Sectoral developments

E-Commerce

E-Commerce is becoming more and more important. According to the German E-Commerce and Distance Selling Trade Association (bevh), every seventh euro is now spent on E-Commerce in Germany. The industry was able to increase its revenues in 2018 by a good 11 % to € 65 billion. And the frequency of online purchases is also increasing: every third consumer in Germany now orders goods in an online shop at least once a week.

Replacement tyre business

After the sales trend in the German replacement tyre business had already been more or less characterized by a declining or at best stagnating sales trend up to and including November of last year, December did not bring a turnaround either. Despite the increasing demand for all-season tyres and 4x4/offroad tyres, sales in the German passenger car replacement tyre business were 2.8 % down on the previous year for the year as a whole, according to the Association of the German Rubber Industry (WdK) and the manufacturers' association ETRMA.

Consolidation process on the replacement tyre market

The consolidation process in the European replacement tyre market, which has been ongoing for several years, continued in 2018. According to experts, low margins are a burden not only on tyre retailers, but also on tyre wholesalers in particular. In order to remain competitive and ensure successful organic growth, there were further takeovers, shareholdings and insolvencies along the tyre retail chain against the backdrop of the competitive market environment last year.

Summer tyre sales

In contrast to the corresponding quarter of the previous year, persistently cold temperatures in the first three months of the past year delayed the start of the summer tyre season in Germany. Winter weather conditions in the first quarter prompted many drivers to postpone the conversion of their vehicles to summer tyres. As a result, the summer tyre business did not start until after the Easter holidays at the beginning of April. Despite the catch-up effect in the second quarter, market experts estimate that a total of 5.4 % fewer summer tyres were sold by retailers to consumers in the first half of the year. The negative sales trend continued in the following months. According to WdK and ETRMA, sales of summer tyres from retailers to consumers in Germany fell by 6.8 % compared to 2017.

Winter tyre sales

Mild temperatures at the end of the third quarter prevented an early start to the winter tyre season. Only with cooler temperatures in the last half of October did the winter tyre business gain momentum. Market experts estimate that throughout Germany 9.4 % more winter tyres were sold by retailers to consumers in October than in the same period of 2017. According to WdK and ETRMA, the domestic tyre trade sold a total of 4.8 % fewer winter tyres to consumers last year for the year as a whole.

Food

In the past fiscal year, the German retail sector again benefited from consumers' propensity to buy and, according to the industry association HDE, increased its sales by 2.3 % to € 525 billion in 2018 for the ninth time in succession. According to the Gesellschaft für Konsumforschung, sales in the food retail sector grew by 1.2 % compared to 2017 to around € 186 billion.

Business performance and earnings situation

Acquisition

On 27.09.2018, Delticom AG concluded an agreement with Deutsche Post DHL Group for the acquisition of all shares in All you need GmbH, a wholly-owned subsidiary of Deutsche Post DHL Group. Delticom AG has been operating the Berlin-based online supermarket since 01.11.2018. All you need GmbH is the owner of the domain Allyouneedfresh.de.

Following the acquisition of the eFood and logistics companies Gourmondo and DeltiLog (formerly DeltiTrade) in 2016, Delticom has expanded its eFood product range with the acquisition of Allyouneed Fresh. The online food business will be continued under allyouneedfresh.de alongside Gourmondo.de.

Revenues

Group

Delticom group generates the bulk of its revenues through online sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. Automotive components and accessories, used cars, premium gourmet and organic food as well as logistics and services complete the product offering.

Over the course of 2018, Delticom group generated revenues of € 645.7 million, a decrease of 3.3 % from prior-year's € 667.7 million.

Regional split

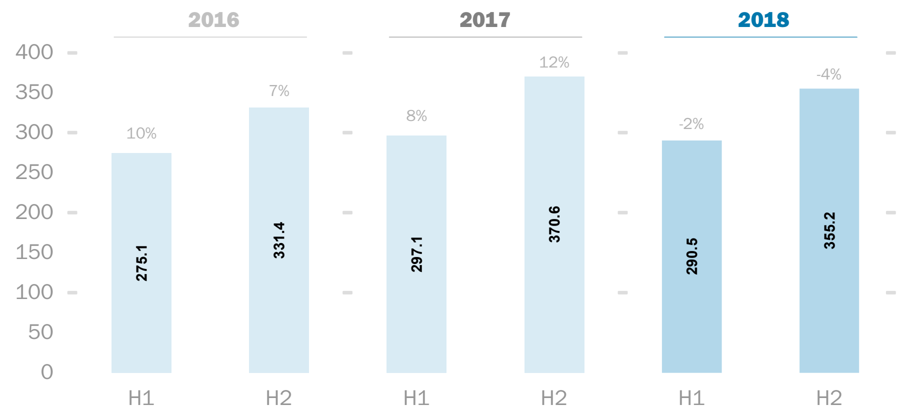
The group offers its product range in 77 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 490.3 million (2017: € 518.4 million, –5.4 %). Operations in Europe are not restricted to EU member states but also include European non-EU countries and the USA. Across all countries outside the EU the revenue contribution for 2018 was € 155.4 million (2017: € 149.3 million, +4.1 %). The increase in revenues in non-EU countries is mainly attributable to the positive development of business in the USA.

Seasonality

The chart *Revenues trend* summarises the development of the revenues per half year.

Revenues trend

semi annual revenues in € million



1st half year

In contrast to the previous year, persistently cold temperatures in the first three months of the current year had caused many motorists to delay the conversion of the vehicle to summer tyres. Accordingly, this year's summer tyre business did not start until after the Easter holidays at the beginning of April. Due to the persistent winter weather conditions at the beginning of the year, the Delticom Group generated total revenues of € 110.8 million in the first quarter of the past fiscal year (Q1 17: € 126.8 million, –12.6 %).

With rising temperatures, the summer tyre business picked up speed after Easter. Despite the catch-up effect, we were unable to fully make up for the decline in sales in the first quarter. In the second quarter, the company managed sales in its core business in line with its profitability targets and generated total revenues of € 179.7 million (Q2 17: € 170.3 million, +5.5 %).

In the first half of 2018, the Delticom Group generated revenues of € 290.5 million, a decrease of 2.2 % compared to the same period of the previous year (H1 17: € 297.1 million)

2nd half year

The summer of 2018 was marked by extreme meteorological events in Europe: temperature records and heat waves, droughts but also intensive heavy precipitation characterised the European weather situation. Large parts of Scandinavia recorded the warmest July since recording began. France recorded the third warmest July since 1900, while Switzerland reported the lowest precipitation period in almost 100 years. Great Britain experienced the third-longest heat wave, including a new record for the number of consecutive days at over 30 degrees Celsius. In Germany, too, the summer of the past financial year was marked by prolonged warm and dry weather with an intense heat wave. September 2018, too, was marked by midsummer weather conditions over long stretches in Germany. In 2017, the last month of the third quarter had already shown itself from the autumn side. Due to the mild temperatures at the end of the third quarter, we were unable to benefit from an early start to the winter tyre season in our core business. It was not until the cooler temperatures in the last half of October that the winter tyre business gained momentum. Revenues came in at € 355.2 million in the second half of the year, down 4.2 % year on year (H2 17: € 370.6 million).

In preparation for the winter tyre business in the fourth quarter of 2018, we increased the technical shipping capacity at the Sehnde tyre warehouse over the course of the year by making corresponding investments. However, the expanded capacity could not be fully utilized in the fourth quarter. In addition to the weather-related effects described above, we faced the challenge that trained specialist personnel were not available in time for the winter season due to the good labor market situation throughout Europe. In addition, the decrease in revenues in H2 18 is due to the fact that, in contrast to the previous year, the company did not lower prices in the final quarter of 2018 in the further course of the season.

Key expense positions

Cost of goods sold

The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold goods. Group COGS in the reporting period amounted to € 505.1 million (2017: € 530.3 million, –4.8 %). Compared with the prior-year period, the ratio of cost of goods sold to revenues decreased from 79.4 % to 78.2 %.

Personnel expenses

On 31.12.2018, the group had a total of 346 employees (including trainees). In the reporting period on average 235 staff members were employed at Delticom group (previous year: 185). Personnel expenses amounted to € 15.9 million (2017: € 10.9 million). The increase is due on the one hand to the expansion of the workforce in the course of the acquisition of Allyouneed Fresh. At the time of the takeover in early November 2018, Allyouneed Fresh had a total of 110 employees. The number of employees was gradually reduced in the following months in Berlin in the course of the restructuring and stood at 41 employees at the end of May 2019.

The severance payment to the former member of the Management Board, Thierry Delesalle, is also part of the increase in personnel costs. In addition, additional employees were hired in the course of the year. These are mainly warehouse personnel who previously worked for Delticom on a temporary or agency basis. The personnel expenses ratio (staff expenditures as percentage of revenues) amounted to 2.5 % in the past financial year (2017: 1.6 %).

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Despite the decline in sales, transportation costs in the reporting period were with € 61.9 million only 1.2 % lower than in the same period of the previous year (2017: € 62.7 million).

The country mix in sales and the associated delivery routes have a significant impact on transportation costs. In addition, the winter tyre business is moving ever closer to the Christmas business due to the weather. Together with price increases by some courier, express and parcel services for certain destinations, this led to an increase in transportation costs primarily in the fourth quarter of 2018 compared to the previous year.

Rents and overheads

Rents and overheads increased by 12.1 % in 2018, from € 6.6 million to € 7.4 million. As of mid-2017, the company has rented a further warehouse in which the tyres purchased before the season are temporarily stored until they are sold. The costs for this warehouse are therefore included in 2018 for the year as a whole. In addition, a smaller warehouse in France was put into operation in the middle of 2018. The acquisition of Allyouneed Fresh also results in additional rental costs for the warehouse taken over in the Czech Republic and the office space in the centre of Berlin.

Direct warehousing costs

Stocking costs increased in the reporting period from € 8.0 million to € 9.3 million (+16.1 %). The increase is mainly attributable to relocation costs in connection with the closure, relocation and opening of new warehouses. The ratio of stocking costs against revenues of 1.4 % was slightly above the previous year's level (2017: 1.2 %).

Marketing costs

In the reporting period, costs for advertising totalled € 33.0 million, after € 28.2 million in 2017. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 5.1 % (2017: 4.2 %). Delticom increasingly sells its products via other online sales channels in addition to its pure online shops. This is reflected in higher costs for corresponding sales commissions and listing fees for the various portals. In addition, the company invested significantly more in online advertising in 2018 with the aim of further increasing the visibility and awareness of its online shops in a competitive market environment. Not all marketing measures taken last year converted into corresponding sales growth. In the course of the winter tyre business, the marketing strategy was adjusted accordingly and less efficient activities were discontinued.

Financial and Legal

Expenses for finance and legal fees amounted to € 4.9 million in the period under review (2017: € 4.7 million), an increase of 5.2 %. The increase is mainly due to legal and consulting costs incurred in relation to the acquisition of Allyouneed Fresh.

Bad debt losses

Bad debt losses amounted to € 5.1 million in the reporting period, compared to € 2.8 million in 2017. The increase of 79.4 % results primarily from the reconciliation and adjustment of open items. In addition, receivables management was further streamlined last year with regard to defaulting customers.

Depreciation

Depreciation for 2018 increased by 8.8 % from € 7.2 million to € 7.9 million. Amortization of intangible assets totalled € 5.3 million (2017: € 5.0 million). Higher depreciation due to the investments made was partially offset by the scheduled discontinuation of Tirendo's amortization of intangible assets at the end of the past fiscal year. Depreciation on property, plant and equipment totalled € 2.6 million in the period under review (2017: € 2.2 million).

Earnings position

Gross margin

The gross margin (trade margin ex other operating expenses) for the full year was 21.8 % after 20.6 % in the prior-year period. In contrast to the previous year, the company did not lower prices in the final quarter, which enabled the gross margin to be increased in the past financial year as a whole.

Other operating income

Other operating income increased in 2018 by 47.4 % to € 38.1 million (2017: € 25.8 million). The increase resulted primarily from income in connection with the acquisition of Allyouneed Fresh in the amount of € 11.4 million. In addition, other operating income also includes gains from exchange rate differences in the amount of € 3.5 million (2017: € 2.6 million). FX losses have been accounted for as line item in the other operating expenses (2018: € 3.2 million, 2017:

€ 3.6 million). The currency losses realized in 2018 mainly result from the US dollar. In the reporting period the balance of FX income and losses totalled € 0.3 million (2017: € –1.0 million).

Gross profit

Altogether, the gross profit increased in the reporting period by 9.5 % year-on-year, from € 163.2 million to € 178.7 million. Gross profit in relation to total income of € 683.8 million (2017: € 693.5 million) amounted to 26.1 % (2017: 23.5 %).

EBITDA

EBITDA for the reporting period decreased by 3.3 % from € 9.3 million to € 9.0 million. The EBITDA margin for the fiscal year stood at 1.4 % (2017: 1.4 %).

In the first half of the year, it became increasingly clear that market conditions in the European tyre trade remained difficult due to the ongoing consolidation process. The extent to which our pricing policy of the first six months can be enforced on the market in the further course of the year, and particularly in the winter business, was subject to a certain degree of uncertainty after the first six months. At the same time, in the middle of the year, based on the status of the project at the time, there was a realization that a possible takeover of Allyouneed Fresh could generate earnings in the second half of the year.

For Delticom as a whole, revenues and earnings before interest, taxes, depreciation and amortization (EBITDA) are the key performance indicators for the Group as a whole. Based on the information available at the middle of the year, operational decisions were made for the second half of the year, weighing the opportunities and risks. In addition to various marketing tests, these included the expansion of warehouse and shipping capacities and the associated adjustment of internal processes.

In addition to the severance payment to a former member of the Executive Board, the increased cost base in the second half of the year resulted primarily from increased bad debt losses in connection with the elimination of open items and a significant increase in marketing expenses, while sales in our core business declined at the same time. These higher expenses were fully offset by the other operating income generated in connection with the acquisition of Allyouneed Fresh.

In the first six months of 2018, EBITDA of € 6.8 million was generated, some 37.1 % up on the same period in the previous year (H1 17: € 5.0 million). The EBITDA margin for H1 18 totalled 2.3 %. (H1 17: 1.7 %). In 2016 and 2017, transport costs were overstated, with the result that the operating result in these two years was correspondingly understated. The corresponding correction was made in H1 18. The improvement in EBITDA over the half-year results in part from this effect.

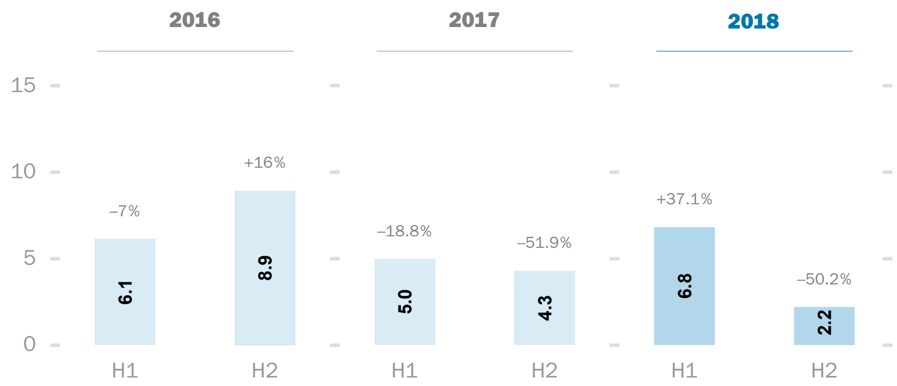
In the second half of the year, EBITDA of € 2.2 million was achieved, following € 4.3 million in H2 17 (–50.2 %). As a result, the EBITDA margin achieved in the second half of the year came in at 0.6 % compared to 1.2 % in the same period of the previous year. Other operating income related to the acquisition of Allyouneed Fresh offset the increased cost base in H2 18.

EBIT

EBIT decreased in the reporting period by 46.3 % to € 1.1 million (2017: € 2.0 million). This equates to an EBIT margin of 0.2 % (2017: 0.3 %).

EBITDA

per half year, in € million



Financial income

Financial income for the reporting period amounted to € 22 thousand (2017: € 160 thousand). Financial expenses decreased to € 689 thousand (2017: € 539 thousand), leading to a financial result of € –668 thousand (2017: € –379 thousand).

Income taxes

In 2018 the expenditure for income taxes was € 2.1 million (2017: € 0.5 million). This equates to a tax rate of 493.1 % (2017: 32.5 %). This development resulted primarily from the recognition of deferred tax expenses (totaling € 1.5 million), in particular in connection with loss carryforwards.

Net income and dividend

Due to the high tax expense in the consolidated financial statements 2018, the consolidated net income with € –1.7 million or € –0.13 per share is significantly lower compared to the previous year (2017: € 1.1 million or € 0.09 per share). Delticom AG's earnings relevant for the distribution for the fiscal year ended are negative at € –3.4 million or € –0.27 per share (2017: € 5.2 million or € 0.42 per share).

Against the backdrop of last year's earnings performance and in view of the investments required in the current year to create the structures necessary to return to a sustainably profitable growth course, the Management Board and Supervisory Board have jointly decided to propose to the Annual General Meeting on 12.08.2019 to not pay any dividend for the past financial year. This step goes hand in hand with the clear objective of strengthening Delticom AG's earnings power in order to enable shareholders to participate in Delticom's business success again in the future.

The table *Abridged profit and loss statement* summarizes key income and expense items from past years' profit and loss statements.

Abridged profit and loss statement

in € thousand

	2018	%	+%	2017	%	+%	2016	%
Revenues	**645,724**	100.0	–3.3	**667,712**	100.0	10.1	**606,586**	100.0
Other operating income	38,064	5.9	47.4	25,827	3.9	25.3	20,619	3.4
Total operating income	**683,788**	105.9	–1.4	**693,539**	103.9	10.6	**627,205**	103.4
Cost of goods sold	–505,100	–78.2	–4.8	–530,311	–79.4	13.8	–466,106	–76.8
Gross profit	**178,688**	27.7	9.5	**163,228**	24.4	1.3	**161,099**	26.6
Personnel expenses	–15,893	–2.5	45.6	–10,916	–1.6	8.5	–10,057	–1.7
Other operating expenses	–153,829	–23.8	7.5	–143,039	–21.4	5.2	–135,982	–22.4
EBITDA	**8,965**	1.4	–3.3	**9,273**	1.4	–38.4	**15,060**	2.5
Depreciation	–7,871	–1.2	8.8	–7,237	–1.1	–7.8	–7,847	–1.3
EBIT	**1,094**	0.2	–46.3	**2,036**	0.3	–71.8	**7,213**	1.2
Net financial result	–668	–0.1	76.0	–379	–0.1	–37.8	–610	–0.1
EBT	**426**	0.1	–74.3	**1,657**	0.2	–74.9	**6,604**	1.1
Income taxes	–2,102	–0.3	289.9	–539	–0.1	–74.9	–2,149	–0.4
Consolidated net income	**–1,676**	–0.3	–249.9	**1,118**	0.2	–74.9	**4,455**	0.7

Overall statement on the earnings position

In a difficult market environment with regard to the European replacement tyre business, Group sales in the reporting period amounted to € 645.7 million (2017: € 667.7 million, –3.3 %). Despite the unfavourable market conditions, Delticom remains the market leader in the European online tyre trade. The decrease in revenues is largely attributable to the pricing policy pursued last year in our core business. In contrast to 2017, Delticom did not lower prices in the fourth quarter and was therefore able to increase its gross margin from 20.6 % to 21.8 %. This at least partially offset the year-on-year increase in the cost base in our core business.

In particular, the significant year-on-year increase in marketing costs, virtually unchanged transport costs despite the decline in sales, the rise in bad debt losses and the severance payment to the former Executive Board member had a negative impact on earnings in our core business.

In recent years, the company has built up extensive know-how in the field of acquisition and turnaround of loss-making start-ups. The clear focus on cost and process optimisation along the value chain is crucial in the context of restructuring in order to establish sustainable profitable business models within a manageable time horizon. The acquisition of Allyouneed Fresh last year also underscores

Delticom's ability to seize existing opportunities to achieve its corporate and profitability goals.

The fact that the Delticom Group's EBITDA only decreased from € 9.3 million by 3.3 % to € 9.0 million in the past fiscal year despite declining revenues is primarily due to the other operating income generated in connection with the acquisition of Allyouneed Fresh, which offset the higher cost base in the second half of the year. Overall, the consolidated result amounted to € –1.7 million - after a previous year's result of € 1.1 million a decrease of 249.9 %.

Financial and assets position

Delticom group has a solid balance sheet. The low capital intensity of the E-Commerce business model ensures a good financial position for future growth.

Investments

Property, plant and equipment

The investments made in property, plant and equipment in 2018 totalling € 7.2 million (2017: € 4.8 million) mainly relate to replacement and equipment investments in our warehouses. In addition, in April 2018 the company acquired a plot of land including a building for a purchase price of € 1.0 million in order to build a production facility for state-of-the-art logistics facilities.

Intangible Assets

Delticom also invested € 3.5 million in intangible assets (2017: € 3.1 million). The investments made in 2018 largely related to software.

The total investment of € 10.7 million made in 2018 is therefore higher than the depreciation and amortization during the period under review (€ 7.9 million).

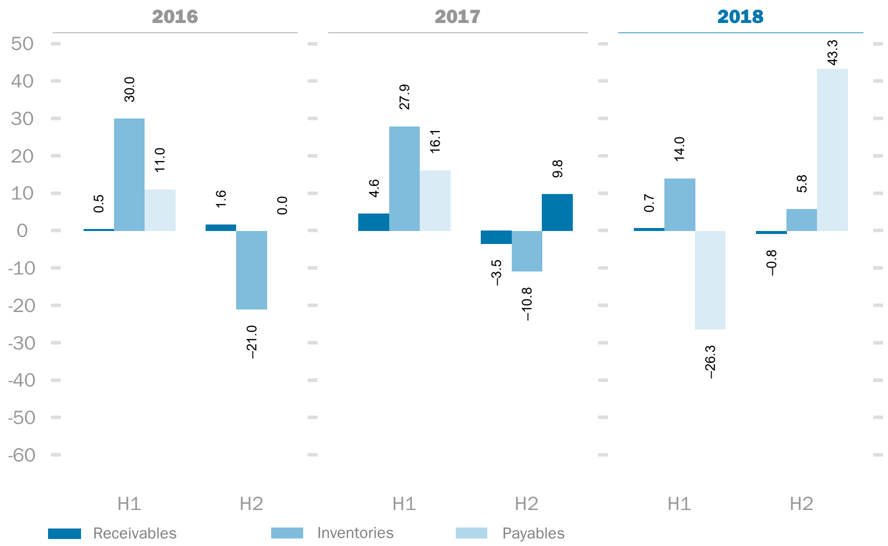
Working Capital

Working Capital

We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. Prepayment received from customers as well as the liability position of customer credits have been deducted from the receivables. In 2018 the Net Working Capital increased from € –17.4 million by € 2.3 million to € –15.1 million.

The chart *Working Capital* illustrates the changes in the components of Net Working Capital half-year-to-half-year for the last three years.

Working Capital
in € million



Receivables

Usually the receivables follow the seasonal pattern quite closely. Still, owing to the reporting date distorting effects are unavoidable. The accounts receivable stood at € 24.3 million on the reporting date (31.12.2017: € 24.4 million). Due to public holidays, more paid orders than in the previous year were not yet delivered at the end of the year. Accordingly, prepayments received from customers at the end of the year were with € 7.8 million higher than in the previous year (31.12.2017: € 7.0 million). The liability position of customer credits on the reporting date remained with € 0.3 million nearly unchanged compared to the previous year (31.12.2017: € 0.3 million).

In total, working capital commitment in receivables - reduced by prepayments received from customers as well as customer credits - decreased from € 17.1 million as of 31.12.2017 to € 16.2 million as of 31.12.2018. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) with 9.4 was slightly higher compared to the previous year (2017: 9.1).

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year their value went up by € 19.8 million to € 99.6 million (31.12.2017: € 79.8 million). The increase resulted from a year-on-year increase in inventories of winter goods due to the weak season. Against the background of the prolonged winter at the beginning of the current year, we were able to further reduce the number of winter tyres in January, February and March.

Due to higher inventory levels during the year and the decline in revenues, average Days Inventory Outstanding for 2018 (DIO, average inventory level divided by average cost of sales) increased over the course of the past financial year, from 49.1 days in 2017 to 64.8 days in 2018.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. For the purpose of analysis we reduce these payables by the amount credited to suppliers (included in the balance sheet line item of other current receivables). This balance of accounts payable reduced by credit with suppliers was with € 130.9 million by € 16.6 million higher than the previous year (31.12.2017: € 114.3 million).

Cash flow

Operating cash flow

The cash flow from operating activities was significantly lower in the reporting period at € –11.7 million (2017: € 15.4 million). This development resulted primarily from the lower increase in trade payables compared with the prior year balance sheet date, higher inventories and higher income tax payments in 2018 compared to the previous year.

Investing activities

Payments for investments into property, plant and equipment have been € 7.2 million (2017: € 4.3 million). In the reporting period, Delticom also invested € 3.5 million in intangible assets (2017: € 3.1 million). The disbursements are offset by inflows from the acquisition of Allyouneed Fresh due to the negative purchase price and the cash acquired in the amount of € 5.6 million. As a result, the cash flow from investment activities totalled € –3.1 million (previous year: € –7.4 million).

Financing activities

The Delticom Group recorded a cash flow from financing activities of € 14.3 million in the reporting period (2017: € –10.8 million). Payments for the dividend of € 1.2 million and € 3.6 million from the repayment of financial liabilities were offset by the use of credit lines in the amount of € 19.1 million.

Liquidity according cash flow

The starting point is the liquidity position as of 31.12.2017 amounting to € 3.9 million. The balance of effective changes in cash funds during the reporting period totalled € –0.5 million. On 31.12.2018 liquidity totalled € 3.4 million. On 31.12.2018, the group’s net cash position (liquidity less liabilities from current accounts) amounted to € –23.9 million. The starting point is the net liquidity less current financial liabilities at the beginning of the year in the amount of € –4.4 million plus the change in cash and cash equivalents by € –0.5 million and the increase in current financial liabilities by € –19.1 million compared with the prior year balance sheet date.

Free cash flow

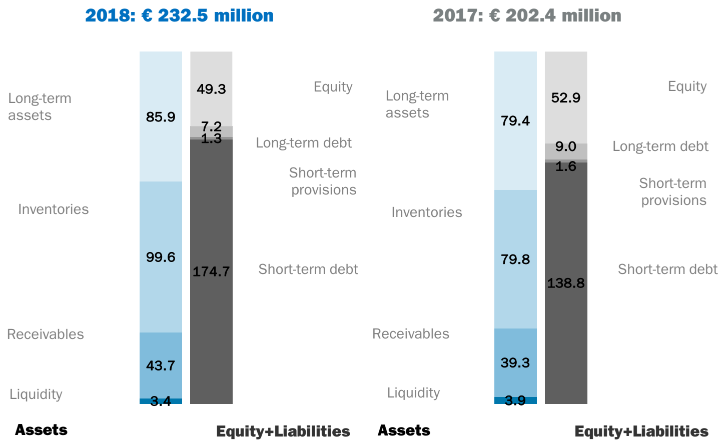
The free cash flow (operating cash flow less cash flow from investing activities) decreased from € 8.0 million to € –14.8 million.

Balance sheet structure

As of 31.12.2018 the balance sheet total amounted to € 232.5 million (31.12.2017: € 202.4 million, +14.9 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abgridged Balance Sheet

in thousand €

	31.12.18	%	+%	31.12.17	%	30.06.17	%
Assets							
Non-current assets	85,858	36.9	8.2	79,364	39.2	77,469	35.8
Fixed assets	81,369	35.0	9.0	74,619	36.9	73,346	33.9
Other non-current assets	4,490	1.9	–5.4	4,745	2.3	4,124	1.9
Current assets	146,677	63.1	19.3	122,992	60.8	138,863	64.2
Inventories	99,586	42.8	24.8	79,811	39.4	90,601	41.9
Receivables	43,687	18.8	11.2	39,300	19.4	45,215	20.9
Liquidity	3,404	1.5	–12.3	3,881	1.9	3,046	1.4
Assets	**232,535**	**100.0**	**14.9**	**202,356**	**100.0**	**216,332**	**100.0**
Equity and Liabilities							
Long-term funds	56,490	24.3	–8.8	61,947	30.6	60,162	27.8
Equity	49,254	21.2	–7.0	52,940	26.2	52,706	24.4
Long-term debt	7,236	3.1	–19.7	9,007	4.5	7,456	3.4
Provisions	252	0.1	–20.4	317	0.2	252	0.1
Liabilities	6,547	2.8	–20.9	8,274	4.1	7,204	3.3
OtherNonCurrentLiabilities	437	0.2	4.9	416	0.2	0	0.0
Short-term debt	176,045	75.7	25.4	140,408	69.4	156,170	72.2
Provisions	1,330	0.6	–18.9	1,639	0.8	2,050	0.9
Liabilities	174,715	75.1	25.9	138,769	68.6	154,120	71.2
Equity and Liabilities	**232,535**	**100.0**	**14.9**	**202,356**	**100.0**	**216,332**	**100.0**

Non-current assets

On the assets side of the balance sheet, the non-current assets increased from € 79.4 million to € 85.9 million. The increase in fixed assets from € 74.6 million to € 81.4 million is mainly due to the increase of € 4.3 million in property, plant and equipment from € 17.3 million to € 21.7 million since the beginning of the year as a result of investments in our warehouses and the property, plant and equipment acquired from Allyouneed Fresh. In addition, a plot of land including a building for the construction of a production facility for state-of-the-art logistics facilities was acquired in the past financial year. On 31.12.2018 property, plant and equipment were 9.3 % of the balance sheet total (previous year: 8.6 %). The increase in intangible assets from € 57.1 million to € 59.7 million results primarily from the acquisition of Allyouneed Fresh.

An important single line item in the other non-current assets (31.12.2018: € 4.5 million, 31.12.2017: € 4.7 million) were deferred taxes of € 4.0 million (31.12.2017: € 4.3 million). These tax assets mainly result from losses carried forward.

Inventories

Among the current assets, the inventories are the biggest line item. They were increased by € 19.8 million or 24.8 % to € 99.6 million. The chapter *Financial and assets position – Working Capital* presents the reasons for the increase in detail.

Receivables

Accounts receivables amounted to € 24.3 million at the end of the year and were thus 0.3 % lower than in the previous year (31.12.2017: € 24.4 million). As part of the other current assets of € 12.8 million (2017: € 14.8 million) the refund claims from taxes decreased by 17.1 %, from € 11.9 million to € 9.8 million. This change arises from a lower VAT surplus as of the year-end. Tax receivables were € 6.5 million higher compared to the previous year (31.12.2018: € 6.7 million, 31.12.2017: € 0.1 million). This change mainly results from the negative annual result of Delticom AG. In total, the receivables position increased by 11.2 % to € 43.7 million (previous year: € 39.3 million).

Liquidity position

Cash and cash equivalents registered net outflows of € 0.5 million. On 31.12.2018 liquidity totalled € 3.4 million (prior year: € 3.9 million). Owing to the seasonal nature and the payment terms and conditions in tyre retailing, liquidity is subject to significant fluctuations over the course of the year.

In total, current assets went up from € 123.0 million by 19.3 % to € 146.7 million. The increase of € 23.7 million is mainly attributable to higher inventories on the reporting date. The share of current assets of balance sheet total increased from 60.8 % to 63.1 %.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments increased by € 35.6 million or 25.4 % to € 176.0 million (31.12.2017: € 140.4 million). Provisions decreased by € 0.3 million or 18.9 % to € 1.3 million (prior-year: € 1.6 million), thereof provisions for taxes valuing € 0.4 million (previous year: € 1.0 million).

As part of the € 174.7 million in short-term liabilities as of 31.12.2018, € 131.4 million were recorded as accounts payable, corresponding to a share of 56.5 % of balance sheet total. Compared to the position of € 114.4 million from the prior-year period, accounts payable increased by 14.9 %.

Current liabilities to banks amounted to € 27.1 million at the balance sheet date, an increase of € 19.1 million compared with the previous year (2017: € 8.0 million). Due to the typical payment dates in tyre trading and the weaker business development in the final quarter of 2018, existing credit lines were used to a greater extent than in the previous year to pay for the winter tyres stored.

In the other current liabilities of € 16.2 million (previous year: € 16.4 million) € 7.8 million are attributable to payments received on account of orders (previous year: € 7.0 million) and € 0.3 million to customer credits (previous year: € 0.3 million).

Long-term liabilities

The long-term debt of € 7.2 million (previous year: € 9.0 million) is composed of long-term interest-bearing debts of € 3.7 million (31.12.2017: € 7.3 million), non-current provisions to the order of € 0.3 million (31.12.2017: € 0.3 million), other non current liabilities of € 0.4 million (31.12.2017: € 0.4 million) and deferred tax liabilities of € 2.8 million (31.12.2017: € 1.0 million).

During the reporting period, Delticom increased short-term financial liabilities by € 19.1 million. Long-term financial liabilities were decreased by € 3.6 million.

The sum total of non-current and current financial liabilities amounted to € 30.9 million on the reporting date, reflecting an increase of € 15.5 million in a balance sheet date comparison (31.12.2017: € 15.3 million). The share of interest-bearing financial liabilities of the balance sheet total at the reporting date was 13.3 % (31.12.2017: 7.6 %).

Equity and equity ratio

On the liabilities side of the balance sheet the equity position went down by € 3.7 million or 7.0 % from € 52.9 million to € 49.3 million. The reduction is mainly attributable to the lower net retained profits. The structure of the liabilities and shareholders' equity shows a decrease in the equity ratio, from 26.2 % to 21.2 %. As of 31.12.2018 the coverage ratio of property, plant and equipment, intangible assets, financial assets and inventories totalling € 181.0 million to long-term funding was 31.2 % (prior year: 40.1 %).

Off-balance-sheet items

Apart from the assets shown on the balance sheet, Delticom also uses off-balance-sheet assets. This pertains mainly to certain leased or rented goods. Details can be found in the notes in chapter *Other notes – Contingent liabilities and other financial commitments*.

Delticom routinely sells receivables which have been fully written-off to debt collection agencies. The history of write-offs is included in the notes in chapter *Notes to the balance sheet – Current assets – (15) Receivables*.

Overall statement on the financial and assets position

Significant financial flexibility

Delticom can rely on its healthy financial and assets position. Payment terms granted to Delticom by its suppliers are in line with market conditions. Additionally, the company can make use of credit lines during the year to help funding the inventory. There are no covenants.

Solid balance sheet as basis for further growth

Delticom Group has a solid balance sheet. This sends an important signal to our partners. With its scalable business model, the company is well structured financially for its future growth.

Financial Statements of Delticom AG

Financial statements according to the German Commercial Code (HGB) (abridged)

By way of addition to reporting on the Delticom Group, the following section presents trends at Delticom AG as a separate entity.

The separate annual financial statements of Delticom AG are prepared according to the provisions of the German Commercial Code (HGB) and the supplementary regulations of the German Stock.

The management of the separate entity is subject to the same principles as those of the Group, and occurs on the basis of IFRS. Due to its high share in Group value creation, the statements in the "Company Management and Strategy" section that refer to the Delticom Group also apply to Delticom AG.

Delticom AG did not hold or acquire any of its own shares in the fiscal year under review. With regard to the Managing Board's authority to buy back shares and use own shares, we refer to the information in the notes to the separate financial statements of Delticom AG for the fiscal year 2018.

Results of operations of Delticom AG

Revenues

In the 2018 financial year, Delticom continued to purchase merchandise goods from third-party suppliers, selling them to Pnebo on the date on which they are shipped to the warehouse. The resultant revenues amounted to € 273.9 million (2017: € 297.9 million). In order to provide a more realistic presentation of the progression of business and of the results of operations, the following section utilizes sales revenues figures that have been reduced to reflect the amount of € 273.9 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 799.2 million (2017: € 862.8 million), adjusted revenues amounted to € 525.3 million (2017: € 564.9 million).

Other operating income

Other operating income registered a sharp increase of 80.9 % in the period under review to € 4.8 million (2017: € 2.7 million). The increase is largely due to the realisation of claims from transport losses. The largest items in the other operating income are gains from currency exchange rate differences in an amount of € 2.7 million (2017: € 2.1 million). Delticom reports currency losses within other operating expenses (2018: € 2.6 million, 2017: € 2.9 million). The net balance of currency gains and currency losses stood at € 0.1 million in the period under review (2017: € –0.8 million).

Key expense positions

Revenues related to the sale of merchandise from Delticom to Pnebo in an amount of € 273.9 million (2017: € 297.9 million) were incurred at no sales margin. Cost of materials adjusted for the cost of sales to Pnebo is subsequently referred to as "adjusted cost of materials", and is also utilized in all calculations based on the cost of materials, such as gross margin.

Cost of goods sold

The largest expense item is the cost of materials, which comprises input prices for the tyres that are sold. The adjusted cost of materials amounted to € 389.4 million in the period under review (2017: € 427.5 million, –8.9 %). Compared to the previous year, the cost of materials ratio increased from 75.7 % to 74.1 %.

Transportation costs

Transportation costs comprise the largest individual item within other operating expenses. The 7.2 % decrease in transportation costs from € 55.7 million to € 51.7 million reflects the lower business volumes. The transportation costs' share of adjusted revenues amounted to 9.8 % (2017: 9.9 %).

Warehousing costs

Expenses for warehousing increased by 8.7 % in the period under review, from € 7.1 million in the previous year to € 7.7 million. The ratio of warehousing costs to adjusted revenues was 1.5 % (2017: 1.3 %).

Personnel expenses

The company employed an average of 144 staff in the period under review (2017: 117). Personnel expenses increased to € 10.0 million (2017: € 7.4 million) due to several new hires and the severance payment to former Management Board member Thierry Delesalle. The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 1.9 % in the period under review (2017: 1.3 %).

Marketing

Marketing costs amounted to € 24.4 million in the reporting period, compared to € 20.4 million in 2017. This corresponds to a ratio of 4.6 % in relation to adjusted revenues (2017: 3.6 %).

Depreciation

Depreciation and amortization of intangible assets and property, plant and equipment increased by 19.8 % in the period under review from € 3.7 million to € 4.5 million. The increase is mainly attributable to lower depreciation of low-value assets.

Earnings position

Gross margin

The gross margin (trading margin, excluding other operating income) amounted to 25.9 % in the financial year elapsed, compared with 24.3 % million in the prior-year period.

Gross profit

Gross profit increased by 0.4 % in the period under review, from € 140.1 million in the comparable prior-year period to € 140.7 million. Gross profit in relation to adjusted total operating income of € 530.1 million (2017: € 567.6 million) amounted to 26.5 % (2017: 24.7 %).

EBITDA

EBITDA decreased by 34.2 % in the period under review, from € 15.7 million to € 10.3 million. The decline is the result of lower sales combined with a higher cost base.

EBIT

EBIT amounted to € 5.9 million in the period under review (2017: € 12.0 million, –51.0 %). This is equivalent to a return on sales of 1.1 % (2017: 2.1 %).

Financial income

Income from participating interests remained with € 1.4 million nearly unchanged (2017: € 1.4 million). The income from profit transfer agreements decreased by 86.0 % from € 1.7 million in 2017 to € 0.2 million in 2018. The amount of losses assumed was € 11.7 million (2017: € 5.3 million).

Income taxes

With regard to income taxes, an income of € 2.1 million was recorded for the reporting period (2017: € 2.6 million). The effect in the year under review was mainly due to the current development of earnings and deferred tax income. This is reported in the balance sheet as deferred tax assets and represents in particular the tax loss carryforwards from the past financial year.

Income and dividend

Earnings in 2018 amounted to € –3.4 million, compared to € 5.2 million in the previous year. This corresponds to earnings per share of € –0.27 for the financial year under review (2017: € 0.42). With regard to the dividend, we refer to the explanations in the Group management report.

in € thousand	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Revenues	**799,201**	**862,771**
Other operating income	4,831	2,670
Cost of materials	–663,322	–725,333
Personnel expenses	–9,967	–7,434
Depreciation	–4,457	–3,719
Other operating expenses	–120,423	–116,999
Income from participating interests	1,388	1,414
Other interest received and similar income	470	277
Depreciations of financial assets	–182	0
Expenses from loss transfers	–11,704	–5,306
Paid interest and similar expenses	–1,535	–2,280
Income from profit transfer agreements	242	1,732
Expenses from loss transfers	2,093	–2,591
Earnings after taxes	–3,364	5,201
Profit carried forward	19,301	15,347
Balance sheet profit	**15,936**	**20,548**

Financial and assets position Delticom AG

Delticom has a very solid balance sheet. In connection with a business model of little capital intensity, the company is well positioned in terms of its balance sheet for further growth.

Investments

In order to exploit as best as possible economies of scale and learning effects in warehousing logistics, we invest constantly in expanding information, conveying and packaging technology in the warehouses that we rent. The reported investments in property, plant and equipment of € 3.8 million in 2018 (2017: € 3.9 million) relate mainly to the expansion of the shipping capacity in our warehouses. In addition, Delticom invested a total of € 2.8 million in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

The investments in financial assets primarily relate to intercompany loans granted to subsidiaries.

Balance sheet structure

Total assets of € 246.2 million as of 31.12.2018 were 3.3 % above the previous year's € 238.2 million.

Non-current assets

On the assets side of the balance sheet, long-term assets increased from € 108.5 million to € 113.9 million. The 5.0 % rise is almost exclusively attributable to the investments made as well as granted intercompany loans to subsidiaries.

Inventories

Inventories amounted to € 20.8 million in the reporting period (2017: € 9.3 million). These consist almost exclusively of merchandise in transit.

Receivables

The largest item within short-term assets comprise receivables due from associated companies in an amount of € 78.3 million (2017: € 93.4 million). Receivables against Pnebo GmbH amount to € 75.4 million (2017: € 89.9 million), and comprise the largest item within receivables. Trade receivables of € 12.0 million are 14.8 % lower than the previous year (2017: € 14.1 million).

Within other assets of € 16.7 million (2017: € 10.7 million), tax refund claims increased by 65.9 %, from € 9.3 million to € 15.5 million. The change results primarily from trade tax and corporate income tax refund claims at the end of the year.

Liquidity

Liquid assets recorded a net decrease of € 0.2 million. "Balance sheet liquidity" amounted to € 1.1 million as of 31.12.2018 (2017: € 1.3 million, –14.4 %).

Overall, total current assets of € 128.9 million remained nearly unchanged compared to the previous year (2017: € 128.9 million).

Deferred tax assets

Delticom utilizes the capitalization option pursuant to Section 274 (1) Clause 2 of the German Commercial Code (HGB), and has capitalized a net surplus of € 2.7 million of tax assets after offsetting with deferred tax liabilities (2017: € 0.2 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities increased by 4.4 % or € 7.5 million, from € 169.3 million to € 176.8 million. Provisions decreased by 26.6 % or € 0.8 million to € 2.1 million (previous year: € 2.9 million).

Within the € 174.7 million of liabilities as of 31.12.2018 (2017: € 166.4 million), € 109.5 million, equivalent to 44.5 % of total equity and liabilities, was attributable to trade payables. Compared with the previous year's € 98.8 million this amount went up by € 10.7 million or 10.9 %.

Liabilities due to banks

The reduced liabilities due to banks of € 30.8 million (2017: € 15.3 million) include long-term financial debts of € 3.7 million (2017: € 7.3 million). The remaining part of the financial liabilities are of a current nature.

Equity

On the equity and liabilities side of the balance sheet, equity decreased by € 4.6 million or 6.7 % to € 64.3 million (2017: € 68.9 million). The structure of equity and liabilities reflects a year-on-year decrease in the equity ratio from 28.9 % to 26.1 %.

Assets that cannot be recognized

Besides the assets recognized on the balance sheet, Delticom also makes recourse to assets that cannot be recognized on the balance sheet. These relate primarily to certain leased or rented goods. More information on this topic is presented in the notes to the separate financial statements in section D Supplementary disclosures – Other financial obligations.

in € thousand	31.12.2018	31.12.2017
Fixed Assets	**113,934**	**108,549**
Intagible assets	6,103	6,567
Property, plant and equipment	8,842	6,441
Financial assets	98,989	95,541
Current Assets	**128,928**	**128,905**
Inventories	20,791	9,307
Accounts receivables	12,042	14,138
Receivables from affiliated companies	78,306	93,428
Other receivables and other assets	16,691	10,748
Cash and cash equivalents	1,098	1,283
Deffered item	**602**	**567**
Deffered taxes	**2,700**	**195**
Assets	**246,164**	**238,215**

in € thousand	31.12.2018	31.12.2017
Equity	**64,295**	**68,907**
Subscribed capital	12,463	12,463
Share premium	35,696	35,696
Retained earnings	200	200
Balance sheet profit	15,936	20,548
Passive adjustment items	**5,000**	**0**
Provisions	**2,105**	**2,868**
Provisions for taxes	32	971
Other Provisions	2,073	1,896
Liabilities	**174,703**	**166,441**
Liabilities to banks	30,824	15,278
Payments received on account of orders	6,039	4,267
Accounts payable	109,535	98,816
Payables to affiliated companies	24,440	44,115
Other liabilities	3,865	3,965
Deferred item	**60**	**0**
Shareholders' Equity and Liabilities	**246,164**	**238,215**

Overall statement on the financial and assets position

Significant financial flexibility

Delticom's financial position and net assets are strong. The company receives standard market payment targets from its suppliers. In addition, Delticom has access to credit lines that are extended over the course of the year to finance some of the inventories at Pnebo.

Solid balance sheet as basis for further growth

Delticom has a solid balance sheet – an important signal to our partners. With a scalable business model, the company is well positioned in terms of its balance sheet for further growth.

Risk Report

The business development of Delticom AG is essentially subject to the same risks and opportunities as those of the Delticom Group.

Forecast

Due to the intermeshing of Delticom AG with its Group companies, and its weight within the Group, please refer to our remarks in the Outlook section (Forecast report), which in particular reflects expectations for the parent company.

Significant events after the reporting date

There were no events of particular importance after the end of the 2018 financial year.

Risk and Opportunity Report

As a company that operates internationally, Delticom is exposed to varying types of risk. In order to be able to identify, evaluate and respond to such risks in a timely fashion, Delticom put in place a risk management system early on. The system is based on corporate guidelines for the early risk detection and risk management. At present we do not identify any individual risks which might endanger the Group as a going concern.

Definitions

Risks and opportunities

Delticom defines risks as events that make it difficult or even impossible for us to achieve our business objectives within a given timeframe. These events may be of an internal or external nature to the company. Key risk areas include market shares, revenue expectations, margins and levels of customer satisfaction.

As we regard missed opportunities as risks, we do not operate a separate opportunities management system.

Risk management

In our risk management function, we formulate and monitor measures that are meant to

- reduce potential damage (e.g. FX forwards and insurances),
- reduce the probability of occurrence (e.g. through opting for a low-risk course of action or launching of monitoring systems), or
- avoid risks.

As part of risk management, decisions can also be made to consciously enter into risks. We do this if opportunities outweigh related risks, and the potential damage or loss does not carry any going concern risks.

Early risk detection system

Our early risk identification system consists of all organisational processes that precede actual risk management. This system is tasked to

- identify material and critical going-concern risks at an early stage,
- analyse and assess these risks,
- determine responsibilities for risk monitoring and
- communicate risks to the right people in time.

As early risk identification and risk management go hand-in-hand, both concepts are summarised below under "risk management" in its broader sense.

Risk assessment

12-month observation horizon

The classification and measurement of risk is derived from comparisons of current operating activities with our business targets. We regularly create targets as part of our strategic planning (five-year timeframe) and budget planning (current and following year). We apply a standard 12-month observation horizon for risk management.

Reporting thresholds

The company's equity is used as the calculation basis for reporting thresholds. As of 31.12.2018, we differentiated between going-concern risks (€ 20 million), significant risks (€ 2.5 million), and low risks (€ 0.2 million).

Gross/net risk

In our analysis, we always initially regard risks as gross risks, in other words, excluding countermeasures. Countermeasures are assessed as to how effectively they avoid, reduce or devolve risk (event risk and loss amount) to third parties.

Net risks are then derived by subtracting expected effects of specific counter-measures from gross risk value. Expected loss amounts are derived from gross and net risks by weighting them according to event risks.

Risk mitigation measures

The Delticom Group is insured against a wide variety of risks and cooperates with well-known insurers. In addition to elementary risks (fire, explosion, flooding, storm and earthquake), the insured risks also include various operational risks, such as credit insurance in business with commercial dealer customers to limit the risk of non-payment.

As an E-Commerce company, the Delticom Group is also exposed to a wide variety of IT risks. We counter these risks with a comprehensive catalogue of measures:

- **Measures to protect against unauthorized system access:** A complex password protection secures all web-based applications. Our servers are only accessible via upstream load balancers/firewalls, access to the servers is limited to a few people and is monitored by security personnel. Internal systems can only be accessed from outside the company network with a valid VPN certificate. In addition, the TÜV and a PCI auditor regularly perform an independent vulnerability scan on all servers.
- **Measures to protect against manipulation of programs/data by employees:** This risk is limited by a change management system and the principle of dual control in programming. Possible manipulations can be traced at any time via change histories. In applications, users only have access to those sub-areas that are necessary for the daily accomplishment of tasks. Access to the applications used is managed by means of a comprehensive authorization concept.

- **Failure of the IT landscape due to programming errors:** This risk is countered by extensive testing at the development level. Possible errors can be detected before live operation.
- **Due to a technical failure, applications or online shops are no longer accessible:** Despite the high state of the art, various components may fail. Our systems and servers are designed redundantly. In the event of a failure of a device/service, an emergency system automatically takes over. The systems are monitored by software in order to detect possible problems at an early stage.

Delticom is a lean company and highly dependent on key personnel in all areas of the company. A number of measures are taken to limit the personnel risk:

- **Short coordination and decision paths:** The flat organisational hierarchy within the Delticom Group ensures short coordination and decision-making paths. Meetings are held regularly (both within and across departments) to ensure the exchange of information and to bundle and specifically utilize the know-how available within the company.
- **Newsletter:** All employees are regularly informed about important changes and innovations within the Delticom Group via newsletters. Delticom's personnel department also uses special personnel newsletters to inform employees about important personnel issues.
- **Documentation:** Thanks to the collaboration software currently in use, knowledge is centrally recorded and historicized. Employees receive a defined framework for action by means of work and process instructions.
- **Trainings and courses:** Through trainings, courses and seminars the development of knowledge and the individual performance of the employees is specifically promoted.
- **Employee appraisals:** Through regular staff appraisals, employees and managers have the opportunity to exchange views beyond their day-to-day business, to talk together about cooperation and mutual expectations, and to provide feedback so that everyone involved can develop further.

As an internationally operating company, Delticom is exposed to various operational risks. We counter these risks with a series of measures.

- **Market risks:** Due to the international orientation of our business, the market risk is limited. Relevant economic indicators and industry reports are used and analysed to assess possible future developments. This enables us to identify market risks - and opportunities - at an early stage.

- **Currency risks:** The Treasury department hedges foreign currency transactions in order to minimize the risk of currency fluctuations. In addition, Delticom maintains a large number of bank accounts abroad to which customers transfer money. Incoming payments in foreign currencies are largely hedged naturally by outgoing payments in the same currency.
- **Bad debt losses:** Delticom offers its customers a wide range of payment options in its online shops. Payment methods at risk of default, where payment is only made after the goods have been delivered, require a comprehensive catalog of measures in order to limit the risk of bad debt losses and fraud. In the area of payment processing, we cooperate with well-known service providers and also use an internal scoring system to identify orders at risk of default at an early stage.
- **Customer dissatisfaction due to untrained personnel:** Delticom cooperates with call center service providers in Germany and abroad. The respective shift and department managers are regularly trained by Delticom specialists and pass on their knowledge accordingly. Call center employees also have access to documentation, manuals and process instructions at all times. Service Level Agreements regulate the degree of fulfillment of the service to be provided by the service providers. Delticom continuously monitors compliance with these Service Level Agreements and the defined KPIs.

Risk management organisation

Delticom's risk management is based on these four pillars: Risk Support Team, Risk Manager, Internal Risk Revision and Management Board.

Risk Support Team

The functional areas and departments are the smallest organisational units within Delticom's risk management function. As a Risk Support Team, functional area managers identify and assess the relevant risks. They propose and subsequently implement action plans.

Risk manager

The Risk Manager has authority to issue guidelines for methods and codes of conduct in the context of risk management. He also coordinates risk reporting at Delticom and reports directly to the responsible member of the Management Board.

Internal Risk Audit

Internal Risk Audit is responsible for auditing risk management. The effectiveness of risk management in general and of the methods and countermeasures used in particular are reviewed.

Management Board

The Management Board ensures comprehensive risk reporting, collaborating with the Risk Manager. In line with the requirements of corporate law, the Management Board ensures appropriate risk management and controlling within the company, in close cooperation with the Supervisory Board. The Management Board approves suitable risk mitigation measures.

Expanded risk consolidation scope

No significant risks that could threaten the existence of Delticom AG could be identified with respect to any subsidiaries. The parent company is responsible for controlling risks. As the subsidiaries are mainly sales organisations, no separate risk consideration is undertaken for the subsidiaries. This decision is reassessed annually by the risk manager. The significant risks are essentially attributable to our core business due to the higher proportion of sales achieved by the online tyre business. The operational risks for the business areas newly acquired do not differ in essence from the risks found in the tyre business. The subsidiaries are included under the risk management process via the directors.

Communication and reporting

The Risk Manager is responsible for regular risk reporting. In addition, all staff members are also required to report risks to the Management Board as part of ad hoc reporting, if deemed necessary. Corporate steering generally includes constant communication about risks.

Software

Delticom employs special software in order to support its risk management function.

Risk inventory

The Risk Manager conducts an annual risk inventory. It is then adjusted to changes in risk situations over the course of the year. As part of assembling the risk inventory, all functional and corporate areas assess whether new risks have arisen compared with short and medium term planning. At the same time, a check is conducted as to whether and how approved measures have already successfully limited known risks, and whether there is any further requirement for action. As part of this, the Risk Support Team helps the Risk Manager to integrate area-specific developments into the assessment.

Risk audit

After the annual risk inventory, the independent Internal Risk Audit selects several identified risks. The gross risk assessment and the effectiveness of the countermeasures implemented for these risks are then reviewed. New findings are reported to the risk manager and updated in the risk management system. The person responsible for auditing prepares a record for documentation purposes and reports to the Management Board.

Key individual risks and opportunities

The significant individual risks and opportunities with a reporting threshold between € 2.5 million and € 20 million are given below in decreasing order based on anticipated losses.

As a globally operating company, Delticom invoices and pays invoices in currencies which are not the Euro. This results in currency risks. Delticom hedges against these risks by using suitable financial instruments, in particular forward contracts. Guidelines govern the use of permissible hedging instruments and strategies. The effectiveness of these hedges is monitored by the corporate treasury function on a regular basis. In addition, Delticom works with banking partners who have many years' experience in the import/export business.

A strong Euro can erode Delticom's competitive position in countries with weaker currencies. Delticom also sells its products to end-customers outside the eurozone. This generates economic currency risks that we counter as far as possible through the procurement of tyres in foreign currencies. To the extent that the corresponding market is strategically significant, we also examine complex hedging strategies in the instance of a continued depreciation of a foreign currency. In the USA, Delticom operates exclusively using drop-ship fulfilment. This creates a natural hedge for end-customer business; we accept the residual currency translation risk.

Misjudgements of future market trends may result in market share losses. In the tyre trade, there is always the risk that future sales volumes are forecasted incorrectly. The E-Commerce channel is reporting growth and is gaining market shares overall. If we misjudge the speed of this trend, we could lose market share relative to our online competitors. Due to our strategic orientation, we regard both the sales and earnings growth as objectives of equal value (see section *Corporate management and strategy – internal management system*). We accept the risk stemming from the fact that growth in business volume can only accelerate to the extent that the supporting processes can be adapted at the same speed.

We operate on an international scale but are lean in terms of company culture and organisation. We therefore cannot expand our lead over competitors or even maintain market shares at all times and in all places. We limit our market share dilution by gradually further developing our organisation and staff, our partners in Germany and abroad as well as our product and service offering.

The international orientation of our business, the development of additional geographical regions and the expansion of the range of products and services constitute an opportunity to further reduce dependency on developments in individual local markets and develop additional sales and profit potential.

Customers could find themselves with payment difficulties. The payment behaviour of our customers is usually good but can deteriorate in difficult times. If the economic situation of consumers in Europe worsens, this development could result in a decline in end customers' willingness to pay. We have stringent receivables management system and work together with industry specialists to assess risks and facilitate debt collection. In the Wholesale division, we try to limit default risk as far as possible by means of credit insurances.

Other key individual risks and opportunities grouped by risk category

Strategic risks

Delticom's business activities are based on the sustained acceptance of the internet as channel for buying tyres. Specialty tyre retailers and the other distribution channels play a key role in the tyre trade. This will not change in future: Many motorists will continue to buy their tyres from bricks-and-mortar tyre retailers. However, as is also the case for other merchandise, online tyre sales have already reached a sizeable dimension. Delticom's own revenue growth, as well as that of the competitors, suggest that acceptance of the internet as a sales venue is neither declining nor stagnating, but rather continues to grow.

Sector-specific risks

The replacement tyre trade is subject to seasonal fluctuations. Because of this unpredictable factor, differences in performance between quarters and year-over-year are unavoidable. During times of lower revenues, Delticom will continue to both hone its cost structure and penetrate business segments less affected by seasonal factors.

Delticom is continually developing its product portfolio. Our modular, easily scalable infrastructure allows us to implement additional online shops quickly that are tailored specifically to different customer groups. Furthermore, as an E-Commerce company Delticom has an opportunity to provide services.

Regional or global excess inventories along the supply chain might burden price levels. Weather-related demand fluctuations can result in overstocks along the supply chain. This may lead to price distortions on the market. Since replacement tyre purchases cannot be delayed indefinitely, the supply chain usually settles down in the following season. We take the overall Europe-wide supply situation into account in our purchasing function, and we regularly assess warehousing and pricing policy alternatives.

Unfavourable weather conditions can lead to the build-up of excess inventories at Delticom. Delticom purchases part of its forecast sales quantities before the season starts. We warehouse these tyres, in order to be able to deliver tyres to our customers even at seasonal high times. Delticom generates a large share of its revenues by selling from own inventories. In the case the sales slump, the inventories levels might stay high, with increased risk of overageing.

In order to prevent overageing, the condition of warehoused tyres is reviewed regularly. Stocks older than a predefined threshold are then offered at a discount in our online shops (with an explanation for the price break), or sold in our Wholesale business. In the past years, Delticom has not had to write down any stock due to overageing. There are no significant liquidity risks: the company has sufficient financing and can make use of short-term credit lines to be able to make payment even during periods of high inventory levels.

Lower average mileage driven due to ongoing increases of vehicle costs. In the event that the costs for running a car increase substantially, motorists might limit the amount of use of their vehicles during periods of crisis. In this scenario tyre wear is reduced and the purchase of replacements is delayed. Some car owners will even delay buying replacement tyres in spite of being aware of dangerously low tread on their tyres.

Demand for wear-resistant tyres may increase. Thanks to innovations and novel forms of technology, an increasing number of tyres boast lower wear capabilities, granting tyres a longer lifespan and increasing the time between replacements. However, on wet or snowy and icy roads, the right mixture of rubber is still the key to providing optimum road safety. As in the past we expect motorists to continue to be unwilling to skimp on safety.

The demand for electric cars could increase. According to the Electric Vehicle Index, 2 million electric cars were sold worldwide for the first time in fiscal year 2018. More than half of the electric cars sold were on the Chinese market. In Europe, the demand for electric cars in 2018 rose by 38 % compared to the previous year. According to the study, more than 5 million electric cars were on the roads worldwide for the first time. Although this number remains comparatively low, experts assume that the proportion of cars with alternative drive systems will continue to increase in the medium to long term. However, even in the case of increasing numbers of new registrations of vehicles with alternative drive systems, combustion engine vehicles will remain in the majority in the medium term in Europe.

Nevertheless, the automotive aftermarket will change in the long term. The trend towards electric cars therefore yields the risk that demand for products which relate directly or indirectly to the combustion engine – such as motor oils, brakes and exhaust systems – will decrease. At the same time, this trend may also offer the opportunity to sell specialist parts for electric cars going forward. Experts are not currently in agreement with regards to the issue of how the trend towards electric cars will influence replacement tyre demand in the long term. While some assume that electric cars will result in friction and therefore tyre wear increasing, others believe it is just as likely that control systems will be developed which optimise acceleration and braking to minimise wear.

Procurement risks

Changes in input prices at the manufacturing level. Changes in commodity prices, in particular for oil and rubber, play a significant role in sell-in pricing (manufacturers to retailers). Fluctuation of raw material pricing only factor into tyre manufacturers' calculations four to six months down the line and are then passed on downstream to tyre retailers.

In the wake of difficult developments on the market, prices could come under pressure over a period of several quarters. We routinely monitor the input factors to this situation and adjust our purchasing policies to be able to respond to probable price changes. In addition, we can turn more towards drop-ship in order to lower the risk of price deflation in our stocks.

Permanent process optimisation and increasing automation of business procedures provide Delticom with an ongoing opportunity to reduce costs. In order to best utilize these opportunities, the company has established a separate process management section and acquired the supporting software system that allows current tasks to be prioritised across the various sectors.

Suppliers may run into commercial and financial difficulties. As a tyre dealer, a factor that contributes to the low risk is that we offer a broad brand portfolio. If any supplier is unable to fulfil their obligations in a particular tyre model, we can always procure the goods from other parties.

Competition risks

Delticom operates in a competitive market with low entry barriers. The price level and thus the margins achieved can drop considerably as a result of competitive pressure. However, there are considerable barriers to grow to a size comparable to Delticom. Good buying prices and a streamlined cost basis allow a high level of price flexibility. Increasing internationalisation at Delticom diversifies country risk: This is because it can be assumed that prices could come under pressure for a short period in individual countries, but not over the whole of Europe.

Prices can fall during recessions. A permanently lower demand would put serious pressure on prices. Such a scenario does not carry a high probability but the damage to Delticom could be substantial. Delticom has an extensive safety net and sufficient cash at its disposal to be able to resist a sustained downturn in prices.

Macroeconomic risks

Maintaining a vehicle is often a major expense item for a private household. Private saving efforts could lead to a decrease in mileage driven, thus causing car owners to put off their next tyre purchase. In future, car owners may decide to use public transport or share their cars, at least in well-developed metropolitan areas.

Increasing numbers of consumers use the internet to search for inexpensive alternatives. Thanks to the excellent position of Delticom shops in search engines and our competitive product range, we see an opportunity for Delticom to profit in future from the increasing trend toward E-Commerce.

Personnel risks

Untrained staff and insufficient monitoring of customer orders can lead to customers receiving erroneous information and increase the rate of errors in order processing. This could result in a drop of customer satisfaction and lead to lower sales. Delticom's specialist staff trains the employees who work in our customer management operation centre. Independent of our specialist departments, auditing processes have been set up to monitor and ensure compliance with agreed service levels. As part of its "S@ferShopping" audit, TÜV SÜD conducts an annual inspection of all Delticom processes and systems, including customer satisfaction.

Departure of key staff might negatively impact our business success. All corporate areas of Delticom depend on key personnel to a significant degree. As a market leader, we have created important know-how. We run the risk that this know-how is diluted when personnel leaves us to join our competitors. This risk is taken into account when structuring employment contracts. We place an emphasis on performance-related compensation.

IT risks

Delticom's business operations depend on the functioning and stability of complex IT systems to a high degree. At Delticom, all important IT systems and service providers are set up in a redundant fashion. If systems or service providers suffer IT breakdowns, at least one alternative is available to take over related tasks. In the event of our computing centre breaking down we can rapidly migrate to a backup facility.

An emergency manual with an extensive catalogue of escalation measures helps us to react rapidly and in a structured manner in emergency cases.

Our computing centres are secured against unauthorized access, and operate essential fire prevention measures. Firewalls and other technical measures safeguard internet access to our systems. We orientate ourselves on most up-to-date standards.

As the result of IT-supported business transactions, Delticom has access to sensitive information about customers, partners and suppliers. For customers, it is important that their personal information is kept private. In our online shops we provide our customers with detailed information about data protection and privacy. We treat personal data and other sensitive information with meticulous care, taking into account all statutory regulations. Stringent rules and comprehensive technical safeguards ensure that customer data does not fall into the wrong hands. Independent authorities routinely inspect Delticom's IT security.

With respect to our suppliers, purchasing and payment terms represent confidential information. In protecting our relations we do not simply rely on procedural instructions but also safeguard inventory management and pricing systems with technical access controls.

Legal risks

Legal disputes can impact the Delticom Group negatively. In order to obtain prior advice in respect to brand, copyright, contract or liability issues, Delticom employs lawyers in the internal legal department and works together with well-known domestic and non-domestic law firms. We are pursuing a reasonable provisioning policy to cover those risks.

Overall statement on the risk situation

Delticom has an extensive and well integrated early risk detection and risk management system. In the last financial year, risk potential was identified at an early stage and reported promptly to the Management Board which allowed targeted countermeasures to be rapidly implemented. Systems and processes in the area of risk management have proved successful; they are being further developed on an ongoing basis.

At present we can not identify any individual risks which might jeopardise the company as a going concern. The sum of the individual risks does not pose a threat to Delticom's continued existence.

Accounting-related ICS and RMS

Description of key characteristics of the accounting-related internal controlling system (ICS) and risk management system (RMS) with respect to the (Group) accounting process (§ 289 Paragraph 4 and § 315 Paragraph 4 HGB – German Commercial Code)

Amending the statements with regards to the risk management made above, key characteristics of the internal controlling and risk management system with respect to the (Group) accounting process can be described as follows:

Organisation

The accounting-related internal controlling system covers the controlling, legal, accounting and corporate treasury functions, whose areas of responsibility are clearly delineated within the controlling system. The controlling system comprises all requisite principles, procedures and measures to ensure that accounting is effective, economically efficient and duly complying with relevant statutory regulations.

Role of the Management and Supervisory Boards

The Management Board is responsible for implementation and compliance with statutory regulations. It reports regularly to the Supervisory Board on the overall financial position of Delticom. The Supervisory Board oversees the efficacy of the internal controlling system. In accordance with the agreement, the auditor immediately reports to the Chairman of the Supervisory Board on all key findings and occurences arising from the audit which are of significance to the work of the Supervisory Board.

Group accounting

Due to the great importance of Delticom AG in the Group the accounting process is organised centrally. Delticom AG's Group accounting function prepares the consolidated financial statements according to International Financial Reporting Standards (IFRS). For this purpose, we have set up Group guidelines for the following topics:

- IT-supported work processes
- general accounting principles and methods
- regulations relating to balance sheet, income statement, statement of comprehensive income, notes to the financial statements, management report, cash flow statement and shareholders' equity
- requirements arising from prevailing European Union legislation
- specific formal requirements for consolidated financial statements
- groups of consolidated companies

The Group guidelines also contain specific instructions as to how Group intercompany transactions should be mapped, invoiced, and how corresponding balances should be cleared.

IT-supported work processes

The consolidated companies' financial statements are compiled using IT-supported working processes. These include an authorization concept, audit routines and version controls. Along with manual process controls applying the "four eyes" principle, we also use software to enforce parallel process controls. We utilize an integrated bookkeeping and consolidation system for the actual calculations.

Outlook

For the current fiscal year, the Delticom Group expects total annual revenues in a range between € 660 million and € 690 million, accompanied by an EBITDA between € 8 million and € 12.5 million. In the current year, we will continue to focus on the right balance between revenues growth and earnings contribution. This year we will continue to automate processes in order to reduce costs. Software projects and investments in automated technical equipment in our warehouses will help us achieve this goal.

Forecast report

Full-year guidance 2018 – reasons for deviations

The Delticom Group generated revenues of € 645.7 million in the past fiscal year. This means that we have missed our target for consolidated revenues of € 690 million for 2018. The revenues decline of 3.3 % in the past fiscal year is due on the one hand to a relatively mild winter compared to the previous year and our pricing policy in the final quarter. In contrast to the previous year, we did not lower prices in our online shops in the course of the fourth quarter. Moreover, in view of the good labour market situation in Europe last year, it was difficult to obtain the specialist personnel required in time for the winter season. As a result, the expansion of shipping capacity in our warehouses over the course of the year was not fully effective in the important first weeks of the winter season.

We also did not achieve the EBITDA target of around € 14 million we set at the beginning of the year. One reason for this is significantly higher marketing expenses. On the other hand, one-time expenses in connection with the elimination of outstanding receivables, the acquisition of Allyouneed Fresh and the departure of former Management Board member Thierry Delesalle led to an increased cost base.

As a result of our pricing policy, especially in the final quarter, the gross margin (gross margin excluding other operating income) improved from 20.6 % to 21.8 %. Despite this improvement, it was not possible to fully offset the higher cost base in our core business with declining sales at the same time.

Over the past few years, the company has built up leading expertise in the acquisition and restructuring of loss-making start-ups. Our clear focus on cost and process optimization enables us to put loss-making companies on a profitable growth path within a manageable timeframe. This enables us to seize existing opportunities to achieve our short- and medium-term corporate and profitability goals. The acquisition of Allyouneed Fresh last year underscores this strength.

The EBITDA achieved by the Group in the past financial year amounted to € 9.0 million after € 9.3 million in the corresponding period of the previous year.

The fact that EBITDA decreased only by 3.3 % despite declining revenues is mainly due to the acquisition of Allyouneed Fresh and the related other operating income, which compensated for the increased cost base in our core business. Consolidated net income amounted to € –1.7 million or € –0.13 per share – a decrease of 249.9 % after € 1.1 million in the previous year. This development is mainly associated with an increase in deferred tax expenses in connection with loss carryforwards.

Future macroeconomic environment

In view of the smouldering trade conflict between the USA and China, experts expect global economic growth to continue in 2019, albeit at a slower pace. As a result, leading economic and economic research institutes have recently lowered their forecasts for global economic growth in the current year.

Economic output in the euro zone is also expected to slow in 2019 compared with 2018. Concerns about debt sustainability in Italy, the delay of reforms in France, a possible disorderly Brexit and possible negative consequences of the upcoming European elections could lead to a weaker economic development than currently forecasted.

Against the backdrop of a gloomy global economy, the upward trend in Germany is expected to continue in the current year, albeit at a weaker level. Experts once again see consumption as the most important driving force behind the domestic economy, not least thanks to strong wage increases.

Future sector-specific development

E-Commerce

The trend towards e-commerce will continue to increase in the future. According to the "Global Digital Report 2019", around 4.4 billion people - almost 60 % of the world's population - already use the Internet today. This is an increase of 9.1 % compared to the previous year. As a result, more and more consumers are discovering the advantages of buying online. As part of the study, 75 % of internet users worldwide stated that they had made an online purchase last month. According to the "Global E-Commerce Report 2018", an estimated € 2 trillion was already spent online in global retail sales last year, an increase of 14.3 % over 2017. Global online retail sales thus account for almost 4 % of the world's gross national product.

Automotive

The domestic replacement tyre market was 2018 slightly down. According to the German Rubber Industry Association (Wirtschaftsverband der deutschen Kautschukindustrie e.V.) (WdK), the replacement tire market should at least remain stable in the current year. The online penetration in the replacement tyre business in Germany is currently around 13 %. In a study, the Bundesverband Reifenhandel und Vulkaniseur-Handwerk (BRV - German Tyre Trade and Vulcanisation Trade Association) expects this share to rise to 15 to 20 % by 2020.

The online purchase of car accessories and spare parts is also enjoying increasing popularity. In a study conducted by puls Marktforschung GmbH, 84 % of respondents stated that they had already used online portals to buy car parts. In 2016 it was still 72 %. Delticom also sells more than 500,000 car parts and accessories through its online shops and has a broad network of around 40,000 assembly partners worldwide.

According to the industry report of Deutsche Automobil Treuhand (DAT), total sales of used cars in Germany in 2018 amounted to € 84.7 billion, an increase of 3.2 % over the previous year's figure of € 82.1 billion. In this area, too, the Internet is becoming increasingly important as a source of information: according to the study, four out of five used car buyers researched online before buying. Two thirds visited a used car exchange on the Internet. And every fourth person already buys a used car directly online. In 2016, Delticom acquired the major assets of AutoPink, a French-based online provider of used cars.

In our test market France, we get to know the special features of the online used car trade with the aim of making the best possible use of potential synergy effects in connection with our core business. The share of Group sales accounted for by business with used cars is currently still comparatively low and the balance sheet risk is therefore negligible.

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According to the Handelsverband Deutschland (HDE), retail sales in Germany are expected to rise by 2.0 % to € 535.5 billion in 2019. According to the German E-Commerce and Mail Order Association (Bundesverband E-Commerce und Versandhandel - bevh), sales in the online food trade in Germany increased by 20 % to just under € 1.4 billion in the past fiscal year. However, the share of the total food retail trade is still low at just under 2.0 %. According to bevh, the two billion euro sales hurdle in efood is to be surpassed with further annual growth rates of around 20 % in 2020. In other European countries such as France and Great Britain, the online share is already significantly higher at around 6 % and 8 % respectively.

According to a study conducted by Kantar TNS on behalf of the Bundesverband Digitale Wirtschaft (BVDW) e.V. (Federal Association of the Digital Economy), around one third (33 %) of consumers in Germany have already purchased food online and would do so again. Almost as many (32 %) have not yet done so, but can imagine trying it out. At present, the logistics of deliveries and the associated costs still pose challenges for online food retailers. Delticom operates a highly modern and automated small items warehouse, which best meets these requirements, and also offers its services in this area to third parties.

2019 forecast

Net sales

Delticom will continue to benefit from the increasing importance of the Internet as a sales channel as Europe's leading online retailer for tyres and car accessories, as well as a specialist in eFood and an expert in efficient warehouse logistics. In order to further exploit the existing market and growth potential in our core business in the coming years, we will continue to invest in the automation and expansion of our tyre warehouse logistics. The expanded capacities are expected to be fully available by the end of 2020. For the current year, against the background of the ongoing consolidation effect in the European tyre trade, we expect to achieve Group sales in a range between € 660 million and € 690 million.

Positive customer acquisition trend

Thanks to its multi-shop approach, the Delticom Group addresses different customer groups, fulfilling the various demands of online shoppers. Furthermore, we increasingly tap further online sales channels in order to gain additional groups of buyers. With our extended range of products and services and our international orientation we expect to be able to convince more than one million new customers of the value of our products and price and service offerings in the current financial year.

Repeat Customers

More than 13.6 million customers have bought products in one of our online shops since the company was established. For the current fiscal year, we expect to be able to welcome some of these customers, who have been acquired over the past few years, to one of our online shops again. Accordingly, the number of repeat customers should develop positively over the year as a whole.

EBITDA

The development and market establishment of our forward-looking start-ups will continue to weigh on the Delticom Group's results this year. It is therefore all the more important that we continue to focus on profitability in our core automotive business this year. In the current year, we will continue to automate relevant process steps with the aim of reducing costs. Furthermore, at the beginning of the current year, we identified the major projects in terms of revenues and earnings, to the implementation of which we will allocate our resources in the current year. Against the background of the measures described, we expect to achieve an EBITDA of between € 8 million and € 12.5 million for the full year.

Investments

For the current year, we are planning to invest in the expansion and technical equipment of our warehouse infrastructure. Moreover, we will also make software investments. The level of investments over the full year will amount to between € 5 million and € 15 million. For this purpose, it is planned to compensate the investment amount through leasing and sales.

Liquidity

We will manage the process of building up and reducing our inventory in line with our revenues forecast over the coming quarters. By the end of the year, liquidity will likely develop similarly to the past financial year. We assume that credit lines will be available in the current year at the same level as in the previous year and will therefore be sufficient.

Medium term outlook

Interconnections

The digital networking of people, machines, logistics and products - also known as industry 4.0 - continues to progress. Thanks to our start-ups, we are not only able to offer additional services, but can also focus at an early stage on the increasing importance of interlinked purchasing and logistics channels in order to best meet customer requirements in the future as well.

Digitisation

Worldwide, information procurement is rapidly shifting towards online. As a result, online purchases of car-related products will continue to increase in the coming years. More and more suppliers in the automotive aftermarket are striving to achieve a critical mass, both in terms of access to the customer and in terms of purchasing volume, in order to continue to benefit from economies of scale in the future. Big data and modern analysis methods are becoming increasingly important.

Delticom prepared for the pending changes in its automotive core business at an early stage. In order to benefit from economies of scale in future, we will further expand our market position in the European online automotive aftermarket in the coming years. We are constantly monitoring the changing online shopping behaviour of consumers and current market trends.

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In addition, Delticom will strengthen its market position in efood and logistics in the coming years. The know-how gained over the past two years in the field of highly automated and efficient warehouse logistics in the Fast Moving Consumer Goods (FMCG) segment will be converted into solutions for our core automotive business in order to further expand our market position here in the coming years. Due to its solid balance sheet, its many years of experience in e-commerce and its market-leading position in the European online tyre trade, Delticom is ideally equipped for further growth.

Information required by takeover law

Report on disclosures pursuant to Section 289a (1) and Section 315a (1) of the German Commercial Code (HGB)

The Management Board of Delticom AG reported as set out below on information in the management report on Delticom AG and on the Group for fiscal 2018, taking account of the knowledge and events up until the time when this report was prepared in accordance with Section 289a (1) and Section 315a (1) of the German Commercial Code, as follows:

No. 1: Composition of subscribed capital

Following the IPO on 26.10.2006, the subscribed capital consisted of 3,946,480 ordinary no-par value registered shares (no-par shares), each with a proportionate interest of € 1.00 in the company's share capital. The subscribed capital tripled to € 11,839,440 after the capital increase out of retained earnings and the resulting issuance of new shares, decided upon during the Annual General Meeting on 19.05.2009.

On 06.05.2011, the subscribed capital increased to € 11,847,440 through exercising 8,000 option rights that entitled subscription for 8,000 new no-par value ordinary registered shares in the company, on 02.05.2013 to € 11,859,440 through the exercising of a further 12,000 option rights that entitled subscription for 12,000 new no-par value ordinary registered shares in the company, and on 30.04.2014 to € 11,945,250 through the exercising of a further 85,810 option rights that entitled subscription for 85,810 new no-par value ordinary registered shares in the company. Former Management Board member Frank Schuhardt exercised the aforementioned option rights.

On 01.03.2016, subscribed capital rose owing to an increase in the capital stock from € 518,081 to € 12,463,331 partly by way of using Authorized Capital I/2011.

No. 2: : Restriction affecting voting rights or the transfer of shares

Delticom AG's shareholders are neither restricted by German legislation nor by the company's articles of incorporation on their decision to buy or sell shares. Only the statutory prohibitions on voting rights apply. As parties to a pooling agreement, shareholders Prüfer GmbH and Binder GmbH are nevertheless restricted to such an extent in exercising their voting rights that they are required to coordinate their voting behaviour with respect to a uniform issuing of votes at the Annual General Meeting.

No. 3: Interests exceeding 10 % of voting rights

Only the shareholders Binder GmbH and Prüfer GmbH, both of which are based in Hanover/Germany, hold direct interests in the company that exceed 10 % of Delticom AG's voting rights. Indirect interests that exceed 10 % of Delticom AG's voting rights exist on the part of Mr Rainer Binder, Hanover, to whom Binder GmbH's direct interest is attributed pursuant to Section 34 Paragraph 1 Clause

1 Number 1 of the German Securities Trading Act (WpHG), and on the part of Dr. Andreas Prüfer, Hanover, to whom Prüfer GmbH's direct and indirect stake is attributed pursuant to Section 34 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG). The pooling agreement, whose parties are Prüfer GmbH, Binder GmbH, Mr Rainer Binder and Dr. Andreas Prüfer, also results in a mutual attribution of voting rights in the meaning of Section 34 Paragraph 2 Clause 1 of the German Securities Trading Act (WpHG).

No. 4

Holders of shares with special rights conveying controlling powers: There are no shares with special rights which grant the holders controlling powers.

No.5

Voting rights control in the case of employee interests: Employees do not participate in equity so that employees cannot directly exercise their controlling rights.

No.6: Appointment and recall from office of Management Board members, amendments to articles of incorporation

Management Board members are generally nominated and recalled from office pursuant to Sections 84 ff. of the German Stock Corporation Act (AktG). In addition, Section 6 Paragraph 1 Clause 3 of Delticom AG's articles of incorporation stipulates that Management Board members must not have exceeded their 65th birthday when ending the period of office for which they were appointed. Pursuant to Section 6 Paragraph 2 Clause 2 of the articles of incorporation, the Supervisory Board determines the number of Management Board members in line with statutory regulations. Pursuant to Section 17 Paragraph 3 Clause 1 of Delticom AG's articles of incorporation, amendments to the articles of incorporation require a simple majority of votes submitted, and, by way of divergence from Section 179 Paragraph 2 Clause 1 of the German Stock Corporation Act (AktG), only a simple majority of share capital represented to the extent that a larger capital majority is not mandatory according to the law.

No. 7: Management Board authorizations, especially to issue and repurchase shares

The regulations that authorize the Management Board to issue shares are set out in section 5 "Level and division of share capital" of the articles of incorporation of Delticom AG, and those concerning the repurchase of shares in Sections 71 ff. of the German Stock Corporation Act (AktG) and corresponding authorization resolutions passed by the Annual General Meeting.

a) Authorized Capital

The Annual General Meeting on 02.05.2017 authorized the Management Board, with the agreement of the Supervisory Board, to increase the company's share capital by issuing up to 6,231,665 new no-par value registered shares in the company against cash or non-cash contributions on one or more occasions by a total of up to € 6,231,665 in the period up to 01.05.2022 (Authorized Capital 2017).

The Management Board is authorized, with the agreement of the Supervisory Board, to exclude the subscription right in the case of capital increases against contributions in kind, provided that the shares issued during the term of this authorization under exclusion of shareholders' subscription rights against cash or contributions in kind do not exceed a total of 20 % of the share capital, either at the time this authorization becomes effective or at the time it is exercised.

In the case of capital increases against cash contributions, shareholders are generally granted a subscription right to the new shares. The new shares should then be taken over by at least one bank or at least one company active within the meaning of Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription.

The Management Board is however authorized, with the agreement of the Supervisory Board, to exclude the subscription right of shareholders in the case of capital increases against cash contributions, provided that the shares issued during the term of this authorization under exclusion of shareholders' subscription rights against cash or contributions in kind do not exceed a total of 20 % of the share capital, either at the time this authorization becomes effective or at the time it is exercised

- in order to exploit any peaks,
- to the extent necessary, to protect against dilution, to grant holders of conversion or option rights issued by Delticom AG or by companies in which Delticom AG directly or indirectly holds a majority interest a subscription right to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilment of conversion obligations,
- if the issue price of the new shares does not significantly undercut the share price and the shares issued in accordance with or in analogous application of Section 186 (3) sentence 4 AktG against cash contributions with exclusion of subscription rights during the term of this authorization do not exceed a total of 10 % of the share capital, either at the time this authorization becomes effective or at the time it is exercised. The following shall count towards this limit of 10 % of the share capital: (1) the shares issued or to be issued in order to service bonds with conversion or option rights insofar as the bonds are issued during the term of this authorization in analogous application of Section 186 (3) sentence 4 AktG under exclusion of the subscription right and (2) own shares which are sold during the term of this authorization in corresponding application of Section 186 (3) sentence 4 AktG under exclusion of the subscription right of shareholders.

The Authorized Capital 2017 was entered into the commercial register on 17.05.2017. No other authorized capital exists.

b) Contingent capitals

Based on the Contingent Capital II/2011 under Section 5 (7) of the Articles of Association, no further shares may be issued as this serves the sole purpose of granting new shares to the holders of convertible or option rights issued in accordance with an authorizing resolution adopted by the Annual General Meeting of 03.05.2011 under Agenda item 9 lit. b) through Delticom AG or through companies in which Delticom AG holds a majority stake, either directly or indirectly. The aforementioned authorizing resolution expired at midnight on 02.05.2016, without having been utilized.

The Annual General Meeting of 29.04.2014 authorized the Management Board, with Supervisory Board assent (respectively the Supervisory Board instead of the Management Board to the extent that option rights are granted to Management Board members), to grant until 28.04.2019, once or on several occasions, option rights to subscribe for a total of up to 540,000 of the company's new no-par registered shares to members of the company's Management Board, employees of the company, as well as to employees and management members of companies associated with the company.

The company's share capital is conditionally increased by up to € 540,000 through issuing up to 540,000 new no-par registered shares (Contingent Capital I/2014). Contingent Capital I/2014 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. Contingent Capital I/2014 was entered in the commercial register on 11.06.2014.

A stock option plan for employees of the company was introduced by resolutions of the Management Board of the company on 25.12.2016 and the Supervisory Board of the company on 27.12.2016, and a stock option plan for members of the Management Board of the company was rolled out following a resolution from the Supervisory Board of the company on 28.12.2016.

Based on these plans, a total of 16,003 stock options were issued to employees of the company on 10.01.2017 and 32,000 stock options to members of the Management Board of the company on 05.01.2017. Moreover, a total of 18,337 stock options were issued to employees of the company on 05.01.2018 and 32,000 stock options to members of the Management Board of the company on 05.01.2018. In addition, a total of 16,660 stock options were issued to employees of the company on 17.12.2018 and a total of 24,000 stock options were issued to members of the company's Management Board on 28.12..2018. The vesting period for all stock options is four years beginning on the respective issue date. As a result, the share options are currently not yet exercisable.

In accordance with the applicable rules and regulations, the Management Board and the Supervisory Board will report in detail on the option rights granted and the exercising of option rights in each fiscal year in the notes to the separate financial statements, the notes to the consolidated financial statements or in the management report. The period of validity of the stock option plan ends on 28.04.2019. After this date, issuing stock options under this stock option plan is no longer permitted.

c) Management Board authorizations to repurchase and re-utilize treasury shares

With an Annual General Meeting resolution of 05.05.2015, the company was authorized to acquire its own shares in an amount of up to 10 % of its capital stock existing at the time of an approved resolution or, if this percentage is less, of the capital stock existing at the time when this authorization is exercised. The authorization is valid until 04.05.2020. It can be exercised in its entirety or in partial amounts, once or several times, for one or several purposes by the company, its Group companies or by third parties on its or their behalf. At the discretion of the Management Board, the purchase of these shares may take place via the stock exchange or by way of a public offer to buy directed to all shareholders.

The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10 % above or below the average of the closing prices on the three trading days preceding the commitment to acquire ("reference days").

The "closing price" is defined as the closing price determined by the closing auction on each individual stock market trading day or, if a closing price is not determined on the respective trading day, the last price of the company's share calculated during current trading. In the case of all three reference days, reference is made to the closing price in Xetra trading (or a comparable successor system) of the Frankfurt Securities Exchange, or the closing price formed in floor trading at a German securities exchange, or the last price formed in current trading which reflected the highest level of turnover in the ten preceding trading days preceding the first of the three reference days.

If shares are acquired by way of a public tender offer, the purchase price (not including incidental acquisition costs) per share may not be more than 10 % above or below the average of the closing prices quoted on the three trading days prior to the reference date.

"Reference date" is the day when the company's decision to submit a public offer is published or, in the event of an amendment concerning the purchase price, the day of the Management Board's final decision on the amendment to the offer.

The purchase offer may provide for conditions. If more shares are tendered to the company for repurchase than the total number offered by the company to the shareholders for repurchase, the purchase of shares by the company is carried out based on the ratio of the number of company shares tendered. The company can provide for a preferential acceptance of small numbers of up to 100 shares tendered per shareholder.

The Management Board is authorized to utilize the acquired treasury shares for all statutorily permissible purposes. In particular, it may withdraw and cancel the shares, sell them in return for non-cash payments, assign them for the purpose of fulfilling conversion or option rights attached to convertible or warrant-linked bonds, or use them in the course of settling conversion obligations arising from convertible bonds or, under certain circumstances, also sell them by means other than through the stock exchange. The subscription rights of shareholders to treasury shares may be excluded under certain conditions.

No. 8: Significant agreements by the company that are subject to a change of control following a takeover offer:

Through resolutions passed by the Management Board on 25.12.2016, and by the Supervisory Board on 27.12.2016 a stock option plan for employees of the company and a stock option plan for members of the company’s Management Board were introduced based on a resolution passed by the company’s Supervisory Board on 28.12.2016.

Both these option plans provide for the following: in the event of a change of control of the company (defined in the option conditions as a direct or indirect purchase of at least 50 % of the voting rights in the company by a natural person or legal entity or a majority of natural persons or legal entities acting in accordance with one another) the stock options issued under these option plans may be exercised with immediate effect provided the holding period for these options has already expired and the share price target has been achieved. Options whose vesting period has not yet expired will lapse without compensation.

Based these plans, a total of 16,003 stock options were issued to employees of the company on 10.01.2017, and a total of 32,000 stock options were issued to members of the company’s Management Board on 05.01.2017. Moreover, a total of 18,337 stock options were issued to employees of the company on 05.01.2018 and 32,000 stock options to members of the Management Board of the company on 05.01.2018. In addition, a total of 16,660 stock options were issued to employees of the company on 17.12.2018 and a total of 24,000 stock options were issued to members of the company's Management Board on 28.12.2018. The vesting period for all options is four years, beginning on the respective issue date. None of the stock options can therefore be currently exercised.

No. 9

Compensation agreements with Management Board members or employees for the instance of a takeover offer: The company has not entered into such agreements.

Hannover, den 19.06.2019

Susann Dörsel-Müller Philip v. Grolman Andreas Prüfer

Consolidated Financial Statements of Delticom AG

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Consolidated Income Statement

in € thousand	Notes	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017*
Revenues	(1)	**645,724**	**667,712**
Other operating income	(2)	38,064	25,827
Total operating income		**683,788**	**693,539**
Cost of goods sold	(3)	–505,100	–530,311
Gross profit		**178,688**	**163,228**
Personnel expenses	(4)	–15,893	–10,916
Depreciation of intangible assets and property, plant and equipment	(5)	–7,871	–7,237
Bad debt losses and one-off loan provisions		–5,084	–2,833
Other operating expenses	(6)	–148,745	–140,206
Earnings before interest and taxes (EBIT)		**1,094**	**2,036**
Financial expenses		–689	–539
Financial income		22	160
Net financial result	(7)	**–668**	**–379**
Earnings before taxes (EBT)		**426**	**1,657**
Income taxes	(8)	–2,102	–539
Consolidated net income		**–1,676**	**1,118**
Thereof allocable to:			
Non-controlling interests		–221	–342
Shareholders of Delticom AG		–1,455	1,460
Earnings per share (basic)	(9)	–0.13	0.09
Earnings per share (diluted)	(9)	–0.13	0.09

*Classification adjusted in the course of first-time application of IFRS 9

Statement of Recognized Income and Expenses

in € thousand	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Consolidated Net Income	**–1,676**	**1,118**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**160**	**–413**
Income and expense that will be reclassified to the statement of income at a later date		
Changes in currency translation	176	–391
Net Investment Hedge Reserve		
Changes in current value recorded directly in equity	–23	–37
Deferred taxes relating to Net Investment Hedge Reserve	7	11
Total comprehensive income for the period	**–1,516**	**705**
Attributable to non-controlling interests	–377	–451
Attributable to shareholders of the parent	–1,139	1,156

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2018	31.12.2017
Non-current assets		**85,858**	**79,364**
Intangible assets	(10)	59,671	57,073
Property, plant and equipment	(11)	21,688	17,346
Financial assets		10	201
Investments using equity method		0	197
Other financial assets		10	4
Deferred taxes	(12)	4,033	4,303
Other receivables	(13)	457	441
Current assets		**146,677**	**122,992**
Inventories	(14)	99,586	79,811
Accounts receivable	(15)	24,283	24,364
Other current assets	(16)	12,753	14,786
Income tax receivables	(17)	6,650	150
Cash and cash equivalents	(18)	3,404	3,881
Assets		**232,535**	**202,356**

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2018	31.12.2017
Equity		**49,254**	**52,940**
Equity attributable to Delticom AG shareholders		**49,148**	**52,355**
Subscribed capital	(19)	12,463	12,463
Share premium	(20)	33,739	33,739
Stock option plan	(19)	103	71
Other components of equity	(21)	374	231
Retained earnings	(22)	200	200
Net retained profits	(23)	2,269	5,651
Non-controlling interests		**106**	**585**
Liabilities		**183,281**	**149,415**
Non-current liabilities		**7,236**	**9,006**
Long-term borrowings	(24)	3,750	7,312
Non-current provisions	(25)	252	317
Deferred tax liabilities	(26)	2,797	961
Other Non Current Liabilities		437	416
Current liabilities		**176,045**	**140,408**
Provisions for taxes	(25)	401	1,041
Other current provisions	(25)	929	599
Accounts payable	(27)	131,408	114,392
Short-term borrowings	(24)	27,119	8,009
Other current liabilities	(29)	16,188	16,367
Shareholders' equity and liabilities		**232,535**	**202,356**

Consolidated Cash Flow Statement

in € thousand	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017
Earnings before interest and taxes (EBIT)	**1,094**	**2,036**
Depreciation of intangible assets and property, plant and equipment	7,871	7,237
Changes in other provisions	–1,190	–66
Net gain on the disposal of assets	111	0
Sonstige nicht zahlungswirksame Aufwendungen und Erträge	–5,802	0
Changes in inventories	–18,599	–17,065
Changes in receivables and other assets not allocated to investing or financing activity	–3,538	–4,600
Changes in payables and other liabilities not allocated to investing or financing activity	17,008	31,659
Interest received	22	160
Interest paid	–689	–539
Income tax paid	–7,997	–3,438
Cash flow from operating activities	**–11,708**	**15,384**
Proceeds from the disposal of property, plant and equipment	1,913	0
Payments for investments in property, plant and equipment	–7,213	–4,312
Proceeds from the disposal of intangible assets	114	0
Payments for investments in intangible assets	–3,530	–3,086
Cash inflow from aquisition of subsidiary	5,634	0
Cash flow from investing activities	**–3,082**	**–7,398**
Dividends paid by Delticom AG	–1,246	–6,232
Capital transactions with non-controlling interests	12	0
Cash inflow of financial liabilities	19,110	5,000
Cash outflow of financial liabilities	–3,562	–9,567
Cash flow from financing activities	**14,313**	**–10,799**
Changes in cash and cash equivalents due to currency translation	0	8
Cash and cash equivalents at the start of the period	3,881	6,686
Changes in cash and cash equivalents	–477	–2,813
Cash and cash equivalents - end of period	**3,404**	**3,881**

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Net Investment Hedge Reserve	Stock option plan	Retained earnings	Net retained profits	Total	Non-controlling interests	Total equity
as of 1 January 2017	**12,463**	**33,739**	**606**	**41**	**0**	**200**	**10,303**	**57,352**	**1,119**	**58,471**
Compensation of differences from purchase of non-controlling interests							8	8	–83	–75
Dividends paid							–6,232	–6,232		–6,232
Stock option plan					71			71	0	71
Net income							1,460	1,460	–342	1,118
Other comprehensive income			–391	–25			112	–304	–109	–413
Total comprehensive income			**–391**	**–25**			**1,572**	**1,156**	**–451**	**705**
as of 31 December 2017	**12,463**	**33,739**	**215**	**16**	**71**	**200**	**5,651**	**52,355**	**585**	**52,940**
as of 1 January 2018	**12,463**	**33,739**	**215**	**16**	**71**	**200**	**5,651**	**52,355**	**585**	**52,940**
Dividends paid							–1,246	–1,246		–1,246
Stock option plan					32			32	0	32
Changes in minority interests							–854	–854	–102	–956
Net income							–1,455	–1,455	–221	–1,676
Other comprehensive income			159	–16			173	316	–156	160
Total comprehensive income			**159**	**–16**			**–1,282**	**–1,139**	**–377**	**–1,516**
as of 31 December 2018	**12,463**	**33,739**	**374**	**0**	**103**	**200**	**2,269**	**49,148**	**106**	**49,254**

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General notes

Delticom AG (hereinafter referred to as the "company") is the parent company of the Delticom group (hereinafter referred to as the "Delticom"). Delticom AG is entered in the commercial register of Hanover local court with register number HRB58026. Delticom's address is Brühlstrasse 11, 30169 Hanover, Germany.

Delticom is Europe's leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models of tyres for passenger cars, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the around 40,000 service partners of Delticom AG worldwide. Our range also encompasses over 500,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

The group offers its product range in 77 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, with the main focus on the USA.

Delticom generates a large share of its revenues by selling from own inventories. This stock-and-ship business strengthens the relationships with manufacturers and enhances the supply capability, while generating good margins. Using drop-ship fulfilment, the company also sells goods from the warehouses of manufacturers and wholesalers. The goods are either transported directly from the supplier to the customer, or Delticom lets parcel services carry out the delivery.

The online shops present the entire product range in a consistent look and feel. Hotlines in the different languages and the global fitting partner network secure a high level of service quality.

The Management Board had authorized these consolidated financial statements on 19.06.2019. The consolidated financial statements will be published and submitted to the operators of the electronic federal gazette, to make these public.

All calculations were carried out with full accuracy. As a consequence, the tables can show rounding differences.

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315e of the Handelsgesetzbuch (HGB – German Commercial Code). Delticom's consolidated financial statements for the fiscal year 2018 were prepared according to the accounting standards No. 1606/2002 prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognized in income. The requirements of the standards and interpretations (SIC/IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

The consolidated financial statements were prepared in euros (€). This is both Delticom's functional and reporting currency. Amounts in the notes to the financial statements are generally presented in thousands of euros (€ thousand) unless otherwise stated.

Standards that were applied for the first time in the fiscal year under review (mandatory disclosure pursuant to IAS 8.28):

As of 01.01.2018, the Delticom Group applied IFRS 15 (Revenue from customer contracts) and IFRS 9 (Financial Instruments) for the first time. Other standards to be applied from 01.01.2018 which, however, do not have a material impact on the Group’s financial statements, are:

- Classification and measurement of share-based payments (amendments to IFRS 2)
- Application of IFRS 9 with IFRS 4 Insurance Contracts (amendment to IFRS 4)
- Transfers of Investment Property (amendment to IAS 40)
- Annual improvements to IFRSs 2014 to 2016 (amendments to IFRS 1 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Standard IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, to what amount and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. Revenues relate almost exclusively to the "sale of goods" category.

The transition to IFRS 15 had no material impact on the consolidated statement of financial position at 01.01.2018 or on the consolidated statement of profit or loss and comprehensive income for the year ended 31.12.2018.

In the E-Commerce business, there are return rights. In previous years, Delticom had fully accounted for revenues and recognized a separate provision for expected return obligations. In accordance with IFRS 15, Delticom reduces revenues by the amount of the expected returns and recognizes these as

"Trade payables and other liabilities". In addition, an asset item is recognized for the expected return of the goods. Delticom continues to estimate the amount of the return ratio on the basis of historical data, which may be adjusted to current sales figures to estimate the returns of newly sold items. The impacts of these adjustments are not material.

For further explanations, see section (1) Revenue from Contracts with Customers.

Standard IFRS 9 - Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group applied the accounting policy of choice in respect of the hedge accounting and continues to apply the hedge accounting requirements of IAS 39.

In accordance with the new requirements of IFRS 9, the Group classifies financial instruments into the following categories: "at amortised cost", "measured at fair value through equity" and "measured at fair value through profit or loss". IFRS 9 introduces a new model for determining impairment based on expected credit losses. Expected credit losses are updated at each balance sheet date on the basis of available information. The introduction of the new impairment model had no material impact on the consolidated statement of financial position at 01.01.2018 or on the consolidated statement of profit or loss and comprehensive income for the fiscal year 2018.

Classification and measurement of financial assets and financial liabilities

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9:

in € thousand	Valuation categories acc. to IAS 39	Valuation categories acc. to IFRS 9	Book Value 31.12.2017 IAS 39	Book Value 01.01.2018 IFRS 9
Assets				
Cash and cash equivalents	Loans and receivables	At amortised cost	3,881	3,881
Accounts receivable	Loans and receivables	At amortised cost	24,364	24,364
Other receivables/Other non-derivative financial assets	Loans and receivables	At amortised cost	2,922	2,922
Available for Sale Financial Assets	Available for Sale	FVOCI equity investments	0	0
Derivative financial assets				
Derivative financial assets (Held for Trading)	Held for Trading	Mandatory for FVTPL	1	1
Liabilities				
Accounts payable	Other liabilities	At amortised cost	114,392	114,392
Other current liabilities	Other liabilities	At amortised cost	3,697	3,697
Other original financial liabilities	Other liabilities	At amortised cost	15,321	15,321
Derivative financial liabilities				
Derivative financial liabilities (Held for Trading)	Held for Trading	Mandatory for FVTPL	240	240

As a result of the introduction of IFRS 9, the Group has implemented consequential amendments to IAS 1 Presentation of Financial Statements, which require an impairment loss on financial assets to be presented in a separate line item in the income statement. Previously, the Group had recognized impairment losses on trade receivables in other operating expenses. Accordingly, the Group reclassified impairment losses of € 2,833 thousand recognized in accordance with IAS 39 in the income statement for fiscal year 2017 from other expenses to "Bad debt losses and specific valuation allowances".

In addition, the Group has made consequential amendments to IFRS 7 Financial Instruments: Disclosures have been applied to the disclosures in the notes for the 2018 financial year. However, these were generally not also applied to the comparative information.

Standards and interpretations published but not yet required to be applied

The Group will apply IFRS 16 (Leases) for the first time as of 01.01.2019. Other standards to be applied in the future that will not, however, have a material impact on Delticom AG's financial statement are:

Mandatory application	Standard / interpretation
01.01.2019	Early repayment regulations with negative compensation (amendment to IFRS 9) ELong-term investments in associates and joint ventures (amendment to IAS 28) Plan amendment, curtailment or settlement (amendment to IAS 19) Annual improvements 2015 - 2017 - various standards Uncertainty about income tax treatment (IFRIC 23)

Standard IFRS 16 - Leases

The Group is required to apply IFRS 16 Leases from 01.01.2019. The Group has estimated the impacts of the first-time application of IFRS 16 on its consolidated financial statements. The actual impacts of applying the standard on 01.01.2019 may change until the Group publishes its first financial statements containing this standard.

IFRS 16 introduces a single accounting model for lessees. A lessee recognises an asset with a right of use that represents its right to use the underlying asset and a lease liability that represents its obligation to make lease payments. There are exceptions for short-term leasing contracts and leasing contracts with a low value. There are no material changes for the lessor, i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces the previous standards and interpretations on leases "IAS 17 Leases", "IFRIC 4 Determining whether an Arrangement is or contains a Lease", "SIC-15 Operating Leases - Incentives" and "SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease".

i. Leases in which Delticom is the lessee

Delticom will recognise new assets and liabilities for operating leases of warehouses and warehouse and office equipment (see section Contingent liabilities and other financial obligations). The nature of the expenses associated with these leases will change as assets with rights of use and interest expenses for lease liabilities are now depreciated.

Previously, Delticom recognized lease expenses for operating leases on an accrual basis over the term of the lease and recognized assets and liabilities only to the extent that there was a time difference between the actual lease payments and the expense recognized.

On the basis of currently available information, Delticom estimates that additional lease liabilities of approximately € 28,306 thousand and additional assets (rights of use) of approximately € 28,306 thousand will be recognized as of 01.01.2019. EBITDA will thus increase, as operating lease expenses will decrease within other operating expenses. On the other hand, depreciation and interest expenses will increase with respect to the net income for the year.

ii. Transition within the framework of first-time application

Delticom plans to apply IFRS 16 with the modified retrospective approach for the first time on 01.01.2019. Therefore, the cumulative effect of applying IFRS 16 as of 01.01.2019 will be recognised as an adjustment to the opening value of retained earnings without having to adjust comparative information. The lease liability is measured at the present value of the remaining lease payments at the interest rate prevailing at the date of initial application (0.8 to 1.1 %). The related asset is measured at the amount equal to the lease liability. Leases with a remaining term of 12 months or less and with amounts of minor significance are not accounted for as leases within the meaning of IFRS 16.

Standards, that were not yet adopted by the EU:

The following amendments to IFRS were not yet adopted by the EU:

Mandatory application	Standard / interpretation
	Changes in references to the framework in IFRS standards
01.01.2020	Amendments to IFRS 3 Definition of Business Activities
	Amendments to IAS 1 and IAS 8 on the definition of materiality
01.01.2021	IFRS 17 Insurance contracts
open	Amendment to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and an associate or business entity

Group of consolidated companies

The group of consolidated companies comprises Delticom AG as controlling company, fifteen domestic and nine foreign subsidiaries, all fully consolidated in the annual financial accounts.

In fiscal year 2018, Delticom AG acquired 100 % of the shares in All you need GmbH, Berlin, from Deutsche Post DHL Group.

Delticom also acquired 51 % of the shares in Delticom Russland OOO, Moscow, Russia, so that Delticom AG is now the sole owner of the company. Delticom Russland OOO was previously included in the consolidated financial statements at equity.

The subsidiaries Wholesale Tire and Automotive Inc., Benicia, USA, and Price Genie LLC, Benicia, USA, were liquidated in fiscal year 2018.

Consolidation methods

Subsidiaries are all participations in companies in which the AG has control over the financial and business policy, regularly accompanied by a share of voting rights of more than 50 %. Inclusion begins at the point in time at which the possibility of control exists; it ends when this possibility no longer exists.

Acquired subsidiaries are accounted for using the purchase method. The consideration transferred for the acquisition corresponds to the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the transaction date. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the consideration transferred from the acquisition over the Group's interest in the net assets measured at fair value is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement after a further review.

The consolidated financial statements are based on the annual financial statements of the companies included in the consolidated financial statements prepared using uniform accounting policies. In the case of the companies included in the consolidated financial statements, the reporting date of the individual financial statements corresponds to the reporting date of the consolidated financial statements.

All intra-group receivables and liabilities or provisions were eliminated during the consolidation of debts netting. Revenues from deliveries and services as well as interest payments and other income between the consolidated companies are offset against the expenses due in this regard (consolidation of income and expenses). Intercompany profits arising from deliveries and services within the Group were adjusted for deferred taxes and recognized in income. Minority interests in equity and the earnings of subsidiaries that are not controlled by the parent company are shown separately.

Business combinations in accordance with IFRS 3

Identifiable assets, liabilities and contingent liabilities of an acquired company are generally measured at their fair value at the transaction date. Any remaining differences between the acquisition costs and the acquired net assets are recognized as goodwill. Any gain from a business combination is recognized immediately in profit or loss after a further review.

The consideration transfered does not include any amounts relating to existing relationships. Such amounts are recorded in the profit and loss.

Acquisition of All you need GmbH in 2018

Delticom AG has acquired all shares in All you need GmbH (AYN), Berlin, from Deutsche Post DHL Group. With effect from 31.10.2018, Delticom thus holds 100 % of AYN and has thus acquired a controlling position vis-à-vis the company. The acquisition increases the Delticom Group's market share and exploits economies of scale through the integration of AYN into the Group.

Delticom received € 5.0 million (negative purchase price) from Deutsche Post DHL Group for the purchase of AYN due to the company's ongoing loss situation.

In the two months of the fiscal year ending 31.12.2018, AYN contributed sales of € 2,145 thousand and a loss of € 5 thousand to the Group's earnings. If the acquisition had taken place on 01.01.2018, management estimates that AYN's consolidated revenue would have been € 20,838 thousand and AYN's contribution to the consolidated net income for the year would have been € –615 thousand. In October 2018, Deutsche Post DHL Group paid AYN an income subsidy of € 15,230 thousand. This transaction was included in the calculation of this figure. Since its acquisition, Delticom has implemented various cost-cutting measures in order to positively shape the future development of the company.

The following table summarises the fair values of the assets and liabilities acquired at the acquisition date:

in € thousand	Fair Vaues at acquisition date
Non-current assets	**6,016**
property, plant and equipment	1,539
Intangible assets	4,471
financial assets	6
Current Assets	
Inventories	1,177
Receivables and other assets	855
Cash and cash equivalents	634
accruals and deferrals	78
Liabilities	
Tax and other provisions	–640
Payment received	–35
Accounts payable	–856
Other current liabilities	–55
Deferred tax liabilities	–738
Net assets	**6,436**
Consideration received	5,000
Income from company acquisition	**11,436**

All of the above fair values were provisionally measured in accordance with IFRS 3.45. The income from the company acquisition is reported under other operating income.

Measurement of the fair values

The trademark right was valued according to the "relief-from-royalty" approach (license price analogy). This method takes into account the discounted estimated royalty payments that are expected to be avoided by owning the trademark right.

The acquired IT platform was valued at replacement costs. It is assumed that the service capacity of an asset will be replaced by either acquiring the asset from a buyer or producing a replacement with a similar benefit. For economic reasons, it is not relevant to pay more for an existing asset than the value of the replacement or reproduction.

in € thousand	Book Value 31.10.2018	Fair Value 31.10.2018	Difference
Intangible assets	1,344	3,803	2,459
Trademark rights	0	1,369	1,369
IT-Platform	1,344	2,434	1,090

Purchase of minority interests

On 23.03.2018, Delticom AG acquired 51 % of the shares in Delticom Russland OOO, Moscow, at a selling price of € 51 and thus became the sole shareholder. The net assets at fair value of Delticom Russland OOO to be recognised in Delticom's consolidated financial statements amounted to € 85 thousand at the time of purchase. The effects on the consolidated financial statements are of minor significance.

Segment reporting

Delticom is a one-segment company: The company focuses on selling tyres, automotive accessories, used cars as well as food online and also provides logistics services to third parties. In the E-Commerce field, goods are sold to dealers, workshops and end users via 469 onlineshops and online distribution plattformes in 77 countries. Revenues and EBITDA are key parameters for management and control at group level. There are no other divisions that could constitute segments with a separate reporting requirement.

The economic indicators which are assessed by the Management Board are aggregated in the group accounts due to the similar economic characteristics of the online trade.

Currency translation

Transactions denominated in foreign currency are converted in the individual statements of Delticom AG and its subsidiaries at the exchange rates prevailing on the date of the transaction. Monetary items in the balance sheet denominated in foreign currency are carried using the exchange rate on the balance sheet date, with any gains or losses recognized in income.

The items included in the financial statements of each company of the Group are measured based on the currency which is the currency of the primary economic environment in which the company operates (functional currency). The foreign companies which form part of the Delticom Group are, as a rule, independent sub-units, whose financial statements are translated to euros using the functional currency concept.

All assets and liabilities are translated using the exchange rate on the balance sheet date. Equity is carried at historical exchange rates. The items on the income statement are translated to euros using the weighted average annual rate of exchange. The resulting currency translation differences are taken directly to equity and carried under the reserve for currency translation differences, where they remain until the corresponding subsidiary exits the consolidated Group.

Country	Mid rate on the reporting date € 1 =	Weighted yearly average rate € 1 =
UK	0.9011 GBP	0.8847 GBP
USA	1.1443 USD	1.1810 USD
Romania	4.6598 RON	4.6540 RON
Russia	79.3913 RUB	74.0435 RUB

Estimates and assumptions

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses and contingent liabilities carried in these statements. The assumptions and estimates are for the most part related to the stipulation of useful life, accounting and valuation of provisions, as well as the measurement of goodwill and the certainty of realising future tax relief. The assumptions on which the respective estimates are based are discussed for the individual items of the income statement and balance sheet. Actual values may vary in individual cases from the assumptions and estimates made. Any such deviations are recognized in income when they come to light.

Accounting and valuation principles

Accounting treatment of acquisitions

As a potential consequence of acquisitions, goodwill is reported in the consolidated balance sheet, when an acquisition is first consolidated, all identifiable assets, liabilities and contingent liabilities are recognized at their respective fair values on the acquisition date. One of the most significant assumptions in this context relates to the determination of the respective fair values of these assets and liabilities on the acquisition date. Land, buildings and operating equipment are generally measured on the basis of independent valuation surveys, while marketable securities are recognized at their stock market price. If intangible assets are identified, recourse is made to external valuers' independent surveys depending on the type of intangible asset and the complexity of determining fair value. Such valuations are closely connected with assumptions that the management has made relating to the future value trend of the respective assets, and imputed changes to the applicable discounting rate.

Goodwill

The Group conducts annual impairment tests to gauge whether recognized goodwill has been impaired,or more frequently if an event occurs that might cause such impairment. The recoverable amount (netsales proceeds) of the cash-generating unit is then estimated. This corresponds to the higher of fairvalue less costs to sell, and value in use. Determining value in use requires adjustments and estimatesrelating to the forecasting and discounting future cash flows.

Delticom determines the recoverable amount on the basis of the value in use. The value in use is measured on the basis of management's planning for Delticom's business. This planning is based on the assumption that E-Commerce will gain further importance in the tyre trade in the coming years. The possibility of a further increase in competition was also taken into account in expectations regarding the development of revenues and earnings.

Management believes that the assumptions used to calculate the recoverable amount are reasonable, particularly in light of economic conditions, margins and sales growth. The input factors used are based on market data. Changes in these assumptions could result in an impairment loss that would adversely affect the Group's net assets, financial position and results of operations.

A discount rate after tax of 7.9 %, an average EBITDA margin of 2.3 %, an average revenue growth of 6.2 % and a growth discount of 1.0 % were applied to assess the recoverability of the acquired goodwill of € 35.3 million at Group level.

The planning is also based on the assumptions that Delticom will continue to maintain its position as Europe's leading online tyre retailer and that the cost structure will remain lean thanks to additional automation and outsourcing. The planning period covers a period of 5 years plus a perpetual annuity. Plausible assumptions are made about future developments. The planning assumptions are adjusted to the current level of knowledge.

Budgeted EBITDA is based on expectations of future results taking into account past experience. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

The estimated recoverable amount exceeded the carrying amount by approximately € 15 million. Management has identified that a possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percentage points	2018
Revenue growth	–1.6
EBITDA Margin	–0.1

Intangible assets acquired for a fee are capitalised at cost plus the costs required to make these usable and are, to the extent that they have a definite useful life, written down over their useful life using the straight-line method on a pro rata basis. Internally generated intangible assets are recognized at production costs. They are also amortized straight-line over their useful lives. Borrowing costs are not capitalized due to the lack of capitalization requirements, but are instead expensed in the period in which they are incurred. Costs that are associated with the maintenance of software are recognized as expenses when these are incurred. The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life in years
Internet domains	3-20
Software	3-10
Customer Relationship	5-10
Trademarks	5-10
Sales of similar rights	2

Property, plant and equipment is carried at cost less accumulated scheduled depreciation and impairment costs. Cost includes the purchase price including directly attributable incidental acquisition costs that are incurred to render the asset usable. Discounts, bonuses and rebates are deducted from the purchase price. Assets are depreciated using the straight-line method on a pro rata basis.

Subsequent costs are only recorded as part of the costs of the asset if it is probable that the future economic benefits will flow to the Group and the costs of the asset can be reliably identified. All other repairs and maintenance are recognized in the income statement in the fiscal year in which they are incurred.

The remaining book values and economic useful lives are reviewed on each balance sheet date and adjusted accordingly. If the book value of an asset exceeds its estimated recoverable amount, it is written down to the latter immediately. If the reasons for non-scheduled depreciation performed in previous years no longer apply, the asset is written up accordingly.

Gains and losses from the disposal of assets are calculated as the difference between the income from the sale and the book value and recognized in income.

The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life years
Warehouse equipment	12–33
Machinery	4–14
Equipment	3–15
Office fittings	3–15

Leases are classified as finance leases if the major risks and opportunities associated with the ownership of the leased asset from use of the leased asset are transferred to Delticom.

Assets from finance leases are capitalised at the lower of the fair value of the leased asset and the cash value of the minimum lease payments. The lease instalments are broken down into an interest component and a repayment component to give constant interest for the liabilities from the lease. Lease liabilities are carried as non-current liabilities without considering interest.

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognized over the term of the lease using the annuity method. Delticom did not enter into any such leases.

All leases that do not meet the criteria of a finance lease are classified as operating leases, with the assets accounted for by the lessor.

Financial Instruments

i. Recognition and initial measurement

Trade receivables are recognized from the date on which they arise. All other financial assets and liabilities are initially recognized on the trade date when the company becomes a party to the contract under the terms of the instrument.

A financial asset (other than a trade receivable without a significant financing component) or a financial liability is initially measured at fair value. For an item that is not measured at fair value with changes in profit or loss, transaction costs directly attributable to its acquisition or issue are added. Trade receivables without significant financing components are initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured as follows:

- at amortized cost
- FVOCI debt instruments (investments in debt instruments measured at fair value with changes in other comprehensive income)
- FVOCI equity investments (equity investments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in profit or loss)

Financial assets are not reclassified after 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 both of the following conditions are met and it has not been designated as FVTPL:

- It is held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms of the financial asset result in cash flows at specified dates that represent only principal and interest payments on the outstanding principal.

A debt instrument is designated at FVOCI if both of the following conditions are met and it has not been designated as FVTPL:

- It is held within the framework of a business model whose objective is both to hold financial assets in order to collect the contractual cash flows and in the sale of financial assets and liabilities; and
- its contractual terms give rise, at specified times, to cash flows representing only principal and interest payments on the outstanding principal.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to show consequential changes in the fair value of the investment in other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortised cost or at FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets that otherwise qualify for measurement at amortised cost or at FVOCI as FVTPL if this results in the elimination or significant reduction of accounting mismatches.

Financial assets - Business model assessment

The Group makes an assessment of the objectives of the business model in which the financial asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information to be considered includes:

- the risks affecting the results of the business model (and the financial assets held under that business model) and how those risks are managed
- frequency, extent and timing of sales of financial assets in prior periods and expectations about future sales activities.

Transfers of financial assets to third parties through transfers that do not result in derecognition are consistent with the Group continuing to account for the assets, not sales for this purpose.

Financial assets which are held or managed for trading purposes and whose performance is assessed on the basis of fair value are valued at FVTPL.

Financial assets – Assessment whether contractual cash flows are exclusively repayments of principal and interest

For the purpose of this assessment, the "principal amount" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money and for the risk of default associated with the principal outstanding over a specified period, as well as for other basic credit risks, costs (such as liquidity risk and administrative costs) and a profit margin.

In assessing whether the contractual cash flows are solely interest and principal payments on the principal amount, the Group considers the contractual terms of the instrument. This includes an assessment of whether the financial asset contains a contractual agreement that could change the timing or amount of the contractual cash flows so that they no longer meet these conditions. In making this assessment, the Group takes into account the following factors:

- certain events that would change the amount or timing of cash flows
- conditions that would adjust the interest rate, including variable interest rates
- early repayment and extension options; and
- conditions that restrict the Group's right to receive cash flows from a specific asset.

An early repayment option is consistent with the criterion of exclusive interest and principal repayments where the amount of the early repayment consists essentially of unpaid interest and principal repayments on the outstanding principal, which may include reasonable additional consideration for the early termination of the contract.

In addition, a condition for a financial asset acquired at a premium or discount to the contractual principal amount that permits or requires early repayment at an amount that is substantially the contractual principal amount plus accrued (but unpaid) contractual interest (which may include an appropriate consideration for early termination of the contract) is treated as in accordance with the criterion if the fair value of the early repayment option at inception is not significant.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, exchange rate gains and losses and impairments are recognised in profit or loss. A gain or loss on derecognition is recognized in profit or loss.

FVOCI debt instruments - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, accumulated other comprehensive income is reclassified to profit or loss.

Equity investments in FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend is clearly covering part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is classified as held for trading, is a derivative or is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in profit or loss. Gains or losses on derecognition are also recognized in profit or loss.

iii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred.

Derecognition also takes place if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control of the transferred asset.

Financial liabilities

The Group derecognizes a financial liability when the contractual obligations have been fulfilled, cancelled or expired. The Group also derecognizes a financial liability when its contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the revised terms.

When a financial liability is derecognised, the difference between the carrying amount of the liability extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and liabilities are offset and presented as net amounts in the balance sheet when the Group has a present enforceable legal right to set off the recognised amounts and it intends either to settle on a net basis or to settle the liability simultaneously with the realisation of the asset.

v. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge currency risks. Under certain circumstances, embedded derivatives are separated from the host contract and accounted for separately.

Derivatives are initially measured at fair value. Derivatives are subsequently measured at fair value. Any resulting changes are generally recognized in profit or loss.

At the inception of the designated hedging relationship, the Group documents the risk management objectives and strategies it pursues with respect to the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument and whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

Cash flow hedges

If a derivative is designated as a cash flow hedge, the effective portion of the change in fair value is recognised in other comprehensive income and transferred cumulatively to the hedge reserve. The effective portion of the changes in fair value recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged item (calculated on a cash basis) since hedge inception. An ineffective portion of the changes in the fair value of the derivative is recognized directly in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventories, the cumulative amount of the hedge reserve and the hedging cost reserve is included directly in the cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the cumulative amount transferred to the hedge reserve and the hedging cost reserve is reclassified to profit or loss in the period or periods in which the hedged forecast future cash flows affect profit or loss.

When the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, terminated or exercised, hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount transferred to the hedge reserve remains in equity until, for a hedging transaction that results in the recognition of a non-financial item, that amount is included in the cost of the non-financial item at initial recognition or, for other cash flow hedges, that amount is reclassified to profit or loss in the period or periods in which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts allocated to the hedge reserve and the hedge cost reserve are immediately reclassified to profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as a hedging instrument to hedge a net investment in a foreign operation, the effective portion of the changes in the fair value of the hedging instrument (in the case of derivatives) or in foreign exchange differences (for non-derivatives) are recognized in other comprehensive income and reported in the foreign currency translation reserve within equity. The ineffective portion of the changes in the fair value of the hedging instrument in the case of derivatives or the exchange rate differences of the non-derivative are recognized directly in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss on disposal of the foreign operation.

Derivative financial instruments and hedge accounting – procedure before 01.01.2018

The procedure applied to the 2017 comparative information is similar to that applied to the 2018 comparative information.

As a rule, **inventories** are carried at the lower of cost or market and, if necessary, taking into account any write-downs for restricted marketability.

Costs are calculated based on the average cost method. The market price is the selling price during the course of normal business less selling costs. Borrowing costs are not capitalised as costs.

Trade accounts receivable and **other receivables** are initially carried at their fair value and then at amortized cost using the effective interest rate method and less impairment. Impairment is recognized for trade accounts receivable if there is objective evidence that it will not be possible to collect the due receivable in full.

The amount of the impairment is the difference between the book value of the receivable and the discounted value of the estimated future cash flows from this receivable, discounted using the effective interest rate. The carrying amount of the receivables is determined using special impairment account. Impairment is recognized as expense. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

Cash and cash equivalents are carried at their nominal amounts. This item is used to disclose bank balances that are exclusively current in nature, as well as cash in hand and cheques. Cash and cash equivalents denominated in foreign currency are translated using the exchange rate on the balance sheet date.

Deferred taxes were calculated in line with IAS 12. As a rule, deferred tax assets are formed for temporary differences between the carrying amounts in the tax base and the consolidated financial statements to the extent that it is probable, that in future taxable results will be available against which the temporary difference can be used. In addition, deferred taxes are also formed for losses carried forward which are expected to be realized in future. As a rule, deferred tax liabilities are formed for all taxable temporary differences between the carrying amounts in the tax base and the consolidated financial statements.

Deferred taxes are recorded directly under equity if the tax relates to items that are credited or charged directly to equity in the same or in a different period.

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realized or the deferred tax liability is expected to be paid. Deferred taxes for German companies are measured at a tax rate of 32.54 % (previous year: 32.54 %).

Deferred tax receivables and liabilities are netted to the extent that there is a legally enforceable right to set off the deferred tax receivables against the deferred tax liabilities and the deferred taxes are for the same tax authority.

Deferred tax receivables and deferred tax liabilities are carried under non-current assets or non-current liabilities according to IAS 1.70. Deferred tax assets and liabilities cannot be discounted according to IAS 12.53.

The German companies are subject to trade tax of 16.7 % (previous year: 16.7 %) of trade income. In the reporting period, the corporation tax rate was 15.0 % (previous year: 15.0 %) plus the solidarity surcharge of 5.5 % (previous year: 5.5 %) on corporation tax.

Foreign income taxes are calculated based on the applicable laws and regulation in the respective individual countries. The respective national tax rates are used.

Income tax provisions are netted with corresponding refund claims if these are in the same tax jurisdiction and are of the same type and term. The best possible estimate is applied when measuring potential tax risks and uncertain tax claims.

Provisions are only carried if the company has a current (legal or de facto) obligation to third parties as a result of a past event and it is probable that fulfilment of the obligation will lead to an outflow of resources, and the amount of the obligation can be reliably estimated. Provisions are formed taking into account all recognisable risks at the expected fulfilment amount and are not offset against any recourse claims.

Provisions are reviewed at each balance sheet date and adjusted to the current best estimate. If a material interest effect results from the date on which the obligation is fulfilled, the provision is recognised at its present value. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The compounding of the provision is recognized as interest expense. Where no reliable estimate can be made in individual cases, no provision is recognised but a contingent liability is disclosed.

Trade accounts payable, **other liabilities** and **financial liabilities** are initially carried at their fair values including transaction costs and measured in subsequent periods at amortised cost. The difference between the disbursement rate and the repayment amount is carried in the income statement over the term of the respective agreement using the effective interest rate method. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

Revenues and other operating **income** are recognized at the time the service is rendered if the amount of the revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the enterprise. Income from services whose amount is immaterial is generally recognized pro rata temporis over the period in which the service is rendered. Sales revenues are reduced by sales deductions. In the case of the sale of merchandise to customers, services are generally provided at the point in time at which the merchandise passes into the economic ownership of the customer. The transfer of control is not tied to the transfer of legal ownership. Deliveries of merchandise that are expected to be returned on the basis of past experience are not recognized in profit or loss.

Expenses are recognized if it is probable that the economic benefits associated with the corresponding transaction will flow out of the enterprise and the amount of the expenses can be reliably measured. Borrowing costs are carried exclusively in the income statement. These are not capitalized as a cost component.

Interest is carried in line with the effective interest on assets and liabilities.

Scheduled amortization/depreciation is performed in line with the useful lives of intangible assets and property, plant and equipment. **Value adjustments** for assets (impairment test) at amortized cost are carried under extraordinary amortization / depreciation. On each balance sheet date, Delticom performs an impairment test for its intangible assets and property, plant and equipment to ascertain whether there are signs of impairment. If any such signs can be recognized, the recoverable amount is estimated in order to ascertain the amount of the impairment.

If the recoverable amount for an individual asset cannot be estimated, the estimate is performed at the level of the cash-generating unit to which the asset belongs. Extraordinary amortization/depreciation is performed if the benefits accruing from the asset are lower than its carrying amount. The benefit accruing from an asset is the higher of the net selling price less costs of sale. The present value is given by the cash value of the cash flows to be allocated to the asset in future. If the reason for previous impairment no longer applies, the asset is written-up.

Impairment

Delticom recognizes valuation allowances for expected credit losses (ECL) for:

- financial assets measured at amortised cost;
- debt investments valued at FVOCI; and
- contract assets.

Allowances for trade receivables and contract assets are always measured at the amount of the expected credit loss over the term of the contract.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This includes both quantitative and qualitative information and analyses based on the Group's past experience and well-founded judgements, including forward-looking information.

Financial assets impaired in terms of creditworthiness

At each reporting date, Delticom assesses whether financial assets measured at amortized cost and debt instruments held under the FVOCI have impaired their creditworthiness and are therefore at risk of default. A financial asset is considered impaired if one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is impaired includes the following observable data:

- significant financial difficulties of the borrower or issuer;
- a default;
- the restructuring of a loan by the Group on terms that the Group would not otherwise take into account;
- it is likely that the borrower will go bankrupt or that a reorganization will take place;
- or the disappearance of an active market for a security due to financial difficulties.

The Group considers a financial asset to be defaulted if:

- it is unlikely that the debtor will be able to pay its credit obligation in full to the Group without the Group having to resort to measures such as the realisation of collateral (if any), or
- the financial asset is more than 90 days overdue.

Depending on the development of the credit risk inherent in a financial asset, expected credit losses (ECLs) must be calculated as either 12-month or lifetime ECLs. Lifetime ECLs are the ECLs that arise from all possible default events over the expected life of a financial instrument and should be recognised if the credit risk of a financial asset has increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that occur within the next 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months). In deviation from the general procedure, value adjustments for trade receivables and order backlogs are generally measured in the amount of lifetime ECLs (simplified procedure).

The maximum period to be considered in estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of ECLs

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of the credit losses (i.e. the difference between the payments due to an enterprise under the contract and the payments expected to be received by the enterprise). Expected credit losses are discounted using the effective interest rate of the financial asset.

For trade receivables and order backlogs, ECLs are calculated on a portfolio basis. Assets are grouped by past due and ECLs are estimated on the basis of historical default rates and forecasts of the economic environment in which the counterparties operate (e.g. country risk).

Presentation of allowance for ECLs in the statement of financial position

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. At the current balance sheet date, the expected credit losses (ECL) on financial assets are immaterial to the Group.

Capital risk management

The Group manages its capital with the aim of maximizing income for its stakeholders by optimizing the equity/borrowing ratio. This also serves the purpose of reducing the costs of procuring capital. This ensures that all of the companies in the Group can operate as a going concern.

In order to maintain or optimise its capitalisation, the management board of the headquarter must adjust the amount of its dividend payments, make capital repayments to shareholders, issue new shares or sell assets to reduce liabilities.

Notes to the income statement

(1) Revenue from Contracts with Customers

Revenues consist exclusively of revenues from customer contracts and relate almost exclusively to the "sale of goods" category. Other revenues from services are of minor significance.

For the period from 01.01.2018 to 31.12.2018:

in € thousand	EU Countries	USA and others	Total
Revenue	490,323	155,401	645,724

For the period from 01.01.2017 to 31.12.2017:

in € thousand	EU Countries	USA and others	Total
Revenue	518,372	149,340	667,712

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

in € thousand	31.12.2018	31.12.2017
Trade receivables	24,283	24,364
Prepayments received from customers	–7,816	–6,957
Total	**16,467**	**17,407**

Revenue from contracts with customers is recognized when the customer exercises control over the goods and takes possession of them. This usually occurs when the customer receives the goods. Reported sales are adjusted for expected returns, which are estimated based on historical data. The expected returns are not significant.

Customers use three payment methods: prepayment, payment on receipt of goods and, for certain customers and in accordance with the credit risk policy, payment on maturity. The first two methods are mainly used, the third method is rarely used.

Further information on trade receivables is provided in section (15). Advance payments received from customers are recognized as revenue when control of the goods is transferred to the customer, usually upon delivery of the goods.

(2) Other operating income

in € thousand	2018	2017
Income from exchange rate differences	3,509	2,564
Insurance compensation	26	40
Other income AYN	11,436	0
Other	23,094	23,224
Total	**38,064**	**25,827**

Currency gains include gains from exchange rate changes between the time the transaction occurs and the date of payment and valuation on the balance sheet date. Currency losses from these translations are carried under other operating expenses. The increase in miscellaneous other operating income arises mainly from higher marketing subsidies, income from transportation losses and other income.

(3) Cost of sales

The cost of sales amounted to € 505.1 million (previous year: € 530.3 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2018	2017
Wages and salaries	13,708	9,223
Social security contributions	1,937	1,392
Share-based compensation with equity instruments	49	103
Expenses for pensions and other benefits	199	198
Total	**15,893**	**10,916**

Statutory pension insurance in Germany is a defined contribution plan. As a result of statutory requirements, Delticom makes contribution payments to the statutory pension insurance scheme. Delticom does not have any additional obligations other than payment of contributions. The contributions, € 800 thousand (previous year: € 627 thousand) were recognized under personnel expenses when due.

Details of stock option plan are presented in equity.

In 2018, Delticom had an average of 235 employees (previous year: 185 employees).

(5) Amortization of intangible assets and depreciation of property, plant and equipment

in € thousand	2018	2017
Intangible assets	5,292	5,011
Property, plant and equipment	2,579	2,226
Total	**7,871**	**7,237**

As in the previous year, no extraordinary amortization or depreciation was required in 2018 from applying impairment tests (IAS 36).

(6) Other operating expenses

in € thousand	2018	2017
Transportation costs	61,934	62,699
Warehousing costs	9,341	8,046
Credit card fees	5,956	5,719
Marketing costs	33,000	28,244
Operations centre costs	10,165	10,239
Rents and overheads	7,359	6,566
Financial and legal costs	4,892	4,651
IT and telecommunications	4,060	3,959
Expenses from exchange rate differences	3,235	3,558
Other	8,804	6,524
Total other operating expenses	**148,745**	**140,206**

The rental payments carried stem from a rental agreement for office premises and parking spaces in Hanover and warehouses locations. The rental agreements meet the definition of an operating lease.

Losses on receivables and individual value adjustments (€ 5,084 thousand; previous year: € 2,833 thousand) were still shown under other operating expenses in the previous year and are now shown as a separate item in the income statement. Future lease payments are discussed under *Other information*.

(7) Financial result

in € thousand	2018	2017
Financial expenses	689	539
Financial income	22	160
Total	**–668**	**–379**

The net financial result only contains interest for those financial instruments that were not measured at their fair value on the balance sheet.

Financial expenses mainly represent interest expenses related to loans.

(8) Income taxes

The income taxes result from:

in € thousand	2018 Germany	2018 Abroad	2018 Total	2017 Germany	2017 Abroad	2017 Total
Current income taxes	454	129	583	2,975	22	2,997
Deferred income taxes	1,636	–117	1,519	–2,335	–123	–2,458
Total	**2,090**	**12**	**2,102**	**640**	**–101**	**539**

In the year under review, income taxes of € –5 thousand (previous year: € –7 thousand) were carried directly under equity.

Deferred tax assets and liabilities are formed in connection with the following items and issues:

in € thousand	2018 Deferred tax assets	2018 Deferred tax liabilities	2017 Deferred tax assets	2017 Deferred tax liabilities
Loss carryforwards	3,792	0	5,536	0
Intangible assets	763	3,142	45	2,391
Property, plant and equipment	5	78	6	86
Inventories	0	133	8	0
Receivables	0	1	0	0
Long term Provisions	26	0	1	0
Short Term Provisions	0	0	63	0
Liabilities	0	2	31	0
Other equity and liabilities	9	4	135	0
Total	**4,595**	**3,360**	**5,825**	**2,483**
Balancing	–563	–563	–1,522	–1,522
Value on the balance sheet	**4,032**	**2,797**	**4,303**	**961**

The following overview shows the reconciliation of the anticipated tax result with the actual income tax result:

in € thousand	2018	2017
Profit before income taxes	426	1,657
Delticom AG income tax rate	32.54%	32.54%
Expected tax expense	**139**	**539**
Differences from anticipated income tax expense		
Adjustment to different tax rate	–59	4
Non-deductible operating expenses	248	155
Non-period ongoing taxation	405	–26
tax-free income	–3,720	0
Change in unrecognized deferred tax assets	5,089	–117
Other tax effects	0	–16
Total adjustments	**1,963**	**0**
Actual tax expense	**2,102**	**539**

The adjustment to the divergent tax rate reflects the lower corporation income tax rates at German and foreign subsidiaries. In the reporting period, control and profit and loss transfer agreement was signed between Delticom AG and TyresNet GmbH and between Delticom AG and DeltiStorage GmbH. The control and profit and loss transfer agreements during the current period included the following companies: DeltiLog GmbH, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Giga GmbH and Deltiparts GmbH. A profit and loss transfer agreement exists with Tirendo Holding GmbH.

The reconciliation item "Tax-free income" relates to income of € 11.4 million in the IFRS consolidated financial statements from the acquisition of AYN, which is not offset by deferred or current tax expenses.

Deferred tax assets on loss carryforwards of € 3.8 million (previous year: € 5.5 million) in the amount of € 2.4 million relate to losses incurred by Delticom AG in the current year due to one-off effects in 2018 (higher marketing expenses, bad debt losses and severance payments) that will not be repeated in future years. Delticom AG has no history of losses and it is probable that the non-forfeitable loss carryforwards will be used in future years due to positive tax results. The remaining deferred tax assets of € 1.4 million on loss carryforwards relate to companies that have already partially used the loss carryforwards in previous years and the current year and expect positive tax results in future years or for which deferred tax liabilities exist.

In the year under review, deferred tax assets on loss carryforwards of around € 3.9 million formed in previous years were not recognised because their existence at the balance sheet date is legally uncertain and their use in future years is unlikely. In addition, no deferred tax assets of € 1.2 million were recognised on losses of € 3.8 million in the current year. The unrecognized deferred taxes on loss carryforwards mainly relate to companies in France, Germany and Russia. No deferred tax assets were recognized for a total of € 15.7 million (previous year: € 6.5 million) in vested corporate income tax and trade tax loss carryforwards.

(9) Earnings per share

Basic earnings per share totalled € –0.13 (previous year: € 0.09). The diluted earnings per share totalled € –0.13 (previous year: € 0.09).

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € –1,675,893.95 (previous year: € 1,117,760.32) by the 12,463,331 weighted average number of ordinary shares in circulation during the financial year (previous year: 12,463,331 shares).

No stock options were exercised in the reporting period. The vesting period for all granted stock options is four years starting on the respective day of issue. In principle, all issued shares must be taken into account for the calculation of the diluted EPS, provided that the stock options have a dilutive effect. This is the case if the issue price of the new shares is below the average market price of the common shares in circulation in the period under consideration. There is no dilutive effect in 2018.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relation-ships	Trademarks	Advances paid
Acquisition costs				
as of 1 January 2018	35,338	4,343	11,162	2,555
Additions from business combinations	0	0	1,369	0
Other additions	0	0	0	2,983
Disposals	0	0	0	–115
Reclassifications	0	0	0	–3,401
currency translation	0	0	0	0
as of 31 December 2018	35,338	4,344	12,531	2,022
Accumulated depreciation				
as of 1 January 2018	0	1,425	7,596	155
Additions	0	421	1,826	0
Disposals	0	0	0	0
Reclassifications	0	0	0	–155
currency translation	0	0	0	0
as of 31 December 2018	0	1,846	9,422	0
Residual carrying amounts as of 31 December 2018	35,338	2,498	3,108	2,022

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2018	6,539	5,074	16,833	81,844
Additions from business combinations	0	21	3,081	4,471
Other additions	0	67	480	3,530
Disposals	0	0	0	–115
Reclassifications	0	0	3,401	0
currency translation	0	0	0	0
as of 31 December 2018	6,539	5,162	23,795	89,730
Accumulated depreciation				
as of 1 January 2018	6,539	1,067	7,989	24,771
Additions	0	256	2,789	5,292
Disposals	0	0	0	0
Reclassifications	0	0	155	0
currency translation	0	0	–4	–4
as of 31 December 2018	6,539	1,323	10,929	30,059
Residual carrying amounts as of 31 December 2018	0	3,839	12,866	59,671

in € thousand	Goodwill	Customer Relation-ships	Trademarks	Advances paid
Acquisition costs				
as of 1 January 2017	35,338	4,343	11,151	356
Additions from business combinations	0	0	0	0
Other additions	0	0	0	2,549
Disposals	0	0	0	0
Reclassifications	0	0	11	–350
as of 31 December 2017	35,338	4,343	11,162	2,555
Accumulated depreciation				
as of 1 January 2017	0	847	5,657	155
Additions	0	578	1,939	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2017	0	1,425	7,596	155
Residual carrying amounts as of 31 December 2017	35,338	2,918	3,566	2,400

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2017	6,539	5,011	16,018	78,756
Additions from business combinations	0	0	0	0
Other additions	0	63	474	3,086
Disposals	0	0	0	0
Reclassifications	0	0	341	2
as of 31 December 2017	6,539	5,074	16,833	81,844
Accumulated depreciation				
as of 1 January 2017	6,539	822	5,741	19,761
Additions	0	243	2,251	5,011
Disposals	0	0	0	0
Reclassifications	0	2	–3	–1
as of 31 December 2017	6,539	1,067	7,989	24,771
Residual carrying amounts as of 31 December 2017	**0**	**4,007**	**8,844**	**57,073**

(11) Property, plant and equipment

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
as of 1 January 2018	1,204	15,614	19,347	36,165
Additions from business combinations	0	731	809	1,540
Additions	1,595	822	4,795	7,212
Disposals	0	–343	–2,008	–2,351
Reclassifications	0	0	0	0
Foreign currency translation	0	0	0	0
as of 31 December 2018	2,799	16,824	22,943	42,566
Accumulated depreciation				
as of 1 January 2018	258	5,601	12,960	18,819
Additions	62	1,259	1,258	2,579
Disposals	0	–189	–326	–515
Reclassifications	–2	–4	1	–5
Foreign currency translation	0	0	0	0
as of 31 December 2018	318	6,667	13,893	20,878
Amortised cost as of 31 December 2018	**2,481**	**10,157**	**9,050**	**21,688**

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2017	1,183	15,591	14,594	0	31,368
Additions from business combinations	0	0	0	0	0
Additions	42	260	4,572	0	4,875
Disposals	0	–40	0	0	–40
Foreign currency translation	–21	–197	181	0	–37
Reclassifications	0	0	0	0	0
as of 31 December 2017	1,204	15,614	19,347	0	36,165
Accumulated depreciation					
as of 1 January 2017	231	4,266	12,113	0	16,610
Additions	27	1,367	832	0	2,226
Disposals	0	–41	0	0	–41
Reclassifications	0	0	0	0	0
currency translation	0	9	15	0	24
as of 31 December 2017	258	5,601	12,960	0	18,819
Amortised cost as of 31 December 2017	**946**	**10,013**	**6,387**	**0**	**17,346**

Property, plant and equipment includes mainly office equipment for the leased offices as well as packaging machines and warehouse equipment. The loan will be secured by € 7.2 million.

(12) Deferred taxes

Deferred tax assets amounting to € 2,162 thousand (previous year: € 4,065 thousand) will be realized after more than 12 months.

(13) Other non-current receivables

Receivables are primarily to Oberzolldirektion Bern (Upper Excise Office Bern, Switzerland) and the Eidgenössische Steuerverwaltung Bern (Swiss Tax Administration, Bern). These are converted at the exchange rate on the balance sheet date. The receivables are non-current.

Current assets

(14) Inventories

in € thousand	2018	2017
Tyres and Accessories	72,961	63,427
Goods in Transit	21,565	9,773
Other	5,060	6,610
Total	**99,587**	**79,811**

The goods in transit have partially already been resold on the key date. Stored goods totalling intended for sale via E-Commerce. Inventories are carried taking into account the agreed terms of delivery at the time of transfer of control.

During fiscal year 2018, € 263,276 thousand of inventories were carried as expenses (previous year: € 219,355 thousand). The loss-free valuation resulted in impairment losses of € 121 thousand. No further impairment losses or reversals of impairment losses were recognized in the fiscal year. All inventories are free of pledges.

(15) Accounts receivable

in € thousand	2018	2017
Accounts receivable	24,283	24,364
thereof receivables with associated companies and related parties (category: persons in key positions)	0	0
thereof receivables with associated companies and related parties (category: not consolidated subsidiary companies)	0	0

Information on the Group's credit and market risk and on valuation allowances on trade receivables is included in "Other Disclosures".

(16) Other current receivables

in € thousand	2018	2017
Refund claims from taxes	9,832	11,864
Credits with suppliers	516	64
Deferrals	687	625
Other current receivables	1,719	2,233
Total	**12,753**	**14,786**

The other current receivables comprise € 42 thousand receivables from derivative financial instruments (previous year: € 1 thousand).

(17) Income tax receiveables

Income tax receivables mainly relate to the expected tax refunds for the 2018 financial year.

(18) Cash and cash equivalents

Bank balances which are exclusively current in nature, as well as cash in hand are reported as cash and cash equivalents.

Cash and cash equivalents are broken down as follows:

in € thousand	2018	2017
Cash	4	4
Bank balances	3,400	3,878
Total	**3,404**	**3,881**

Equity

(19) Subscribed capital

Following the IPO on 26.10.2006, the subscribed capital consisted of 3,946,480 ordinary no-par value registered shares (no-par shares), each with a proportionate interest of € 1.00 in the company's share capital (fully paid). The subscribed capital tripled to € 11,839,440 after the capital increase out of retained earnings and the resulting issuance of new shares, decided upon during the Annual General Meeting on 19.05.2009.

On 06.05.2011, the subscribed capital increased to € 11,847,440 through exercising 8,000 option rights that entitled subscription for 8,000 new no-par value ordinary registered shares in the company, on 02.05.2013 to € 11,859,440 through the exercising of a further 12,000 option rights that entitled subscription for 12,000 new no-par value ordinary registered shares in the company, and on 30.04.2014 to € 11,945,250 through the exercising of a further 85,810 option rights that entitled subscription for 85,810 new no-par value ordinary registered shares in the company. Former Management Board member Frank Schuhardt exercised the aforementioned option rights. On 01.03.2016, subscribed capital rose owing to an increase in the capital stock from € 518,081 to € 12,463,331 partly by way of using Authorized Capital I/2011.

Authorized Capital

Authorized Capital 2011 under Article 5 (5) of the Articles of Association expired at midnight on 02.05.2016.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital by one or more issues of up to 6,231,665 (in words: six million, two hundred and thirty-one and six hundred and sixty-five) by 01.05.2022, at no-par value or non-cash contributions to raise a total of up to € 6,231,665 (authorized capital 2017).

Contingent capital

The Annual General Meeting of 29.04.2014 authorized the Management Board, with Supervisory Board assent (respectively the Supervisory Board instead of the Management Board to the extent that option rights are granted to Management Board members), to grant until 28.04.2019, once or on several occasions, option rights to subscribe for a total of up to 540,000 of the company's new no-par registered shares to members of the company's Management Board, employees of the company, as well as to employees and management members of companies associated with the company.

The company's share capital is conditionally increased by up to € 540,000.00 through issuing up to 540,000 new no-par registered shares (Contingent Capital I/2014). Contingent Capital I/2014 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. Contingent Capital I/2014 was entered in the commercial register on 11.06.2014.

Stock option plan

The Annual General Meeting on 29.04.2014 authorized the Management Board having the approval of the Supervisory Board (respectively the Supervisory Board in place of the Management Board, insofar as option rights are granted to members of the Management Board), to issue option rights until 28.04.2019 (once or several times), to subscribe for a total of up to 540,000 new no-par value registered shares of the Compa-ny to members of the Company's Executive Board, to employees of the Company as well as to employees and members of the management of companies affiliated with the Company using the contingent capital I/2014.

By resolution of the Executive Board of the Company dated 25.12.2016 and the Supervisory Board of the Company dated 27.12.2016, a stock option plan for employees of the Company was introduced and by resolution of the Supervisory Board of the Company from 28.12.2016 a stock option plan for members of the Board of the Company was introduced, taking into account the requirements for the key features con-tained in the resolution of the Company's Annual General Meeting on 29.04.2014.

Based on these plans, a total of 16,003 stock options were issued to employees of the Company on 10.01.2017 and a total of 32,000 stock options were issued to members of the Company's Executive Board on 05.01.2017. On 05.01.2018, a total of 18,337 stock options were issued to employees of the Company and on 05.01.2018, a total of 32,000 stock options were issued to members of the Management Board of the Company. In addition, a total of 16,660 stock options were issued to employees of the Company on 17.12.2018 and a total of 24,000 stock options were issued to members of the Company's Management Board on 28.12.2018.

The beneficiaries of the stock option program are entitled to one no-par value share in Delticom AG for each option right they receive by paying the price ("exercise price"). In accordance with the letters addressed to certain employees, the Supervisory Board decided to grant them option rights. The beneficiaries may only exercise their option rights if their respective maximum profit from the exercise of the options does not exceed € 1,000,000 per beneficiary per year. The option rights can only be exercised if the weighted average of the last five closing prices before the exercise date of the option is at least 130 % of the exercise price.

The waiting period for all stock options is four years starting on the respective issue date. The stock options are therefore currently not exercisable. The option rights have a maximum term of ten years from the date of the formation of the respective option right. The beneficiaries may exercise the option rights at the earliest after expiry of a waiting period of four years, starting on the day of issue. The Management Board and the Supervisory Board will report in detail on the option rights granted and the exercise of option rights for each financial year in accordance with the applicable provisions in the notes to the annual financial state-ments, in the notes to the consolidated financial statements or in the annual report. The term of the stock option program ends on 28.04.2019. After this date, stock option options from this stock option plan are no longer permitted.

The fair value at the grant date is determined independently using an adjusted form of the Black-Scholes model that includes a Monte Carlo simulation model that considers the exercise price, the term of the option, the dilution effect (if material), the stock price at that time the granting and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer companies.

The following assumptions were made in order to determine the fair share options:

- Dividend yield: 3 %
- Volatility of stocks, based on historical data: 30 %
- Risk-free interest rate: –0.05 %

Based on this, the fair value is € 2.88 per share option for the share options granted at the beginning of 2018 and € 1.91 per share option for the share options granted at the end of 2018. This amount is recognized as an expense over the vesting period and the corresponding consideration is recognized directly in equity. The total expense for all equity options granted in consideration of deferred taxes amounts to € 49 thousand for the year 2018.

Treasury shares

With an Annual General Meeting resolution of 11.05.2010, the company was authorized to acquire its own shares up to 10 % of the share capital existing when the resolution was passed. The authorization was valid until 10.05.2015 and was rescinded by a resolution passed by the Annual General Meeting on 05.05.2015, as no use had been made of the authorization by this date.

In so far, a new authorization was created by way of resolution passed by the Annual General Meeting on 05.05.2015. Under this authorization, the company is authorized to acquire its own shares in an amount of up to 10 % of its capital stock existing at the time of an approved resolution or, if this percentage is less, of the capital stock existing at the time when this authorization is exercised. The authorization is valid until 04.05.2020. It can be exercised in its entirety or in partial amounts, once or several times, for one or several purposes by the company, its Group companies or by third parties on its or their behalf. At the discretion of the Management Board, the purchase of these shares may take place via the stock exchange or by way of a public offer to buy directed to all shareholders.

The compensation per share paid for the acquisition of shares via the stock exchange (excluding incidental acquisition costs) may not be more than 10 % above or below the average of the closing prices on the three trading days preceding the commitment to acquire ("reference days").

The "closing price" is defined as the closing price determined by the closing auction on each individual stock market trading day or, if a closing price is not determined on the respective trading day, the last price of the company's share calculated during current trading. In the case of all three reference days, reference is made to the closing price in Xetra trading (or a comparable successor system) of the Frankfurt Securities Exchange, or the closing price formed in floor trading at a German securities exchange, or the last price formed in current trading which reflected the highest level of turnover in the ten preceding trading days preceding the first of the three reference days.

If shares are acquired by way of a public tender offer, the purchase price (not including incidental acquisition costs) per share may not be more than 10 % above or below the average of the closing prices quoted on the three trading days prior to the reference date.

"Reference date" is the day when the company's decision to submit a public offer is published or, in the event of an amendment concerning the purchase price, the day of the Management Board's final decision on the amendment to the offer.

The purchase offer may provide for conditions. If more shares are tendered to the Company for repurchase than the total number offered by the Company to the shareholders for repurchase, the purchase of shares by the company is carried out based on the ratio of the number of company shares tendered The Company can provide for a preferential acceptance of small numbers of up to 100 shares tendered per shareholder.

The Management Board is authorized to utilize the acquired treasury shares for all statutorily permissible purposes. In particular, it may withdraw and cancel the shares, sell them in return for non-cash payments, assign them for the purpose of fulfilling conversion or option rights attached to convertible or warrant-linked bonds, or use them in the course of settling conversion obligations arising from convertible bonds or, under certain circumstances, also sell them by means other than through the stock exchange. The subscription rights of shareholders to treasury shares may be excluded under certain conditions.

(20) Share premium

The share premium contains the amounts generated in excess of the nominal value when issuing no-par value bearer shares and the expenses resulting from the stock options plan. Following the purchase of the efood and logistics companies in the previous year, the capital reserve increased through the issuing of 518,081 shares at a share price of € 17.15 (€ 8.4 million) on the date of acquisition.

(21) Gains and losses recognized directly in equity

The accounting currency translation differences for the foreign subsidiaries and its subsidiaries were transferred to the adjustment item for currency translation. This item also includes the change in the net investment hedge reserve, which was released in the current financial year.

(22) Retained earnings

Retained earnings exclusively comprise the legal reserve, which Delticom AG must form according to Section 150 of the German Stock Corporation Act (AktG).

(23) Net retained profits

Profits carried forward are included in the consolidated net retained profits. The changes can be seen in the statement of changes in shareholders' equity.

The voting rights attributable to minority shareholders are shown in the list of shareholdings. The minority interest in the consolidated net income amounts to € –221 thousand. The presentation of summarized financial information for subsidiaries is waived for reasons of immateriality.

Liabilities

(24) Finanical liabilities

Liabilities due to banks are composed as follows as at 31 December 2018:

in € thousand	31.12.2018	31.12.2017
Long term Financial Loans	3,750	7,312
Short term financial liabilities	27,119	8,009
Total	**30,869**	**15,321**

The financial liabilities comprise medium-term annuity loans and the utilization of short-term credit lines.

The long-term loans have a term of between one and five years.

(25) Provisions

Provisions had the following breakdown:

in € thousand	01.01.2018	Taken up	Reversal	Additions	31.12.2018
Provisions for taxes	1,041	939	126	425	401
Other non-current provisions	317	193	6	134	252
Other provisions	599	369	834	1,533	929
Total	**1,957**	**1,501**	**966**	**2,092**	**1,582**

Other provisions mainly comprise personnel provisions and, in addition, disposal fees and expenses for legal disputes still to be paid. Other provisions and tax provisions have a term of less than one year. Long-term provisions are due in more than one year. The interest effect from the compounding of long-term provisions is of minor significance.

Non-current provisions are used to carry the costs of fulfilling the statutory archive requirements for business documents. Further to this the longterm portions of the performance-based pay for the managing board are stated there. Provisions are discounted by means of runtime-specific discount rates.

(26) Deferred tax liabilities

Deferred tax liabilities are realized after more than 12 months in the amount of € 2,376 thousand (previous year: € 684 thousand)

(27) Trade accounts payable

in € thousand	31.12.2018	31.12.2017
Accounts payable	131,408	114,392
thereof liabilities with associated companies and related parties (category: persons in key positions)	0	0
thereof liabilities with associated companies and related parties (category: not consolidated subsidiary companies)	0	31

All trade accounts payable have a remaining term of up to one year.

(28) Additional notes concerning financial instruments

Net profits and losses from financial instruments are as follows:

in € thousand	31.12.2018	31.12.2017
Financial assets at amortized cost	286	–424
Financial assets and liabilities (FVTPL)	–666	196
Financial liabilities at amortized cost	–676	–1,546
Thereof net interest income	–683	–201

The development of the carrying amounts of financial instruments in the balance sheet is shown in the following table:

in € thousand	Book Value 31.12.18	Balance sheet valuation according to IFRS 9			Book Value 31.12.18
		amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value – affecting income (FVTPL)	
Assets					
Cash and cash equivalents	3,404	3,404			3,404
Accounts receivable	24,283	24,283			24,283
Other receivables	2,914	2,914			2,914
Derivative financial assets	42	0	0	42	42
Liabilities					
Accounts payable	131,408	131,408	0	0	131,408
Other current liabilities	4,602	4,602	0	0	4,602
Other original financial liabilities	30,869	30,869	0	0	30,869
Derivative financial liabilities	30	0	0	30	30
Thereof cumulated according valuation categories IFRS 9					
Financial assets measured at amortized cost	30,601	30,601	0	0	30,601
Financial Assets Held for Trading (FVTPL)	42	0	0	42	42
Other financial liabilities (FLAC)	162,784	162,784	0	0	162,784
Financial Liabilities Held for Trading (FVTPL)	30	0	0	30	30

The fair value of other non-derivative financial liabilities relates to short-term and long-term bank loans. Due to the short term and the partial adjustment of interest rates during the year, the carrying amount of short-term bank loans corresponds to their fair value. This also applies to long-term bank loans.

The fair value of cash and cash equivalents, short-term receivables, trade payables as well as other short-term assets and liabilities approximately corresponds to the book value, due to the short time to maturity. The fair value of non-consolidated companies as of the balance sheet date corresponds to the cost to acquire these investments. The carrying amount of derivative financial instruments corresponds to their fair value.

The maximum default risk can be seen from the carrying amount of each financial asset in the balance sheet, including derivative financial instruments, excluding the impairments on these assets on the balance sheet date. As the counterparties for the derivatives are well-known banks, the Group's management believes that those will be able to fulfil their obligations.

The financial instruments in in category *assets held for trading* total € 42 thousand (2017: € 1 thousand) and those designated to the category *liabilities held for trading* total € 30 thousand (2017: € 251 thousand). We have classified this in the fair value hierarchy level 2.

Level 2 requires that the stock market or market price exists for a similar financial instrument, or that the calculation parameters are based on data from observable, regulated markets. Fair value is calculated by discounting the future cash flows applying the congruent market interest rate. As the Group's financial position and the interest terms on which it can borrow have not changed significantly, the carrying amount of financial liabilities approximates their fair value (Level 2 of the fair value hierarchy).

Financial instruments to which measurement methods are applied for which the significant inputs do not result from data derived from observable markets (Level 3 of the fair value hierarchy) do not exist.

Delticom records transfers between the levels of the fair value hierarchy at the end of the reporting period in which the change occurred. There were no such transfers during the 2018 fiscal year.

Net profits and losses from financial assets measured at amortized cost include changes in valuation allowances, gains and losses on disposals, cash receipts, reversals of impairment losses on loans and receivables originally written down and from currency translation.

Net profits and losses from financial assets at fair value through profit or loss contain changes in market value of those derivative financial instruments where we do not employ hedge accounting, as well as profits and losses at maturity in the course of the year.

Net profits and losses from *financial liabilities carried at amortised cost* arise from gains or losses from the disposal or currency translation.

(29) Other current liabilities

These mostly relate to advance payments received, customer credit balances, VAT, social insurance contributions, and payroll and church taxes. In addition, liabilities were recognized using best possible estimates.

This balance sheet item also contains € 30 thousand of liabilities arising from derivative financial instruments (previous year: € 240 thousand) within due date of less than one year.

All current liabilities are due within one year.

in € thousand	2018	2017
Sales tax (VAT)	3,770	5,715
Payments received on account of orders	7,816	6,957
Customer credits	296	288
Social security contributions	101	122
Income and church tax	212	125
Other current liabilities	3,992	3,160
Total	**16,188**	**16,367**

Other notes

Contingent liabilities and other financial commitments

There were no contingent liabilities from issuing or transferring checks and bills of exchange and the issue of guarantees, warranties or other securities for third parties.

The key financial liabilities comprise:

in € thousand	2018	2017
Order commitments for goods	18,381	17,201
Other financial commitments	48,655	46,315
Total	**67,036**	**63,516**

Delticom rents office premises and parking spaces as well as warehouses for trading goods in 9 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreements for the office premises in Hanover run until 31.12.2020. The agreements for the warehouses run until 30.06.2020, 31.12.2020, 31.01.2021, 31.12.2021, 28.02.2023, 31.07.2023, 29.02.2028 and 30.06.2029.

In addition, there was an operating leases for one car. The car lease ended in July 2018 after a 35-month term.

The future accumulated minimum lease payments from these operating leases total:

in € thousand	2018	2017
up to one year	5,804	5,901
2 years to 5 years	17,353	22,838
more than 5 years	6,217	2,874
Total	**29,374**	**31,613**

The amount of lease payments, which was recognized as an expense, amounted to € 7.3 million in the financial year.

Accounting for derivative financial instruments

Delticom uses derivative financial instruments for operational hedging purposes only. The derivatives, excluding the net investment hedge reserve, do not fulfil the conditions for hedge accounting within the meaning of IAS 39.71 ff. or IFRS 9. All derivatives are carried at their fair values. The valuation is performed taking into account current ECB reference rates and forward premiums and discounts.

The remaining maturities of the forward exchange transactions were all less than 6 months on the balance sheet date (previous year: 6 months).

Risk Management

For the principles of risk management we refer to section *Risk Report* in the Management Report.

Currency risk

Delticom has international operations, which means that the company is exposed to market risks as a result of changes in foreign exchange rates. Currency risks result primarily from holdings of cash and cash equivalents and trade payables and receivables. To reduce these risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a corresponding sale transaction in EUR.

If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign exchange from operations in the E-Commerce division are not hedged. Where possible, Delticom make use of the natural currency hedge: inflows in foreign currencies are used to cover the outflows in foreign currencies.

In order to illustrate market risks, IFRS 7 calls for sensitivity analyses which show the impact of hypothetical changes in relevant risk factors on the results and the equity position. Currency risks within the meaning of IFRS 7 arise from holding assets and liabilities denominated in foreign exchange.

The following table shows the positive and negative impact of changes of 10 % up or down in the value of the various currencies compared to the Euro. The information provided is to be understood as results before tax.

Currency	1 Euro = unit FX (as of 31.12.2018)	Result +10% in €	Result -10% in €	Net exposure
CHF	1.126	–697	697	–6,973
DKK	7.466	–10	10	–98
GBP	0.898	8,359	–8,359	83,594
NOK	9.912	–866	866	–8,662
PLN	4.294	–76	76	–760
RON	4.654	–4	4	44
RUB	79.796	2	–2	20
SEK	10.163	–3,737	3,737	37,373
USD	1.145	–42,857	42,857	428,574
Others	n/a	310	–310	3,096

Currency	1 Euro = unit FX (as of 31.12.2017)	Result +10% in €	Result -10% in €	Net exposure
CHF	1.171	–1,796	1,796	–18
DKK	7.445	–49	49	–480
GBP	0.888	–1,773	1,773	–17,731
NOK	9.828	–893	893	–9
PLN	4.179	465	–465	4,650
RON	4.660	–14	14	154
RUB	69.101	184	–184	1,840
SEK	9.820	1,851	–1,851	–18,511
USD	1.201	–96,785	96,785	967,859
Others	n/a	65	–65	1

Interest rate risk

For financial instruments with variable interest rates, there is a cash flow risk from the interest rate. Due to the low level of interest rates the sensitivities were calculated by a parallel movement of the yield curve by 10 basis points. For the scenario of an increase of the interest rates by 10 basis points the holdings would loss € 18 thousand (previous year: € 37 thousand), for a downward move of 10 basis points they would earn € 18 thousand (previous year: € 37 thousand). The sensitivity analysis included both bank balances and variable interest financial liabilities.

Liquidity risk

Delticom defines liquidity risk as the risk to fail on existing or future payment obligations as a result of a lack of availability of cash and cash equivalents. Liquidity risk is managed centrally within the Delticom Group. A sufficient amount of cash and cash equivalents are always kept available in order to be able to meet all planned payment obligations throughout the Group on their respective due dates. Liquidity is mostly held in the form of call money. In addition, bank credit lines are also available.

Exposure to liquidity risk

The following table shows the contractual residual terms of the financial liabilities at the balance sheet date, including estimated interest payments. These are non-discounted gross amounts including contractual interest payments, but excluding the effect of offsetting:

in € thousand			Contractual cash flows				
2018	Book value	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Overdrafts	24,203	24,503	24,503	0	0	0	0
Bank loans	6,666	6,914	441	2,573	2,544	1,357	0
Accounts payable trade	131,408	131,408	131,408	0	0	0	0
Derivative financial liabilities	30	30	30	0	0	0	0

in € thousand			Contractual cash flows				
2017	Book value	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Overdrafts	3,550	3,693	3,693	0	0	0	0
Bank loans	11,771	12,200	438	4,250	4,367	3,145	0
Accounts payable trade	114,392	114,392	114,392	0	0	0	0
Derivative financial liabilities	240	240	240	0	0	0	0

Credit risk

Delticom supplies goods to retail companies with varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the Group's earnings position and liquidity situation. Delticom has therefore negotiated credit insurances and uses commission business for certain customers. These instruments restrict the financial impact on the company and eliminate any dangers to its going concern. The total credit-insured gross receivables amounted to

€ 3,835 thousand (previous year: € 1,998 thousand). The deductibles for credit-insured receivables lie between 10 % and 15 %.

Credit risk is the risk of financial loss for the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It mainly results from receivables from customers.

The carrying amounts of financial assets and contract assets correspond to the maximum credit risk.

The impairment losses recognised in profit or loss for financial assets and contract assets are as follows:

in € thousand	2018	2017
Expenses for the complete derecognition of receivables	–4,175	–505
Income from receipts on receivables written off	142	46

Trade receivables and contract assets

Delticom's credit risk is mainly influenced by the individual characteristics of each customer. Orders for which customers do not pay in advance are automatically checked and blocked according to complex rules. For blocked orders, the credit risk team performs a manual check.

The Group limits its credit risk on trade receivables by establishing a credit limit policy. A maximum payment period of 30 days has been set for private and corporate customers.

The Group does not require collateral for trade and other receivables.

in € thousand	2018			2017
	Not in credit rating impaired	Written down	Total	
Total book value	23,429	3,882	27,311	26,604
Write downs			–3,028	–2,240
Total			24,283	24,364

The value adjustments from trade receivables developed as follows:

in € thousand	2018	2017
Write-downs – balance on January 1	2,240	2,350
Changes in the consolidated companies	0	0
Additions (expenses for write-downs)	3,992	2,328
Reversals	–121	–221
Use of write-downs	–3,083	–2,217
Write-downs – balance on December 31	3,028	2,240

Related party disclosures

For information on persons in key positions please see the information provided in "Executive bodies of the company".

A list of all the subsidiaries included in the consolidated financial statements can be found in the sections on the *Shareholdings*. Transactions between the company and its full consolidation subsidiaries were eliminated during consolidation and are not discussed in these notes.

The following are shareholders with a significant influence on the Group within the meaning of IAS 24:

- Binder GmbH (number of shares 2,133,561, 17.12 % interest)
- Prüfer GmbH (number of shares 4,427,671, 35.52 % interest)

The interest in Delticom AG in terms of Section 34 I S. 1 Nr. 1 WpHG (Securities Act) for Binder GmbH can be attributed to Rainer Binder (Chairman of the Supervisory Board since 01.01.2014), Hanover, and for Prüfer GmbH and Seguti GmbH to Andreas Prüfer (Board member since 01.01.2014), Hanover. In addition, Binder GmbH and Prüfer GmbH have entered in a pool contract in terms of Section 34 II S. 1 WpHG.

Sale of goods

in € thousand	2018	2017
to associated companies and related parties (category: persons in key positions)	3	9
to associated companies and related parties (category: not consolidated subsidiary companies)	0	6

Purchase of goods and services

in € thousand	2018	2017
from associated companies and related parties (category: persons in key positions)	500	1,091
from associated companies and related parties (category: not consolidated subsidiary companies)	0	0

All transactions with related parties were carried out on terms that are customary among third parties.

Executive bodies

The company's executive bodies are the General Meeting, the Supervisory Board and the Management Board.

2018 the **Management Board** had the following members:

- Susann Dörsel-Müller, Peine: Retail customers (B2B) passenger car tyres Europe/Food, Fleets, Fitting partners, Consumers transaction B2C/B2B tyres, Special tyres, Commercial vehicle, Two-wheel, Legal, Human Resources
- Philip von Grolman, Hemmingen: North America, Purchasing passenger car and special tyres, Transport/Logistic services
- Andreas Prüfer, Hanover: Logistic central warehouse, Consumer business (B2C) passenger car tyres East Europe with Austria, Finance, IT, Corporate Communications, Risk management

- Thierry Delesalle, Wunstorf, until 05.09.2018: Consumer business (B2C) West Europe, Online Marketing and Pricing West Europe, Category management

The Management Board's remuneration consists of the following:

Susann Dörsel-Müller
Retail customers (B2B) passenger car tyres Europe/ Food/ Fleets/ Fitting partners/ Consumers transaction B2C/B2B Special tyres and Commercial vehicle/ Two-Wheels/ Großhandel/ Wheel Storage/ Mobile Fitting/ Legal/ Human Recources/ PNEBO

	Inflows		Donations			
in € thousand	2017	2018	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	240	240	240	240	240	240
Additional compensation	0	0	0	0	0	0
Total	240	240	240	240	240	240
One-year compensation	0	0	0	0	0	0
Multi-year compensation	16	24	60	58	0	531
Components with long-term incentive effect	16	24	30	27	0	500
Garanted stock options	0	0	30	31	0	31
Total	256	264	300	298	240	771
Pension expense	0	0	0	0	0	0
Total compensation	256	264	300	298	240	771

Philip von Grolman
North America/ Purchasing Passenger, Commercial and Special Tyres/ Transport/ Logistic services/ Warehouse Z

	Inflows		Donations			
in € thousand	2017	2018	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	243	243	243	243	243	243
Additional compensation	0	0	0	0	0	0
Total	243	243	243	243	243	243
One-year compensation	0	0	0	0	0	0
Multi-year compensation	68	69	98	93	0	531
Components with long-term incentive effect	68	69	68	62	0	500
Garanted stock options	0	0	30	31	0	31
Total	311	312	341	336	243	774
Pension expense	0	0	0	0	0	0
Total compensation	311	312	341	336	243	774

Thierry Delesalle (until 05.09.2018)
Consumer business (B2C) West Europe excl. B2C Two-Wheel/ Online Marketing and Pricing West Europe/ Category management/ TyresNET/ ReifenTEST

	Inflows		Donations			
in € thousand	2017	2018	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	240	220	240	220	220	220
Additional compensation	0	0	0	0	0	0
Total	240	220	240	220	220	220
One-year compensation	0	0	0	0	0	0
Multi-year compensation	13	24	60	42	0	515
Components with long-term incentive effect	13	24	30	27	0	500
Garanted stock options	0	0	30	15	0	15
Total	253	244	300	262	220	735
Pension expense	1	1	1	1	1	0
Total compensation	254	245	301	263	221	735

Andreas Prüfer

Logistic central warehouse/ Toroleo/ Consumer business (B2C) passenger car tyres East Europe with Austria/ Finance/ IT/ Corporate Communications/ Business Development/ Operation Center/ Supply Chain (B2B/B2C)

	Inflows		Donations			
in € thousand	2017	2018	2017	2018	2018 (Min)	2018 (Max)
Fixed compensation	475	475	475	475	475	475
Additional compensation	0	0	0	0	0	0
Total	475	475	475	475	475	475
One-year compensation	0	0	0	0	0	0
Multi-year compensation	137	139	166	155	0	781
Components with long-term incentive effect	137	139	136	124	0	750
Garanted stock options	0	0	30	31	0	31
Total	612	614	641	630	475	1,256
Pension expense	0	0	0	0	0	0
Total compensation	612	614	641	630	475	1,256

The remuneration of the Management Board consists of a non-performance-related component, a performance-related component with a long-term incentive effect and a share-based payment, which are presented below:

	Non-performance related compensation		Performance-related compensation		Long-term incentive	
in € thousand	2018	2017	2018	2017	2018	2017
Susann Dörsel-Müller	240	240	27	30	31	30
Philip von Grolman	243	243	62	68	31	30
Thierry Delesalle	220	240	27	30	15	30
Andreas Prüfer	475	475	124	136	31	30
Total	1,178	1,198	240	264	108	120

In addition, Thierry Delesalle received a severance payment totaling € 635 thousand in 2018.

In the financial year 2018, short-term benefits due to members of the Executive Board of € 1,178 thousand (previous year: € 1,198 thousand) and other long-term benefits of € 240 thousand (previous year: € 264 thousand) were incurred. The share-based payment totals € 108 thousand (previous year: € 120 thousand).

The number of stock options granted to members of the Management Board developed as follows:

in € thousand	1st tranche 05.01.2017	2nd tranche 10.01.2018	3rd tranche 28.12.2018	Total 31.12.2018
Susann Dörsel-Müller	8,000	8,000	8,000	24,000
Philip von Grolman	8,000	8,000	8,000	24,000
Thierry Delesalle	8,000	8,000	0	16,000
Andreas Prüfer	8,000	8,000	8,000	24,000

The fair values at the grant date of the stock options granted to the members of the Management Board are as follows:

in € thousand	Fairvalue 1st tranche 05.01.2017	Fair value 2nd tranche 10.01.2018	Fair value 3rd tranche 28.12.2018
Susann Dörsel-Müller	30,000	23,040	15,280
Philip von Grolman	30,000	23,040	15,280
Thierry Delesalle	30,000	23,040	0
Andreas Prüfer	30,000	23,040	15,280

The fair values per share at the respective grant dates were € 3.75 (05.01.2017), € 2.88 (10.01.2018) and € 1.91 (28.12.2018).

There were no changes in value due to changes in the exercise conditions.

During fiscal year 2018, the **Supervisory Board** was composed as follows:

- Rainer Binder, entrepreneur, Hanover: Member of the Supervisory Board and Chairman.
- Alan Revie, entrepreneur, Hamilton / UK: Member of the Supervisory Board
- Michael Thöne-Flöge, entrepreneur, Hanover: Deputy Chairman of the Supervisory Board

In fiscal year 2018, remuneration totalled € 50 thousand (previous year: € 50 thousand) for Rainer Binder, € 20 thousand (previous year: € 20 thousand) for Michael Thöne-Flöge and € 10 thousand (previous year: € 10 thousand) for Alan Revie.

Dividend

The General Meeting on 08.05.2018 resolved to pay a dividend in the amount of € 1,246,333.10 from Delticom AG's 2017 net retained profits (€ 0.10 per share, previous year: € 0.50 per share) and to carry forward the remaining amount of € 19,301,275.72 to new account.

Proposal for the appropriation of profits

The Executive Board and Supervisory Board will propose to the Annual General Meeting on 12.08.2019 not to pay any dividend for the 2018 financial year and to carrie forward the balance sheet profit of € 15,936 thousand to new account.

Exempting Consolidated Financial Statements

Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Tirendo Holding GmbH, Giga GmbH, Deltiparts GmbH, TyresNet GmbH, DeltiLog GmbH, MobileMech GmbH and DeltiStorage GmbH have fulfilled the conditions of Section 264 (3) of the German Commercial Code (HGB) by being included in the consolidated financial statements and make use of the exemption provision as far as possible.

Tirendo Deutschland GmbH and Gourmondo Food GmbH make use of the exemption provision of § 264 (3) HGB as far as possible.

Shareholdings

Consolidated subsidiaries:

	Fixed capital interest %	
Name, registered office, country	2018	2017
All you need GmbH, Berlin	100	0
DeltiLog Ltd., Oxford, United Kingdom (formerly DeltiTrade Ltd.)	100	100
DeltiLog GmbH, Hanover, Germany (formerly DeltiTrade GmbH)	100	100
Delticom O.E. S.R.L., Timisoara, Romania	100	100
DeltiCar SAS, Paris, France	100	100
Extor GmbH, Hanover, Germany - (via DeltiLog GmbH)	60	60
Gourmondo Food GmbH, Munich, Germany	88	90
Delticom Russland OOO, Moscow, Russia	100	49
Toroleo Tyres GmbH, Gadebusch, Germany	100	100
Ringway GmbH, Hanover, Germany - (via DeltiLog GmbH)	100	80
Toroleo Tyres TT GmbH & Co. KG, Gadebusch, Germany	100	100
Delticom North America Inc., Benicia, California, USA	75	75
Tyreseasy LLC, Wilmington Delaware, USA –(via Delticom North America Inc.)	100	100
Giga Tyres LLC, Benicia, California, USA – (via Delticom North America Inc.)	100	100
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover, Germany	100	100
Tirendo Holding GmbH, Berlin, Germany	100	100
Delticom Japan GK, Tokio (Japan) (via Delticom O.E. SRL)		
Delticom TOV, Lwiw (Ukraine) (via Delticom O.E. SRL)	99	99
Deltiparts GmbH, Hanover, Germany	100	100
MobileMech GmbH, Hanover, Germany	100	100
Tirendo Deutschland GmbH, Berlin, Germany – (via Tirendo Holding GmbH)	100	100
TyresNET GmbH, Munich, Germany	100	100
DeltiStorage GmbH, Hanover, Germany	100	100
Giga GmbH, Hamburg, Germany	100	100

At equity consolidated subsidiaries

As of 31 December 2018,no associated companies were consolidated at equity. Delticom Russland OOO, which was included at equity in the consolidated financial statements in the previous year, is now fully consolidated.

Supplementary report

There were no further events of particular importance after the end of the period under review.

Auditor's fees

In 2018, the following fees were recorded for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover:

in € thousand	2018
Audits of the financial statements	140
Other confirmation and valuation services	0
Tax consultancy services	0
Other services	0
Total	**140**

fees for the audit of the consolidated financial statements, the review of the half-year financial statements, the audit of the dependent company report and the statutory audit of Delticom AG.

The audited consolidated financial statements as of 31 December 2018 are available prior to the conclusion of the audit review of the half-year report as of 30 June 2018, so that the Supervisory Board does not see any added value in the subsequent conclusion of the audit review of the half-year financial statements. Since the figures are already included in the audited annual financial statements, it is therefore considered appropriate for Delticom to refrain from reviewing the 2018 half-year report due to cost savings.

Declaration of conformity on the application of the recommendations of the German Corporate Governance Code Government Commission

The Managing and Supervisory Boards issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 19.03.2019, and made accessible on 27.03.2019 to shareholders on our Website: www.delti.com.

Notes to the cash flow statement

The consolidated cash flow statement was prepared according to IAS 7. The cash flow statement allows an assessment of the Group's ability to generate cash and cash equivalents. The cash flows are broken down into cash flows from operating activities, investing activities and financing activities. The cash flows from operating activities are presented using the so-called indirect method, in which the net income is adjusted by non-cash items. Cash and cash equivalents comprises cash and bank balances.

in € thousand	31.12.2017	Cash changes	Non-cash changes			31.12.2018
			Acquisitions	Exchange rate changes	Changes in the fair value	
Long term bank loans	7,312	–3,562	0	0	0	3,750
Short term bank loans	8,009	19,110	0	0	0	27,119
Leasing liabilities	0	0	0	0	0	0
Assets held to secure long-term loans	0	0	0	0	0	0
Total	**15,321**	**15,548**	**0**	**0**	**0**	**30,869**

Hannover, den 19.06.2019

Susann Dörsel-Müller Philip v. Grolman Andreas Prüfer

Responsibility Statement

To the best of our knowledge, we declare that, according to the principles of proper interim consolidated reporting applied, the interim consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the interim consolidated management report presents the company's business including the results and the company's position such as to provide a true and fair view and that the major opportunities and risks of the company's anticipated growth for the remaining financial year are described.

Hanover, 25 June 2019

(The Management Board)

Auditors' Report

Translation of the auditor's report issued in German language on the consolidated financial statements prepared in German language by the management of Delticom AG, Hanover.

To Delticom AG, Hanover

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Delticom AG, Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of Delticom AG, which is combined with the Company's management report (hereinafter referred to as the "Group Management Report"), for the financial year from January 1 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315e Abs. (paragraph) 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

The recoverability of goodwill

Please refer to the "Accounting policies" section in the notes to the consolidated financial statements for the accounting policies and assumptions used. Information on the amount of goodwill can be found in the notes to the consolidated financial statements in the section "Notes to the balance sheet" under Note 10.

THE RISK FOR THE FINANCIAL STATEMENTS

Goodwill amounted to EUR 35.3 million as of December 31, 2018 and, at 15.2 % of total assets, represents a substantial share of assets.

Goodwill is tested for impairment annually at the level of the groups of cash-generating units to which the respective goodwill is allocated. For this purpose, the carrying amount is compared with the recoverable amount of the respective group of cash-generating units. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. Delticom determines the recoverable amount primarily on the basis of the value in use. The effective date for the impairment test is 31 December 2018.

The impairment test for goodwill is complex and is based on a number of discretionary assumptions. These include the expected development of goodwill and earnings over the next five years, the assumed long-term growth rates and the discount rate used.

As a result of the impairment tests carried out, the Company did not identify any need for impairment. However, the Company's sensitivity calculations indicated that a potential change in the growth rate or EBITDA margin would result in a write-down to the recoverable amount.

There is a risk for the financial statements that an impairment existing on the balance sheet date will not be recognised. There is also a risk that the related disclosures in the notes are not appropriate.

OUR AUDIT PROCEDURE

With the help of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions and the Company's calculation method. To this end, we discussed the expected development of business and earnings as well as the assumed long-term growth rates with those responsible for planning. In addition, we coordinated with the budget prepared by the Executive Board and approved by the Supervisory Board. In addition, we assessed the consistency of the assumptions with external market assessments.

In addition, we have convinced ourselves of the quality of the company's forecasts to date by comparing plans from previous financial years with the results actually achieved and analysing deviations. We compared the assumptions and parameters underlying the discount rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To ensure the arithmetical correctness of the valuation model used, we have assessed the company's calculations for appropriateness on the basis of our own calculations.

In order to take account of the existing forecast uncertainty, we have examined possible changes in key parameters with regard to the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing them with the Company's figures.

Finally, we assessed whether the disclosures in the notes on the recoverability of goodwill are appropriate.

OUR CONCLUSIONS

The calculation method used to test goodwill for impairment is appropriate.

The assumptions and parameters on which the valuation is based lie within acceptable ranges and are generally balanced.

The related disclosures in the notes are appropriate.

The acquisition of All you need GmbH

For the accounting and valuation principles applied, please refer to the section "Accounting and valuation principles" in the notes to the consolidated financial statements. Information on the acquisition of All you need GmbH can be found in the notes to the consolidated financial statements in the section "Business combinations in accordance with IFRS 3".

THE RISK FOR THE FINANCIAL STATEMENTS

On 31 October 2018, Delticom AG acquired All you need GmbH, Berlin. The acquisition was made with an additional payment of EUR 5.0 million by the seller to Delticom AG. Taking into account the acquired net assets at fair values of EUR 6.4 million, there was an initial negative goodwill. The difference was realized as a gain of EUR 11.4 million at the time of acquisition after the legal representatives reassessed whether all acquired assets and liabilities were correctly identified.

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed are generally recognised at their fair value on the acquisition date.

The identification and measurement of acquired assets and liabilities are complex and are based on discretionary assumptions made by the Management Board.

There is a risk for the financial statements that the acquired assets and assumed liabilities will be incorrectly or incompletely identified or incorrectly measured. There is also a risk that the information in the notes to the consolidated financial statements may not be complete and appropriate.

OUR AUDIT PROCEDURE

With the help of our own valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation procedures. To this end, we first gained an understanding of the acquisition transaction by questioning the Board of Managing Directors, employees in the finance and legal departments and by evaluating the relevant contracts.

We have agreed the total remuneration in the form of the additional payment by the Seller with the underlying purchase contract and the proof of payment.

Against the background of our knowledge of the business model of All you need GmbH, we have assessed the process of identifying the acquired assets and assumed liabilities for compliance with the requirements of IFRS 3. We have examined the valuation methods used for compliance with the valuation principles.

We have reviewed significant contracts of the acquired company with regard to unfavorable contractual conditions and assessed whether the assumed liabilities are fully recognized in the balance sheet.

We discussed the expected sales development with those responsible for planning. We assessed the assumptions underlying the valuation of the acquired assets and liabilities with regard to the consistency of the assumptions with external market assessments. We compared the license rates used to measure intangible assets with reference values from relevant databases. We compared the assumptions and parameters underlying the costs of capital, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

In order to assess the arithmetical correctness, we have performed selected calculations from a risk-oriented perspective. Finally, we assessed whether the disclosures in the notes to the financial statements concerning the acquisition of All you need GmbH are complete and appropriate.

OUR CONCLUSIONS

The procedure underlying the identification and measurement of the acquired assets and liabilities is appropriate and consistent with the applicable accounting policies. The significant assumptions and parameters underlying the measurement of the assets acquired and liabilities assumed are appropriate and the presentation in the notes to the consolidated financial statements is complete and appropriate.

The recoverability of the assets of the cash-generating units online food retailing and logistics

For the accounting and valuation principles applied, please refer to the section "Accounting and valuation principles" in the notes to the consolidated financial statements.

THE RISK FOR THE FINANCIAL STATEMENTS

Delticom AG acquired the cash-generating units Online Food Retailing and Logistics in 2016. Both cash-generating units have generated losses since their acquisition and in the year under review. There are therefore indications of impairment of the assets reported in these two cash-generating units.

If there are indications of impairment of assets, the Company determines the recoverable amount at the balance sheet date and compares it with the respective carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is determined as the value in use using the discounted cash flow method. The impairment of individual assets is limited to the fair value less costs to sell at the level of the individual assets.

The impairment test of the assets is complex and is based on a number of discretionary assumptions. These include in particular the forecasted cash flows and the discount rates used.

The cash-generating units Online Food Retailing and Logistics have been in a loss situation since the acquisition in fiscal year 2016. Against this backdrop, there is a risk for the financial statements that the property, plant and equipment will not be impaired.

OUR AUDIT PROCEDURE

We have obtained an understanding of the Company's process for identifying indications of impairment and determining recoverable amounts through explanations given by accounting personnel.

With the help of our valuation specialists, we assessed the arithmetical accuracy and IFRS conformity of the Company's valuation models as well as the appropriateness of the key assumptions used. To this end, we discussed the expected cash flows and other key parameters with the persons responsible for planning. The appropriateness of the assumptions was also compared with external market assessments where available. In addition, we satisfied ourselves of the Company's forecast quality to date by comparing plans for earlier fiscal years with the results actually realized later and analyzing deviations.

We have compared the assumptions and parameters underlying the discount rate, in particular the risk-free interest rate, the market risk premium, the specific risk premiums and the beta factor, with our own assumptions and publicly available data.

In order to take account of the existing forecast uncertainty, we also examined possible changes in key parameters with regard to the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing them with the Company's valuation results.

OUR CONCLUSIONS

The procedure underlying the impairment test for assets, including the valuation model, is consistent with the valuation principles. The assumptions and parameters used by the Company are appropriate.

The recoverability of deferred tax assets

For the accounting and valuation principles applied, please refer to the section "Accounting and valuation principles" in the notes to the consolidated financial statements. Information on deferred tax assets and liabilities can be found in the notes to the consolidated financial statements in the section "Notes to the income statement" under Note 8.

THE RISK FOR THE FINANCIAL STATEMENTS

Deferred tax assets amounting to EUR 4.0 million are reported in Delticom AG's consolidated financial statements as of December 31, 2018.

Delticom AG estimates the extent to which the existing deferred tax assets can be utilized in the following reporting periods for the recognition of deferred tax assets. The realization of these deferred tax assets requires that sufficient taxable income will be generated in the future. If there are reasonable doubts as to the future usability of the determined deferred tax assets, deferred tax assets are not recognized or deferred tax assets already recognized are written down.

The recognition of deferred tax assets depends to a large extent on the assessment and assumptions of the legal representatives with regard to the operating performance of the individual companies and is therefore subject to significant uncertainties. Furthermore, the realization depends on the respective tax environment.

In fiscal year 2018, Delticom AG capitalized deferred tax assets of EUR 3.8 million on loss carryforwards, which mainly resulted from fiscal year 2018.

In Delticom AG's estimation, the earnings situation of the Group companies concerned will improve again to the level of previous years from next year onwards, so that it will be possible to capitalise deferred tax assets on the losses carried forward.

There is a risk for the financial statements that Delticom AG's assessment may not be appropriate and that the deferred tax assets recognized may not be recoverable.

OUR AUDIT PROCEDURE

We have included our tax specialists in the audit in order to assess the tax situation. First, we took a critical look at the temporary differences between the IFRS and the tax balance sheet carrying amounts. We also reconciled the loss carryforwards for the tax assessments and tax calculations for the current fiscal year and recognized off-balance-sheet adjustments.

We have assessed the recoverability of deferred tax assets on the basis of the Company's internal forecasts of future taxable income and have critically assessed the underlying assumptions. In addition, we have satisfied ourselves of the quality of the Company's forecasts to date by comparing plans for earlier financial years with the results actually achieved at a later date and analyzing deviations.

Delticom AG's assessment of the sustained improvement in the earnings position of Group companies with loss carryforwards has been explained to us by the Management Board. In this context, we analysed the causes of the improvement in earnings and assessed the sustainability of the taxable results.

OUR CONCLUSIONS

The assumptions underlying the recognition of deferred tax assets are generally appropriate.

Recognition of revenue in the period under review

For information on the accounting principles applied, please refer to the section "Significant accounting policies" in the notes to the consolidated financial statements.

THE RISK FOR THE FINANCIAL STATEMENTS

Delticom AG's consolidated financial statements for fiscal 2018 show revenues of EUR 645.7 million. Revenues are mainly attributable to the sale of various retail products to private customers and commercial customers via the Internet, with the majority of revenues being generated with private individuals. The revenues generated by Delticom AG represent mass transactions and shape the Company's earnings position. Delticom AG uses IT to process and monitor these transactions.

Delticom AG records revenues from the sale of products if it fulfils a performance obligation by transferring a promised asset to a customer. An asset is deemed to have been transferred if the customer gains control over this asset. The performance obligation is fulfilled when the products are transferred to the customer and revenue is therefore recognized when the products are sold.

Due to the mass transactions, the IT systems and processes have to meet higher requirements to ensure that sales are recognized on an accrual basis.

Against this background, there is a risk for the consolidated financial statements that revenues in the past fiscal year will be too high and thus not recognized on an accrual basis.

OUR AUDIT PROCEDURE

In order to audit the recognition of revenue on an accrual basis, we have reviewed the design, establishment and effectiveness of internal controls with respect to the settlement and recognition of revenue, including the IT systems used.

In addition, we assessed the accrual recognition of revenues by comparing invoices with related purchase orders and external proof of delivery. This was based on sales selected on the basis of a mathematical-statistical procedure and recorded in December 2018.

In addition, balance confirmations were obtained for the trade receivables of commercial customers not yet settled as of the balance sheet date, which were selected on the basis of a mathematical-statistical procedure. For missing confirmations of the balance confirmation action, alternative audit procedures were used to reconcile revenues with the underlying purchase orders, invoices and proofs of delivery and the payments received, among other things. For trade receivables from private customers not yet settled as of the balance sheet date, individual deliveries selected on the basis of a mathematical-statistical procedure were reconciled with the underlying orders, invoices and proofs of delivery as well as the payments received.

OUR CONCLUSIONS

Delticom AG's approach to accruing revenues is appropriate.

Other information

The legal representatives are responsible for the other information. Other information includes the corporate governance statement provided by us prior to the date of this audit opinion and the other parts of the annual report expected to be provided to us after that date, except for the audited consolidated financial statements and the group management report and our audit opinion.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information and, accordingly, we do not express an opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information is free of material misstatement.

- there are material discrepancies with the consolidated financial statements, the group management report or the knowledge acquired during the audit, or

- appear to be displayed incorrectly in other ways.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the same accounting policy unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- We identify and evaluate the risks of material misstatement - whether intentional or not - of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.
- We obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the group management report that are taken to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.
- We draw conclusions about the appropriateness of the accounting principle applied by the legal representatives for the continuation of the company's operations and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Group to cease operating.
- We have audited the overall presentation, the structure and the content of the consolidated financial statements including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB (and the IFRSs as a whole).
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- We assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the group management report as a whole.
- we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of adequate and suitable audit evidence, we perform in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and the safeguards that have been put in place to that effect.

From among the matters discussed with those responsible for monitoring, we identify those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most important matters for the audit. We describe these matters in the auditor's report unless required to do so by law or other legal provisions.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 8, 2018. We were engaged by the Supervisory Board on November 8, 2018. We have been the group auditor of Delticom AG, Hanover, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefan Luther.

Hanover, 19 June 2019

KPMG
Wirtschaftsprüfungsgesellschaft

gez. Luther
German Public Auditor

gez. Kompio
German Public Auditor

Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Group revenues (€ million)	645.72	667.70	606.60	559.79	501.70	505.54	456.38	480.01	419.58	311.26	258.98
Group EBITDA (€ million)	9.00	9.30	15.10	14.28	15.29	22.18	35.31	55.05	48.91	30.44	16.93
EPS (€/share)	–0.13	0.09	0.36	0.28	0.24	0.97	1.87	3.04	2.77	17.71	0.99
Number of outstanding shares (million)	12.46	12.46	12.46	11.95	11.95	11.86	11.85	11.85	11.84	11.84	11.84
Dividend per share (€/share)**	?	0.10	0.50	0.50	0.25	0.50	1.90	2.95	2.72	1.70	1.00
Number of employees	235	185	156	129	247	179	144	116	101	87	81
Number of fitting partners (thousand)*	40.00	43.00	43.90	41.90	39.30	36.00	33.30	29.70	25.70	21.90	17.80
Number of shops*	469	453	387	245	163	137	128	126	120	105	100
Number of customers (customer base, thousand)*	13,601	12,230	10,879	9,583	8,319	7,314	6,160	5,310	4,389	3,431	2,626

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

12.08.2019	Annual General Meeting
14.08.2019	6-monthly report 2019
14.11.2019	9-monthly notification 2019
25.–27.11.2019	German Equity Forum Frankfurt

Imprint

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