Annual Report 2023

DELTICOM

Profile

With its brand ReifenDirekt, Delticom AG is the leading company in Europe for the online distribution of tyres and complete wheels.

The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and over 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 355 online shops and online distribution platforms in 67 countries, serving more than 19 million customers. In the online shop Reifendirekt.de, sustainable and resource-saving tyres are labelled accordingly and awarded a sustainability seal.

As part of the service, the ordered products can be sent to one of Delticom's around 30,000 partner garages in Europe for assembly at the customer's request.

Based in Hanover, Germany, the company operates primarily in Europe and has extensive expertise in the development and operation of online shops, internet customer acquisition, internet marketing and the establishment of partner networks.

Since its foundation in 1999, Delticom has built up comprehensive expertise in designing efficient and fully integrated ordering and logistics processes. The company's own warehouses are among its most important assets.

In fiscal year 2023, Delticom AG generated revenues of around € 476 million. At the end of the last fiscal year, 172 were employed by the company.

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

Key Figures

		01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	-/+ (%, %p)
Revenues	€ million	475.7	509.3	-6.6
Total income	€ million	502.8	542.8	-7.4
Gross margin[1]	%	24.4	21.6	+2.8
Gross profit[2]	€ million	143.3	143.7	-0.3
EBITDA	€ million	20.6	15.0	+37.6
EBITDA margin	%	4.3	2.9	+1.4
EBIT	€ million	11.5	4.2	+172.7
Net income	€ million	8.0	2.8	+185.3
Earnings per share	€	0.54	0.19	+185.8
Total assets	€ million	191.6	195.2	-1.9
Inventories	€ million	41.2	43.3	-4.9
Investments[3]	€ million	5.6	2.6	+115.2
Equity	€ million	47.6	39.7	+20.1
Equity ratio	%	24.9	20.3	+4.5
Return on equity	%	16.8	7.1	+9.8
Liquidity position[4]	€ million	7.3	3.0	+143.1

(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 2023

Revenues

> € 475 million

2022: € 509.3 million

EBITDA totalled

€ 20.6 million

2022: € 15 million

Increase in operating EBITDA to

€ 21.8 million

2022: € 15 million

EBIT amounted to

€ 11.5 million

2022: € 4.2 million

EBIT margin totalled

2.4 %

2022: 0.8 %

Consolidated net income amounted to

€ 8.0 million

€ 0.54 earnings per share

Increase of equity ratio to

24.9 %

2022: 20.3 %

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Letter to Our Shareholders

Dear shareholders,

We are pleased with the successes of the past year. Delticom AG's total annual revenues amounted to € 475.7 million in fiscal year 2023. Net income for the year amounted to € 8.0 million.

Thanks to the strong winter tyre business, together with internal process optimizations and the associated cost savings, we were able to exceed the forecasted range of between € 14 million and € 18.9 million for our operating EBITDA formulated at the beginning of 2023 with € 21.8 million achieved. We succeeded in making targeted use of growth and earnings opportunities and reducing our costs through the use of IT and AI. The positive net income for the year has once again strengthened our equity base. Together with a reduction in total assets, this has once again increased our equity ratio. In addition, this positive business development and our stringent working capital management have enabled us to further reduce our financial debt.

In order to further reduce costs, we closed and merged a number of subsidiaries in the past financial year.

The gross margin for the past financial year amounted to 24.4 % after 21.6 % in the same period of the previous year. The increase is mainly due to a change in the sales mix, e.g. increased demand for quality tyres from Asian manufacturers in 2023.

EBITDA improved from € € 15.0 million to € 20.6 million in the reporting period. This is an increase of 37.6 %. Group EBITDA is the starting point for calculating operating EBITDA, which reflects the profitability of the core business. This means that material income and expenses of a non-recurring nature that are not directly related to the core business are deducted from Group EBITDA. For 2023, this relates to expenses incurred in connection with our syndicated loan agreement. These amounted to € 1.2 million. Group EBITDA adjusted for this amount results in operating EBITDA of € 21.8 million (2022: € 15 million).

Consolidated net income amounts to € 8.0 million or € 0.54 per share in 2023, which is higher than in the previous year (2022: € 2.8 million or € 0.19 per share).

The release of both the legal reserve and part of the capital reserve in the context of the preparation of Delticom AG's annual financial statements as of December 31, 2023 to offset the loss carryforwards from previous years that still exist after offsetting against the net income for the 2023 financial year created the basis for future dividend distributions. However, in accordance with the provisions of the German Stock Corporation Act, this release of reserves may only be carried out for the purpose of offsetting losses and does not enable the Annual General Meeting to resolve a dividend distribution for the 2023 financial year. Accordingly, the Management Board will not propose a dividend payment this year. We are making every effort to change this in 2025 for 2024.

For the current financial year 2024, we are planning a revenues corridor of between € 450 million and € 470 million. We have made conservative assumptions in our planning for 2024. This means that our forecasts for the development of the online tyre business do not assume a market recovery or positive weather conditions. In particular, we do not assume that the strong winter tyre business in the final quarter of the past financial year will be repeated in 2024.

Depending on our revenues forecast, we expect operating EBITDA in a range between € 19 million and € 21 million. We anticipate a further reduction in our costs in 2024. The syndicated loan agreement extended in March of the past financial year has a term until December 2024. The company has entered into discussions regarding follow-up financing.

We would like to thank all our employees for their tireless commitment, our business partners for their loyalty and, last but not least, you, dear shareholders, for your trust and support on our path to a future of profitable growth.



from left: Andreas Prüfer, Nathalie Kronenberg, Philip von Grolman

Hanover, 19th April 2024

Andreas Prüfer Nathalie Kronenberg Philip von Grolman

Report of the Supervisory Board

Dear Shareholders,

the Supervisory Board continued to advise and monitor the company's Management Board in the past year. The 2023 financial year continued to be characterized by a challenging environment, but also by the company's successes in this context. The year 2023 was also characterized by an inflation-related reluctance to buy on the part of private end customers. Despite all the uncertainties, however, Delticom succeeded in increasing profitability and generating positive operating EBITDA above the forecast corridor and significantly, namely almost 45 %, above the previous year.

For its analyses, the Supervisory Board was able to make full use of the company's internal control system and the reports of the respective functionaries. We dealt in detail and regularly with Delticom's financial position, net assets and results of operations. We had the Managing Board report to us on all key factors influencing the business and key transactions. The Managing Board submitted written reports to us at the required intervals with the scope and content requested by us. In addition to the Supervisory Board meetings, there was a lively exchange of information and ideas on current events and developments between the Supervisory Board and the Management Board, in particular through telephone calls and personal meetings.

Urgent decisions were made by telephone or e-mail. All resolutions were passed unanimously during the reporting period. All members of the Supervisory Board attended all meetings of the Supervisory Board during the reporting period, although in individual cases the meetings held in person were connected by telephone or video. All members of the Audit Committee of the Supervisory Baord attended all meetings.

Mr. Alexander Gebler had already resigned from his office as Chairman and member of the Supervisory Board in 2022 with effect from 6 January 2023. Dr. Andrea Hartmann-Piraudeau was therefore initially appointed as a member of the company's Supervisory Board by resolution of the Hanover Local Court until the end of the 2023 Annual General Meeting. Last year's Annual General Meeting then confirmed Dr. Hartmann-Piraudeau in her position with an impressive majority of 98.48%. Following the retirement of Mr Gebler, the Supervisory Board therefore comprised Dr Hartmann-Piraudeau, Mr Michael Thöne-Flöge and Mr Karl-Otto Lang, with the latter assuming the position of Chairman of the Supervisory Board following Mr Gebler's retirement. Mr. Michael Thöne-Flöge is Deputy Chairman of the Supervisory Board.

The Supervisory Board has established an Audit Committee within the meaning of Section 107 (4) sentence 2 AktG. The members of the Supervisory Board and Audit Committee in the reporting period were all familiar with the sector in which the company operates. The Chairman of the Audit Committee is Mr. Michael Thöne-Flöge, an expert in the field of auditing. Mr. Karl-Otto Lang is an expert in the field of accounting and also a member of the Audit Committee.

Meetings of the Supervisory Board and the Audit Committee and resolutions adopted outside meetings

The Supervisory Board held four meetings in person in 2023. In addition, one meeting was held in the form of a conference call and two meetings were held by video conference. The Supervisory Board is also the Audit Committee in accordance with Section 107 para. 4 sentence 2 AktG and as such held one meeting in person and one meeting by video conference.

At the meeting on January 9, 2023, the Supervisory Board dealt with the upcoming audit of the annual financial statements, the selection of the auditor and the extension of the syndicated loan agreement, among other things. In addition, following the personnel changes on the Supervisory Board, the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board and the Chairman of the Audit Committee were newly elected.

At the meeting on 16 February 2023, the Supervisory Board dealt with the future composition of the Management Board in the area of finance and the future organization of this area at the second management level.

On 13.03.2023, the Supervisory Board dealt with a change in the responsibilities of the members of the Management Board.

At the balance sheet meeting on 29 March 2023, the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, reported to the Supervisory Board on the key findings of its audit of the annual financial statements as at 31 December 2022 and was available to answer questions from the Supervisory Board. The Supervisory Board dealt with the annual financial statement documents and audit reports for the 2022 financial year as well as the remuneration report, the dependent company report, the report of the Supervisory Board, the corporate governance declaration and the declaration of compliance with the German Corporate Governance Code. On March 30, 2023, the Supervisory Board approved the annual financial statements and the consolidated financial statements and, where necessary, adopted other of the aforementioned documents.

At the meeting held in person following the Annual General Meeting on 21.06.23, the members of the Management Board reported on developments in the various departments, among other things.

On 12.09.2023, the Supervisory Board held a meeting in the form of a video conference in which the members of the Management Board reported, among other things, on the operational business development, the organization of the finance and tax departments, the current debt financing situation and the possibility of a partial reversal of the capital reserve. The Supervisory Board also approved the conclusion or extension of rental agreements.

At the meeting on November 27, 2023, the Management Board reported on the financial development in the third quarter and for the year as a whole as well as the outlook, the market situation and current developments in the areas of financing, taxes, warehouse and transport logistics and IT. The medium-term and investment planning was discussed and approved by the Supervisory Board.

In addition, fourteen resolutions were passed by telephone or e-mail. These concerned, among other things:

- Waivers of post-contractual non-competition clauses by members of the Management Board,
- the introduction of a new share option plan and the issue of share option rights to members of the Management Board,
- the amendment of Management Board service contracts, the target agreement with Management Board members regarding short-term variable remuneration and the determination of target achievement regarding variable remuneration for the past financial year,
- approving the implementation of a share buyback program and related measures,
- approving the liquidation of subsidiaries and
- changes to the allocation of responsibilities on the Management Board.

The Audit Committee held a meeting on March 29, 2023 for the purpose of monitoring and controlling the audit of the annual financial statements for the 2022 financial year. The main topics of the meeting were the final annual financial statement documents and audit reports as well as preparations for the balance sheet meeting. The auditor reported to the Audit Committee in detail on the accounting process, the effectiveness of the internal control and risk management system, the internal audit system and the audit of the financial statements. The Audit Committee also held a meeting on 12/09/2023. Key topics were the future selection of the auditor to be proposed to the Annual General Meeting and ancillary audit services.

Corporate governance, conflicts of interest

On 30.03.2023, together with the Management Board, we issued a declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Delticom AG website (https://www.delti.com/de/investor-relations/corporate-governance). The declaration of conformity is updated annually after the balance sheet meeting of the Supervisory Board, otherwise as required.

In 2023, the annual review of whether (potential) conflicts of interest have arisen among the Supervisory Board members was again carried out by means of a survey of the Supervisory Board members. In addition, each member of the Supervisory Board is required to disclose any conflicts of interest to the Chairman of the Supervisory Board without delay. According to our understanding and in accordance with the applicable legal provisions, a conflict of interest exists if there is reason to fear that the board member will not base their decision solely on the interests of the company, but will also take their own or third-party interests into account when making their decision. There were no such conflicts of interest in the 2023 financial year.

Audit of annual and consolidated financial statements

At the balance sheet meeting on March 26, 2024 in the presence of the auditor BDO AG Wirtschaftsprüfungsgesellschaft, Hanover, the Supervisory Board dealt intensively with the annual financial statement documents and audit reports for the 2023 financial year and the remuneration report in accordance with Section 162 AktG, in particular the annual financial statements in accordance with German commercial law and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), each as at December 31, 2023, as well as the management report for the company and the Group and the dependent company report for the 2023 financial year.

Once again this year, representatives of the auditor reported on the key findings of the audits and were available to the Supervisory Board to provide additional information and answer questions. The auditor's reports, the annual and consolidated financial statements prepared by the Management Board, the dependent company report and the report on the position of Delticom AG and the Group, each for the 2023 financial year, were submitted to us in good time so that we had sufficient opportunity to examine them. The auditor had previously audited the financial statements. There are no doubts about the auditor's independence.

IIn the auditor's opinion, the annual financial statements and the consolidated financial statements for the 2023 financial year give a true and fair view of the net assets, financial position, results of operations and cash flows of the company and the Group in accordance with the accounting standards. The audit of the dependent company report for the 2023 financial year by the auditor did not give rise to any objections. The auditors issued their unqualified audit opinions in each case. The auditor's opinion on the dependent company report reads as follows: "*Based on our audit and assessment in accordance with professional standards, we confirm that the factual information in the report is correct and that the consideration paid by the company for the legal transactions listed in the report was not unreasonably high or that disadvantages were compensated.*"

The auditor also formally audited the remuneration report prepared by the Management Board and Supervisory Board for the 2023 financial year in accordance with Section 162 (3) AktG with regard to the existence of the required disclosures. The auditor's report on the remuneration report reads as follows *"In our opinion, the accompanying remuneration report includes, in all material respects, the disclosures required by section 162 (1) and (2) AktG. Our audit opinion does not cover the content of the remuneration report."*

In addition, as part of its assessment of the risk management system, the auditor determined that the Management Board has taken the measures required by Section 91 (2) AktG to identify risks that could jeopardize the company's continued existence at an early stage. Following our own audit of the annual financial statements, consolidated financial statements, management report, Group management report, dependent company report and remuneration report, each for the 2023 financial year, we fully concurred with the auditor's report. On 19.04.2024, the Supervisory Board approved the annual financial statements and the consolidated financial statements for the financial year 2023. The annual financial statements of Delticom AG are thus adopted.

Personnel changes in the Supervisory Board and Management Board

Please refer to the comments above regarding changes to the Supervisory Board. In addition to these, the following changes to the Management Board should be reported:

We already reported on the departure of Chief Financial Officer Dr. Schmidt-Schultes on March 31, 2023 in last year's report. Following his departure, Dr. Schmidt-Schultes' areas of responsibility were initially assumed in part by Dr. Andreas Prüfer and in part by Mr. Philip von Grolman. Dr. Prüfer now has primary responsibility for finance on the Management Board, but is supported by the newly created role of Chief Finance Director (in the person of Ms. Melanie Becker). The Executive Board and a strong first management level below the Executive Board jointly manage and steer the company.

In addition, the Chief Logistics Officer Alexander Eichler resigned from his position as a member of the Management Board on June 30, 2023 by mutual agreement in order to pursue a new career path after successfully establishing a new, decentralized warehouse infrastructure at Delticom. These responsibilities were also initially assumed in part by Dr. Andreas Prüfer and in part by Mr. Philip von Grolman, with Mr. von Grolman primarily responsible for the Distribution Logistics division and Dr. Prüfer primarily responsible for the Warehouse Europe division.

A particularly pleasing personnel change was announced with effect from February 1, 2024: Ms. Nathalie Kronenberg has been a new member of Delticom AG's Management Board since this date. Ms. Kronenberg has been with Delticom since 2017 and, as Head of Global Sale B2B & Key Account, has already been responsible for several years for the Delticom Group's business with commercial customers (B2B) as well as the motorcycle sector and supplier management. In her function as a member of Delticom AG's Managing Board, Ms. Kronenberg is now also responsible for global tire purchasing. Ms. Kronenberg has a degree in economics and has been working in the tire trade and industry since 2004, and therefore has many years of industry experience and expertise. Before joining Delticom AG, Ms. Kronenberg held management positions in both purchasing and international tire wholesale, including with a focus on Asia. The Supervisory Board is convinced that it has found the ideal candidate for this Management Board position, and is looking forward to working with Ms. Kronenberg.

The members of the Supervisory Board undertook the training and further education measures required for their tasks on their own responsibility. They received appropriate support from the company, in particular through the provision of access to a didactically prepared multimedia portal for further education and training measures for Supervisory Board members. As explained in last year's report, the company also provided Dr. Hartmann-Piraudeau with appropriate support for her inauguration and covered the costs of a training course she attended.

The Supervisory Board would like to thank the Management Board and all employees for their outstanding work over the past year. They made a significant contribution to our company's ability to significantly increase profitability beyond expectations in a persistently difficult environment.

Hanover, 19.04.2024

Karl-Otto Lang

(Chairman of the Supervisory Board)

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2023 at € 2.21.

Development of the stock markets

2023 stock market

In the stock market year 2023, the effects of the Russia-Ukraine conflict, continued high inflation and, from October, the war in the Middle East caused uncertainty. Despite the multiple crises, the German stock market recovered after a significant drop in the previous year. The gradual slowdown in inflation and falling commodity prices brought increased security to the market. After ten interest rate hikes in a row, the European Central Bank (ECB) finally paused interest rates in October 2023 and left the key interest rate unchanged at the end of the year 2023. The inflation rate in December 2023 was 2.9 %. As inflation is therefore below the key interest rate, many players expect the ECB to cut the key interest rate from 4.5 % in the year 2024. In addition to other recovery factors, this could lead to further momentum on the stock market.

After minor fluctuations overall and a year-end rally, the DAX ended the year 2023 at 16,751 points, just below the 17,000 points breached for the first time in December 2023. This corresponded to an increase of +19.7 % over the year. The other German indices also closed the year 2023 well up at +7.5 % (MDAX), +16.5 % (SDAX) and +13.9 % (TecDAX).

Development of the Delticom share (DEX)

Benchmarks

We use the DAXsubsector All Retail Internet (DAXsARI) as a benchmark for DEX.

DAXsARI comprises all stocks in the DAX family that are active in the online or e-commerce business. As usual, we use the performance index for DAXsARI, which takes into account the dividends of the individual stocks. The chart *Share performance* shows the performance of DEX and DAXsARI since the beginning of 2023 over the course of the year.

DEX performance

After beginning the year at € 2.48, DEX reached an annual low on 20.04.2023 at € 1.64. The shares' annual high was recorded on 13.09.2023 at € 2.59. DEX closed the year on € 2.21. In the course of 2023 the market capitalisation of DEX decreased from € 35.0 million to € 32.7 million.

Share performance 2023

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 € 0.54 (2022: € 0.19). Diluted earnings per share are € 0.54 (previous year: € 0.19).

The calculation of the earnings per share was based on net income after taxes totalling € 8,025,515.29 (previous year: € 2,812,736.54) and the weighted average number of shares outstanding during the fiscal year totalling 14,821,468 shares (previous year: 14,831,361 shares).

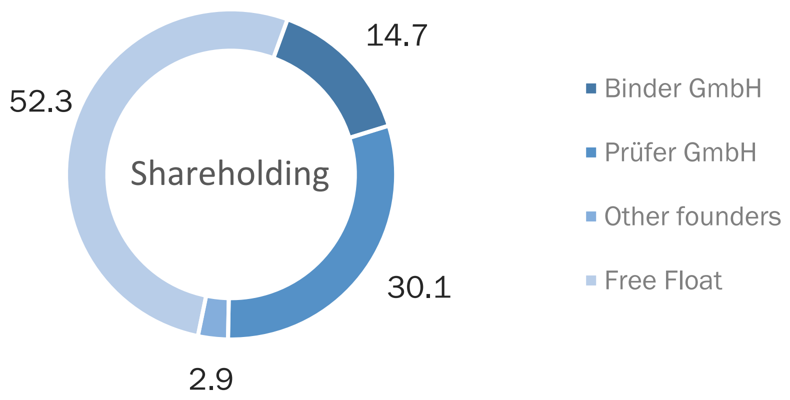
The release of both the legal reserve and part of the capital reserve as part of the preparation of the annual financial statements of Delticom AG for 31.12.2023 to offset the loss carryforwards from previous years still existing after offsetting against the net income for the 2023 financial year created the basis for future dividend distributions. The reversal of reserves presented in the annual financial statements 2023 may only be carried out for the purpose of offsetting losses. In accordance with the provisions of stock corporation law, the reversal may not be used to enable the Annual General Meeting to resolve a dividend for the financial year 2023. Accordingly, no dividend payment can be proposed by the Management Board for the financial year 2023.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2023.

Shareholder structure

Shareholding in % of the 14,831,361 shares outstanding, as of 31.12.2023



The shares of Prüfer GmbH and Binder GmbH are attributable to the two company founders Andreas Prüfer (Management Board) and Rainer Binder (Chairman of the Supervisory Board until February 29, 2020).

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

Coverage

In total two analysts from a renowned banks regularly offer their view on the course of Delticom AG's business and future prospects (with recommendation as of 08.03.2024):

- Daniel Kukalj, Quirin Privatbank (Buy)
- Pál Skirta, Bankhaus Metzler (Hold)

Investor relations activities

Since the IPO we have attached great importance to the ongoing dialogue with institutional and private investors as well as analysts. The aim of our investor relations activities is to pass on companyspecific information to interested parties quickly and comprehensively. This extends to the timely publication and the precise depiction of financial reports and company news, which are regularly supplemented with conference calls.

In 2023, the Management Board presented business developments and strategy of the company at the Hamburg Investor's Days. Furthermore, we had many one-on-one talks with investors.

The internet is an important part of financial communications. On https://www.delti.com/en/investor-relations/ we offer annual reports, quarterly corporate news as well as investor and analyst presentations for download.

The investor relations department gladly answers any further questions:

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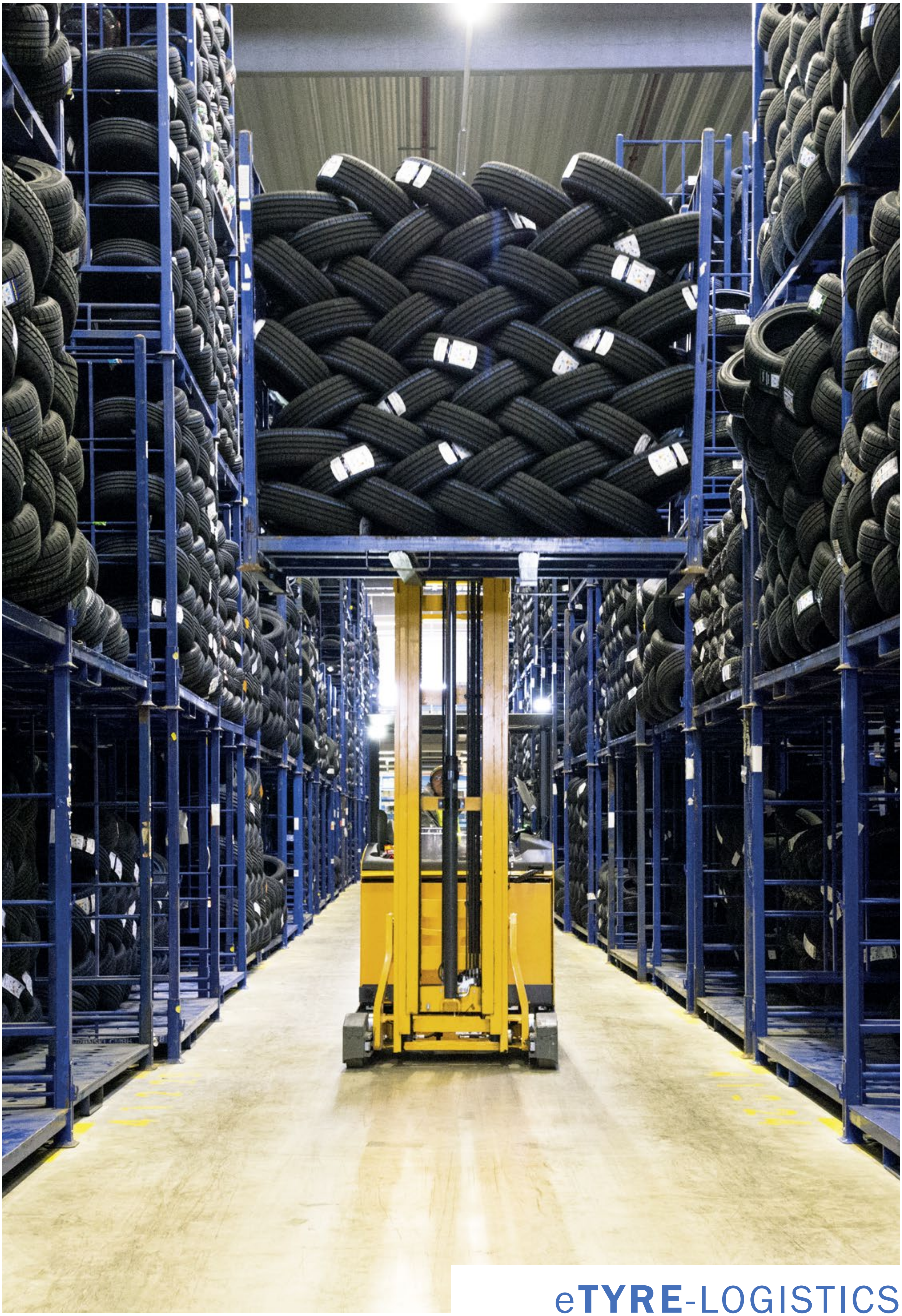
30169 Hanover
Phone: +49 511 93634-8903
E-Mail: melanie.becker@delti.com

Stock key information

		01.01.2023 – 31.12.2023	01.07.2022 – 31.12.2022
Number of shares	shares	14,805,126	14,831,361
Share price on first trading day[1]	€	2.48	6.62
Share price on last trading day of the period[1]	€	2.21	2.36
Share performance[1]	%	-10.9	+2,6
Share price high/low[1]	€	2,59 / 1,64	6,78 / 1,78
Market capitalisation[2]	€ million	32.7	35.0
Average trading volume per day (XETRA)	shares	5,994	18,772
EPS (undiluted)	€	0.54	0.19
EPS (diluted)	€	0.54	0.19

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



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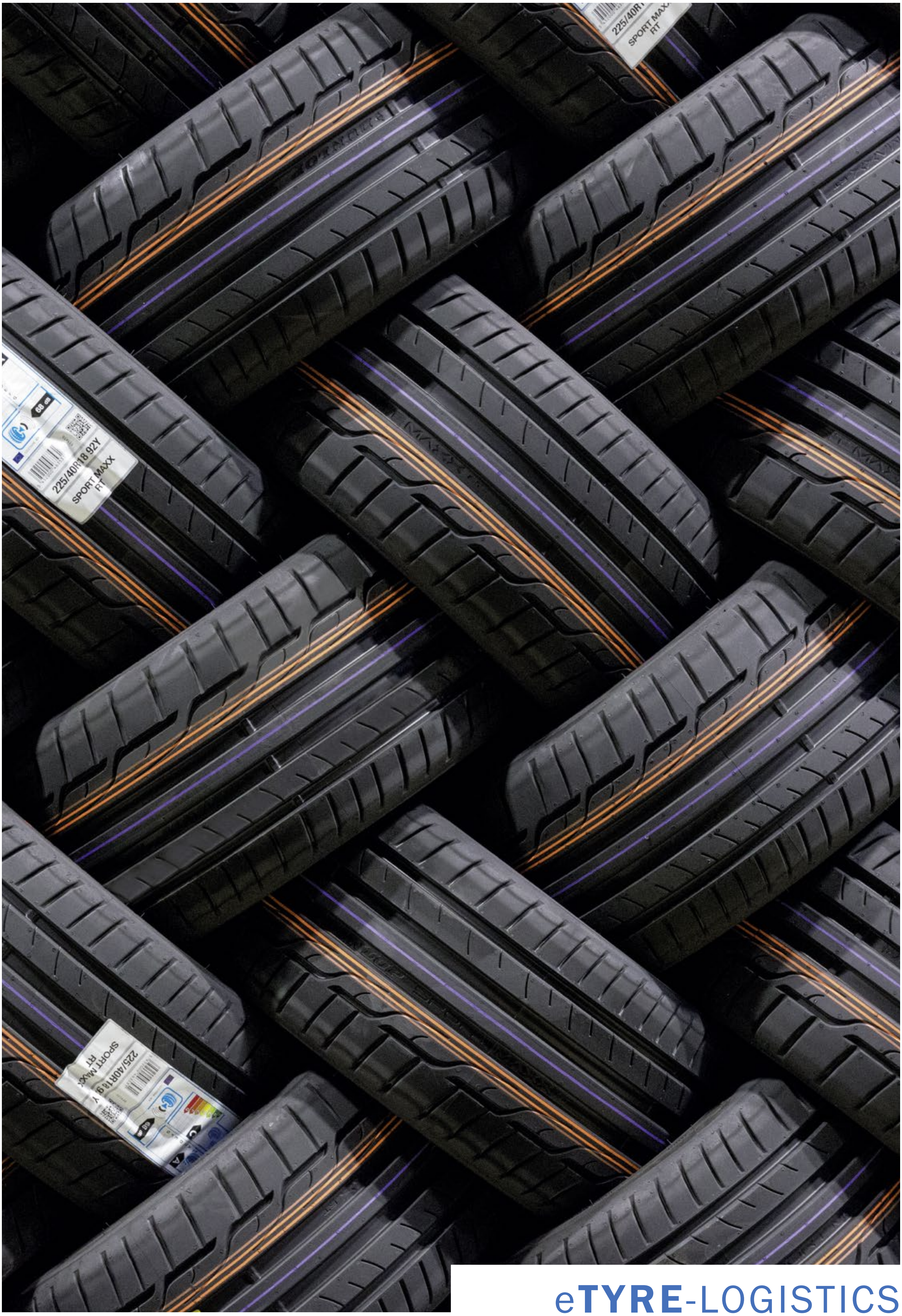

eTYRE-LOGISTICS

eTYRE-LOGISTICS

Combined Management Report of Delticom AG

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Group fundamentals

Delticom AG was founded in Hanover in 1999 and today, it is the leading company in Europe for the online distribution of tyres and complete wheels. The company operates 355 online shops and online distribution platforms in 67 countries. In October 2006, it was the first German e-commerce company to go public. Since then, the shares have been listed in the Prime Standard of the German Stock Exchange.

Organisation

During the period under review on average 169 staff members were employed at Delticom. The highly automated business processes form a company-wide, scalable value chain. Possibly necessary manual routine work is passed to operation centres. Partnering with other companies allows us to fulfil the overall needs of our customers and, for example, provide customer-oriented logistics and transport services.

Legal Structure

In addition to Delticom AG, a total of 8 domestic and 5 foreign subsidiaries are included in the consolidated financial statements as of 31.12.2023 as part of the full consolidation. A list of all fully consolidated subsidiaries can be found in the notes to the consolidated financial statements in the section *Shareholdings*.

DeltiCar SAS was dissolved in December 2023 and merged with Delticom AG.

In the past financial year, Toroleo Tyres GmbH and Toroleo Tyres TT GmbH & Co. KG were merged into Tirendo GmbH.

Corporate Governance

As a German joint-stock corporation, Delticom operates a dual management system, with a Supervisory Board and a Management Board that aims 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 coordinates the strategy with the Supervisory Board and ensures its implementation. 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 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

Vehicle stock, mileage, replacement cycle

In addition to the generally increasing importance of the Internet as a sales channel, the company is not completely independent of the underlying volume development of the tyre market.

Currently there are more than 250 million cars on the roads of the European Union. According to the manufacturer association ACEA, the passenger vehicle stock in the EU has grown by 1.0 % year-on-year, which represents total growth of around 3 million passenger vehicles.

The average age of vehicles in Europe is 12 years and in Germany (the largest share of passenger cars in Europe) around 10 years. Due to a longer lifespan of the cars, an increasing number of vehicles can be expected in the coming years, even if the number of new car registrations decreases.

Based on an annual average mileage of a car of about 14,000 km and similar road conditions in Europe tyres are worn out after 60,000 km at the latest. Accordingly, the replacement cycle is about four years.

Price and mix

The revenues and the margin of an e-commerce company are influenced not only by quantity demand, but also in particular by prices in purchasing and sales.

Raw material price trends are a key pricing factor in the tyre trade, particularly those for natural rubber and oil. Price changes for raw materials are generally reflected in the calculations of European manufacturers four to six months later. In the case of Asian producers, any necessary adjustments are generally made earlier.

Tyre manufacturers have successfully made their production more flexible in recent years. In principle, they can now adjust their capacity variably to demand. Nevertheless, there may be over- or understocking in the supply chain, which affects prices between manufacturers, retailers and end customers. Overstocking usually puts pressure on margins.

Depending on the region and the economic situation of motorists, demand is divided between premium brands and lower-priced second and third brands. A shift in the mix can affect the average value of the shopping baskets sold and thus sales and margins.

Weather-dependend demand

In many countries, the passenger car replacement tyre business is significantly influenced by the seasons and the associated differences in weather and road conditions. In the northern part of Europe with the German-speaking countries, there are two peak periods per year: summer and winter tyres season. Due to changing conditions, all-season tyres have become increasingly important in recent years.

The second and fourth quarters are very strong in terms of revenues, as summer tyres are changed in spring and winter tyres in the fourth quarter.

The first and third quarters fall into transitional phases with lower revenues. In many European countries, the last quarter is then the strongest in terms of revenues.

Summer and winter tyre business extend over a longer period and follow a weather-dependent demand. Fluctuating growth rates due to different weather conditions thus explain deviations in comparison with the previous year.

The Delticom group operates throughout Europe and can thus often compensate for weather-related weak demand in individual countries with good growth in other regions.

Regulatory effects

Legislation also influences tyre demand. In Germany, for instance, there is a situational obligation to use winter tyres. In the event of "black ice, slippery snow, slush, ice or frost", motor vehicles must be fitted with winter tyres.

With the fifty-second regulation amending road traffic regulations the definition of winter tyres was specified and, as a result, mandatory minimum requirements for the performance of winter tyres on snow-covered roads are now being defined for the first time. In the event of inadequate tyres, not only the motorist but also the vehicle owner is held responsible if he allows or even orders his vehicle to be on the road without winter tyres in snowy or icy conditions.

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

EU tyre labelling

By regulation (No. 1222/2009), the European Union has introduced the EU tyre label in a binding and identical manner for all European member states. It applies to passenger car, light truck and truck tyres. Tyres are classified in the EU tyre label on the basis of three performance characteristics: Fuel efficiency (letters A to G), wet grip (letters A to G) and external noise generation (decibels). From 01.05.2021, fuel efficiency and wet grip will be classified in letters from A to E.

As a matter of duty, the Delticom group provides its customers with comprehensive information on the labels of the respective products and their properties in its online shops and in its customer communications.

Competitive position

Barriers to entry

Delticom competes with many smaller, regionally specialised online dealers. In connection with the ongoing consolidation process in the tyre trade, individual local online dealers have been partially or completely taken over by other market participants. The number of new entrants has also declined significantly against the backdrop of a persistently difficult market environment. Furthermore, various providers in Europe closed their online shops in recent years.

Thanks to its multi-shop approach, Delticom can meet the individual requirements of different buyer groups in the best possible way and adapt flexibly to different competitive requirements.

First Mover

As "first-mover", we have established good business relationships with manufacturers and wholesalers throughout Europe over recent years. 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 67 countries.

Streamlined value chain

We focus on online trading and maintain a tightly-knit network of around 30,000 professional partner garages 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 efficient positioning provides us with the necessary scope to offer our customers a broad product range at attractive prices. Thanks to effective working capital management we can make purchases off-season and thus ensure a continuous supply capability.

With increasing competitive pressure, 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. The replacement tyre market relevant to the Delticom group accounts for about three quarters of the world tyre market. 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 33 % 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 – increasingly also from the emerging markets.

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.

In the fragmented European tyre trade, 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 for several years online retailers.

Online tyre dealing

The continuing trend towards e-commerce and the further expansion of broadband connections, combined with an increasingly Internet-savvy customer base, will continue to drive tyre sales via e-commerce in the future.

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 2023.

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 % and has potential for growth. This 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.

Additionally, Delticom has a unique network of around 30,000 partner garages Europe-wide 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.

Important business processes

Purchasing

In more than 20 years of business, 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

Since the company was founded, more than 19 million customers have shopped in our online stores. Our solid and loyal customer base represents a key success factor. Regular newsletter campaigns contribute to customer loyalty. We attract a large proportion of our new customers to our stores with online marketing. This includes search engine marketing and optimization, affiliate marketing, online marketplaces and listings in price search engines. We also cooperate with multipliers such as the German Automobile Club (ADAC).

Many end consumers are not yet aware that they can buy replacement tyres 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 tyre purchase.

Customer Capital

Since the company's founding more than 19 million customers have made purchases in our online shops (previous year: 18.3 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 and forwarding agents. 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 centres, 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: Over 600 tyre brands and more than 40,000 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 access to test reports and manufacturers' specs for all our products and obtain comprehensive information.

Seasonal product ranges

In Northern Europe, but also in the Alpine region and in Germany weather-dependent demand characterises the course of business in the tyre trade. We take this into account with our seasonal product range.

Business Model

Delticom Group sells tyres and complete wheels to private and commercial end customers via online shops and online distribution platforms. In the core business of online tyre trade, the tyre shop with the greatest revenues is www.reifendirekt.de. Tirendo is also a well-known brand in the German-speaking e-commerce space.

Delticom Group generates a large share of its revenues by selling from own inventories and ensures that it is able to deliver on a continuous basis. Using dropship fulfilment, the company also sells tyres from the warehouses of manufacturers and wholesalers which 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 Europe-wide network of partner garages and hotlines catering for the different languages.

The group offers its product range in 67 countries, with a focus on the EU market and other European countries such as Switzerland and Norway.

Employees

169 employees

As of 31.12.2023, the Delticom group had a total of 172 employees (including trainees) (31.12.2022: 178). For the year as a whole, the average number of 169 employees worked for the company (previous year: 183). This calculation is based on the number of employees, taking into account the 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 appropriate. 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 2 young people completed their apprenticeships in our company in the 2023 financial year. A total of 3 trainees were employed as of the end of 2023 (previous year: 2).

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 Managing Board: "We declare that Delticom AG has received appropriate compensation for each of the transactions and measures listed in the report on relationships with affiliated companies according to the circumstances known to us on the date on which the transactions were executed or the measures were taken, and that it has not been disadvantaged by the fact that measures were taken. No measures were omitted in the reporting period."

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 complete wheels. The company solely sells online. We deliver goods from our own inventories and third party tyre warehouses. Revenues and operating EBITDA are key management indicators.

Management by Objectives

Financial objectives

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

Key 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, the most important financial performance indicators are revenues and operating earnings before interest, taxes, depreciation and amortization (operating EBITDA) for the group as a whole. Operating EBITDA reflects the result of the Delticom Group's operating activities. Income from project business is included in the calculation of operating EBITDA. Significant income and expenses of a non-recurring nature that are not directly related to operating activities are eliminated. Expenses in connection with refinancing continue to be classified as non-operating and are also eliminated.

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. The main objective of liquidity management is to ensure that the company is solvent at all times.

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 2023 the number of 737 thousand new customers was lower than in 2022 (853 thousand). The company has thus not reached 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 against the backdrop of weaker demand for replacement tyres in Europe. In addition, customers who come back contribute to the success of the business. In the past year 411 thousand of those customers (2022: 420 thousand) made repeat purchases at Delticom. Repeat purchasers are counted only once in each case, regardless of the number of purchases made in a year. Since the company was founded more than 19 million customers have shopped in one of our onlineshops.

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 multishop 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 around half a billion € per year in its core european tyre 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 once again 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 leadership but also to regain cost leadership.

Focus

We focus on the online distribution of replacement tyres and complete wheels to private and commercial end customers in Europe.

Online only

Delticom sells exclusively online and does not operate any bricks-and-mortar outlets. Further automation and additional outsourcing are going to streamline the organisation. In the medium and long term, the Delticom group's sales activities will continue to focus on online trading with tyres and complete wheels.

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

The main objective of liquidity management is to ensure that the company is solvent at all times. The seasonality in the tyre trade results in broad fluctuations in our cash position over the course of the year. In order to be as independent as possible from external capital providers 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 around 30,000 partner garages which stand ready to mount the tyres. Hotline services and parts of order processing have been outsourced to operation centres.

Research and Development

Proprietary software

Delticom primarily uses highly specific proprietary software solutions. 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.

Report on economic position

General conditions in 2023

The global economy recorded moderate growth in 2023. According to experts at the Kiel Institute for the World Economy (IfW Kiel), the global economy coped better than forecasted with the inflation shock and the massive tightening of monetary policy. Global production grew by an average of 0.8 % in each of the first three quarters of the past year, which is barely weaker than the recorded trend before the coronavirus crisis. However, experts do not expect the overall moderate pace of expansion to pick up any time soon. For the past year as a whole, the Kiel Institute expects global gross domestic product to increase by 3.1 %. The experts have thus revised their forecast slightly upwards – by 0.1 percentage points – compared to the fall.

Macroeconomic development

Europe

The eurozone economy lost momentum in the past year. After strong expansion for most of the year 2022, gross domestic product fell towards the end of the year and barely recovered in the first three quarters 2023. Experts also expect the economy to be subdued in the final quarter 2023. The sharp rise in food costs has put the brakes on private consumption, financing conditions have become less favorable in the wake of the rapid tightening of monetary policy and the external economic environment has recently offered little support. Despite this, the labor market in the eurozone developed robustly in 2023. Experts are forecasting a decrease in the unemployment rate from 6.8 % in 2022 to 6.5 % in 2023. All in all, the Kiel Institute is forecasting a 0.5 % increase in gross domestic product for the eurozone in 2023.

Germany

After the German economy virtually stagnated in the first three quarters of the past year, gross domestic product fell by 0.3 % in the final quarter 2023 compared to the previous quarter. This was due in particular to the after-effects of the massive loss of purchasing power in the wake of the energy price crisis, which weakened private consumption. Added to this were the significantly lower growth momentum of the global economy and the dampening effects of geopolitical tensions and crises. The economic slump was also reflected in the domestic labor market. In summary, the experts at IfW Kiel expect German gross domestic product to decrease by 0.3 % for the year as a whole.

Sectoral developments

E-Commerce

According to the Global Digital Report 2024, more than 65 % of the world's population already use the Internet, an increase of 1.8 % compared to the previous year. However, Internet penetration and thus the number of online shoppers is still very uneven worldwide and in Europe - Delticom's core market. In Northern Europe, Internet penetration currently stands at 97 %, in Western Europe at 95

%. While 85 % of Internet users in Northern Europe have shopped online as so-called e-shoppers, the figure in Western Europe is already 87 %. Penetration in Central Europe is also comparatively high at 91 % and an e-shopper share of 77 %. Southern and Eastern Europe are still lagging behind in Europe in terms of internet penetration and online shopping (e-shoppers): while the figures for Southern Europe are 89 % and 64 % (e-shoppers), Eastern Europe is still at the bottom of the European league with 88 % and 48 % (e-shoppers). According to the trade associations Ecommerce Europe and Eurocommerce, the share of business-to-consumer sales amounted to € 899 billion in 2022 (+6 % compared to the previous year). Experts expect a growth rate of 8 % for 2023.

In contrast, domestic online retail was impacted by consumers' lower willingness to spend in the past year. According to the German E-Commerce and Distance Selling Trade Association (bevh), e-commerce revenues in Germany decreased by a double-digit 11.8 % from € 90.4 billion to € 79.7 billion for the first time in 2023. Customer activity also cooled further in the past year. The proportion of regularly active online customers who have made a purchase within the last seven days fell to just 34.3 %. In the pre-coronavirus year 2019, the annual average share was still around 40 %.

Replacement tyre business

Even though 2023 was characterized by challenges as a result of the after-effects of the coronavirus pandemic, geopolitical uncertainties and technological changes, the replacement tyre business in Germany saw a slight recovery last year. According to the European Tyre & Rubber Manufacturers' Association (ETRMA) and the German Rubber Industry Association (WdK), a total of 1.6 % more replacement car tyres were sold to consumers last year.

Summer tyre sales

In contrast to March last year, the first month of spring in 2023 was the wettest March in Germany for a good 20 years and also had little sunshine. An advance of cold air masses of polar origin made for an icy start to the month. It was not until the second decade of the month that spring was able to set the tone. The first and last weeks of April were also dominated by cool phases at times – with snow and local sleet showers down to medium altitudes. Due to the weather, the start of the summer tyre business was therefore delayed compared to the previous year. At the beginning of the year, demand from European consumers was also subdued overall. According to industry associations, a total of 8.9 % fewer summer car tyres were sold to consumers by dealers in Germany last year. Demand for all-season passenger car tyres increased by 12.8 % compared to the previous year. Cumulative sales were therefore 2.6 % higher than in the previous year.

Winter tyre business

September was the warmest ninth month of the year since German weather records began, as a high pressure system dominated the weather in Germany for long periods. As a result, the winter tyre business was unable to benefit from an early start to the season in September. With the colder temperatures in October, the winter tyre business gained momentum and reached its first seasonal peak towards the middle of the month. In November, the weather in Germany also showed its wintry side in the last decade. There was snow across the country at times and in some areas, causing the replacement tyre business to reach another peak in demand. For the year as a whole, sales of winter car tyres from dealers to consumers were almost on a par with the previous year.

Sales trend Europe

With regard to the European replacement tyre market, the ETRMA market data for 2023 confirms the downward trend observed since June 2022, which the experts attribute mainly to a decrease in demand from retailers due to inflationary cost increases for raw materials, energy and wages as well as to the reduction of inventories in the distribution channels. In the largest sub-segment in terms of volume, consumer tyres (car, SUV and light truck tyres), 7.9 % fewer tyres were sold by the industry to retailers in the past year compared to the same period in the previous year. A 7 % increase was recorded for all-season tyres, while sales of winter tyres fell by 9 % and summer tyres by 13 %. There was a slight recovery in the final quarter compared to the previous quarters. Sales of car, SUV and light truck tyres in Q4 2023 were at the previous year's level, which is attributed to the winter weather conditions. Demand was up year-on-year not only for all-season tyres (+15 %) but also for winter tyres (+2 %), while summer tyres were down 7 %.

Business performance and earnings situation

Revenues

Group

Delticom group generates the bulk of its revenues through online sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles.

In the past fiscal year, the Delticom Group generated total revenues of € 475.7 million, a decrease of 6.6 % compared to the previous year's figure of € 509.3 million. In fiscal year 2023, the previous shop business was supplemented by platform business. The company provides the technical infrastructure and its sales and process know-how to enable external third parties to sell goods online to Delticom's private and commercial end customers. This results in a partial shift of the shop business to platform business. Accordingly, commission income is realized for the shifted share of revenues. The year-on-year decrease in revenues is primarily due to this shift. The gross merchandise volume for the year as a whole amounted to € 586.4 million (2022: € 582.0 million).

Regional split

The Group operates in 67 countries worldwide, with a large proportion of revenues being generated in the countries of the EU. In total, € 391.9 million (2022: € 417.5 million, –6.1 %) was generated here in the reporting period. Outside the

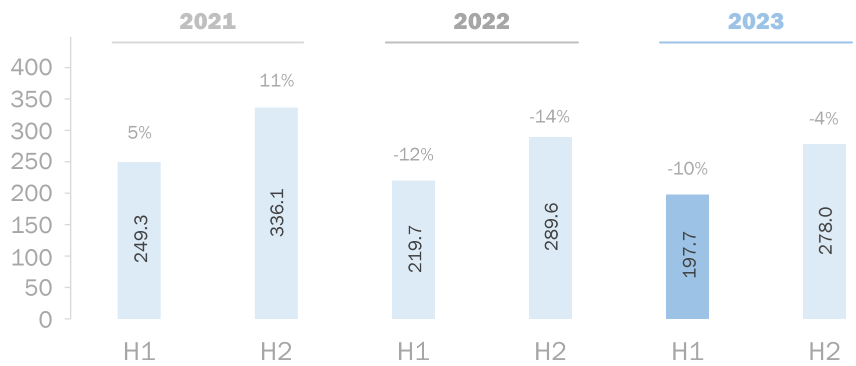
EU, the company operates in other European non-EU countries. Non-EU countries accounted for revenues of € 83.8 million in 2023 (2022: € 91.8 million, –8.7 %).

Seasonality

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

Revenues trend

per half year, in € million (% change yoy)



1st half year

In the first quarter of the past fiscal year, the Delticom group generated total revenues of € 78.0 million (Q1 2022: € 90.5 million, –13.8 %). In addition to an overall decrease in demand for replacement tyres in Europe due to economic and industry-specific conditions, the introduction of the platform business also contributed to this development. The gross merchandise volume (GMV) amounted to € 96.2 million in Q1 2023 (Q1 2022: € 105.5 million, -10.4 %). Due to weather conditions, the start of the summer tyre business was also delayed compared to the previous year with a cross-quarter shift. While demand from private end customers stabilized over the course of the second quarter, business with commercial customers was somewhat weaker compared to the previous year due to the market situation. However, the 7.4 % decrease in revenues from € 129.2 million in Q2 2022 to € 119.7 million is also largely due to the platform business. At € 147.5 million, the gross merchandise volume in the second quarter was almost on a par with the previous year (Q2 2022: € 147.8 million). On a half-year basis, revenues amounted to € 197.7 million, a decrease of 10.0 % compared to the same period of the previous year (H1 2022: € 219.7 million). At € 243.7 million, the gross merchandise volume at the end of the first six months of 2023 was 3.8 % lower than in the previous year (H1 2022: € 253.3 million).

2nd half year

Business in the third quarter was unable to benefit from an early start to the winter tyre business. Under the influence of persistently warm weather, the end customer business in September was weaker than in the previous year. The same applies to the retail stockpiling business, which is ahead of the end customer business. Overall, the Delticom Group generated revenues of € 97.7 million in Q3 2023 (Q3 2022: € 118.6 million, –17.7 %). As in the two previous quarters, part of the recorded decrease in revenues is due to the introduction of the platform business. Nevertheless, at € 117.4 million, the gross merchandise volume for the third quarter was 14.7 % lower than in the same quarter of the previous year (Q3 2022: € 137.6 million). With the colder temperatures in October, the winter tyre business gained significant momentum. In November, the weather turned wintry in many places. Together with the internal optimizations carried out over the course of the year, this ensured strong business overall in the final quarter. At € 180.3 million, revenues were 5.5 % higher than in the same period of the previous year (Q4 2022: € 171.0 million). At € 225.4 million, the gross merchandise volume exceeded the previous year's figure by 17.9 % (Q4 2022: € 191.1 million). Against the backdrop of the strong final quarter, revenues in H2 2023 were down 4.0 % on the previous year (H2 2022: € 289.6 million) after the effect of revenues reclassification.

Key expense positions

Cost of goods sold

The largest expense item is the cost of materials, which includes the cost prices of goods sold. The decrease in the reporting period by 9.9 % from € 399.1 million to € 359.5 million is due to the decrease in revenues and the change in the sales mix.The cost of materials ratio (ratio of cost of materials to revenues) decreased year-on-year from 78.4 % to 75.6 %.

Personnel expenses

On 31.12.2023, the group had a total of 172 employees (including trainees) (31.12.2022: 2022: 178). In the reporting period on average 169 staff members were employed at Delticom group (previous year: 183). At € 14.0 million, personnel expenses in the reporting period were almost unchanged compared to the previous year (2022: € 14.0 million, +0.3 %).

The personnel expenses ratio (staff expenditures as percentage of revenues) amounted to 2.9 % in the past financial year (2022: 2.8 %).

Other operating expenses

Transportation costs

Within other operating expenses, transportation costs are the largest single item. They amounted to € 40.1 million after € 40.7 million in the previous year, a decrease of 1.4 %. As part of the platform business, partners benefit from the Delticom group's infrastructure. Accordingly, the company also handles the logistical processing of platform orders.

Rents and overheads

Expenses for rent and operating costs increased by 27.3 % in the reporting period from € 3.5 million in the previous year to € 4.5 million. The increase is partly due to terminated contracts, which are now classified as current in accordance with their remaining term. In addition, there were index-linked additional rent payments last year against the backdrop of the current real estate market situation. Operating costs also increased compared to the previous year.

Direct warehousing costs

Stocking costs decreased in the reporting period from € 11.6 million to € 10.2 million (–11.8 %). The decrease is accompanied by process optimizations in the area of warehouse logistics. Inventory costs as a percentage of revenues came down from from 2.3 % in the previous year to 2.1 %.

Marketing costs

Marketing expenses in the reporting period amounted to € 15.0 million (2022: € 13.8 million, –8.5 %). Against the backdrop of weak end customer demand, the company had adjusted its marketing expenditure in the previous year. In the past financial year, the reach of the end customer shops was increased by means of targeted marketing and campaign management. The marketing expense ratio was 3.2 % of revenues (2022: 2.7 %).

Financial and Legal

Finance and legal expense in the reporting period amounted to € 7.1 million, compared with € 7.2 million in the previous year (–1.8 %).

Bad debt losses

Bad debt losses in the reporting period amounted to € 2.2 million, down from € 3.2 million in 2022. The decrease by 31.3 % results from a further streamlining of accounts receivable processes and a changed mix of payment methods.

Depreciation

Depreciation on property, plant and equipment went up in the year under review to € 2.2 million (2022: € 1.6 million). The increase of 38.7 % is mainly due to the investments made in warehouse infrastructure over the course of the year.

At € 0.8 million, amortization of intangible assets was almost unchanged compared to the previous year (2022: € 0.8 million).

Depreciation of right-of-use assets in accordance with IFRS 16 comprises depreciation based on long-term rental agreements and, conversely, depreciation resulting from subletting. The decrease in depreciation for right-of-use assets in accordance with IFRS 16 from € 7.2 million in the previous year to € 6.1 million is mainly due to increased depreciation for existing long-term subleases. This attributable amortization increased by € 2.3 million compared to the previous year.

Depreciation and amortization decreased by 15.4 % from € 10.8 million to € 9.1 million in the reporting period. In the 2022 financial year, the company was unable to continue using a rented warehouse due to damage to the building. The right-of-use assets from the underlying lease were written down by € 1.2 million at the time.

Earnings position

Gross margin

Gross margin (gross margin excluding other operating income) for the past fiscal year was 24.4 % compared with 21.6 % in the corresponding prior-year period. The year-on-year increase is primarily due to the change in the sales mix. In the past financial year, demand for quality tyres from Asian manufacturers increased. The gross margin achieved in the final quarter of the year was higher than in the previous year at 27.5 % (Q4 2022: 22.2 %). In addition to the weather-related increase in demand for winter tyres, this development is also due to process optimization measures implemented over the course of the year.

Other operating income

Other operating income increased to € 27.1 million (2022: € 33.6 million) in the reporting period. The 19.2 % decrease is mainly due to the absence of the earnings contribution of € 3.8 million from the sale of the US company in the 2022 financial year. In addition, income of € 1.2 million was generated in the previous year from the disposal of rights of use to be amortized at that time. Marketing subsidies, income from transport losses and other income are regularly generated from operating activities. Other operating income also includes gains from exchange rate differences amounting to € 3.9 million (2022: € 7.1 million). We report currency losses within other operating expenses (2023: € 4.7 million, 2022: € 9.0 million). The balance of currency gains and losses in the reporting period was € –0.8 million (2022: € –1.9 million).

Gross profit

In the reporting period, gross profit decreased by 0.3 % from € 143.7 million to € 143.3 million compared with the corresponding prior-year figure. In relation to total income of € 502.8 million (2022: € 542.9 million), gross profit was 28.5 % (2022: 26.5 %).

EBITDA

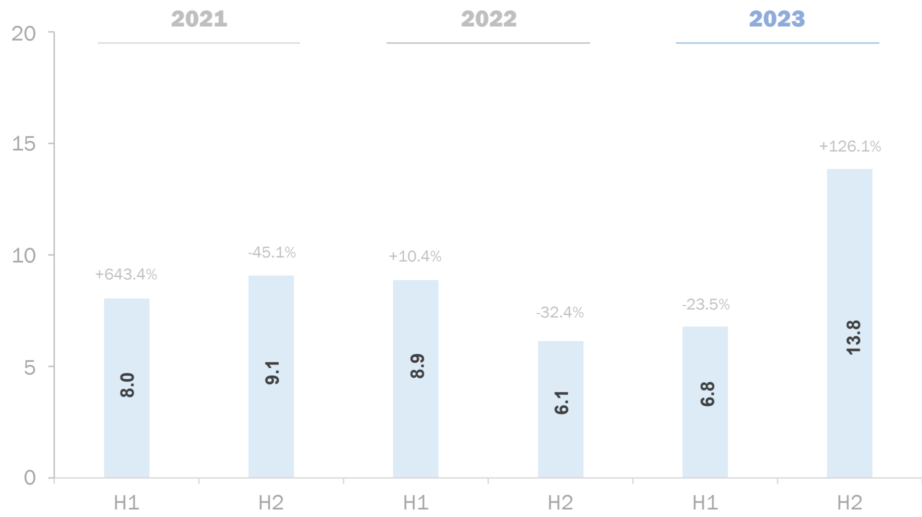
EBITDA improved in the reporting period from € 15.0 million to € 20.6 million, an increase of 37.6 %. The EBITDA margin for the full year is 4.3 % (2022: 2.9 %). Operating EBITDA amounts to € 21.8 million (2022: € 15 million). Group EBITDA is the starting point for the calculation of operating EBITDA. Significant income and expenses of a non-recurring nature that are not directly related to operating activities are excluded. In 2023, this relates to expenses in connection with the syndicated loan agreement in the amount of € 1.2 million. In the previous year, non-operating costs of € 2.1 million were incurred in connection with the syndicated loan agreement and non-recurring expenses of € 1.7 million.

EBITDA generated in H1 2023 was € 6.8 million, lower than in the same period of the previous year (H1 2022: € 8.9 million). In 2022, the sale of the shares in the US subsidiary led to a contribution to earnings of € 3.8 million. This was not included in the calculation of operating EBITDA for the 2022 financial year due to its non-recurring nature. The EBITDA margin for H1 2023 totalled 3.4 % (H1 2022: 4.0 %).

Total EBITDA of € 13.8 million was achieved in H2 2023, after € 6.1 million in H2 2022 (+126.1 %). On the one hand, this increase is due to the improved gross profit margin compared to the previous year. Cost savings in the area of personnel and in particular within other operating expenses also contributed significantly to this development.

EBITDA

Per half year, in € million (% change yoy)



EBIT

The EBIT achieved in 2023 amounted to € 11.5 million, after € 4.2 million in the previous year. This corresponds to an EBIT margin of 2.4 % (2022: 0.8 %).

Financial income

Financial income of € 1.2 million was generated in the reporting period (2022: € 0.9 million). This income is primarily the result of a compounding effect as part of project development. Interest expense for the past fiscal year amounts to € 2.6 million (2022: € 1.9 million). On the one hand, the increase is due to higher financing costs against the backdrop of market interest rate developments in the past financial year. On the other hand, interest expenses in connection with IFRS 16 Leases increased compared to the previous year. The financial result was € –1.4 million (2022: € –1.0 million).

Income taxes

For the year under review, tax expense amounted to € 2.1 million. This is made up of the utilization of previously recognized deferred tax assets and current income taxes.

Net income and dividend

Consolidated net income is higher year-on-year at € 8.0 million and € 0.54 per share (2022: € 2.8 million and € 0.19 per share). The earnings of Delticom AG that are relevant for the dividend payment amount to € 8.0 million and € 0.54

per share (2022: € –9.4 million and € –0.63 per share). With regard to the development of earnings in the individual company, we refer to the financial statements of Delticom AG on page 50 et seq. of this report.

The release of both the legal reserve and part of the capital reserve as part of the preparation of the annual financial statements of Delticom AG as of December 31, 2023 to offset the loss carryforwards from previous years still existing after offsetting against the net income for the 2023 financial year created the basis for future dividend distributions. The reversal of reserves presented in the 2023 annual financial statements may only be carried out for the purpose of offsetting losses. In accordance with stock corporation law, the reversal may not be used to enable the Annual General Meeting to approve a dividend for the 2023 financial year. Accordingly, no dividend payment can be proposed by the Management Board for the 2023 financial year.

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

	2023	%	+%	2022	%	+%	2021	%
Revenues	**475,693**	**100.0**	**-6.6**	**509,295**	**100.0**	**-13.0**	**585,374**	**100.0**
Other operating income	27,133	5.7	-19.2	33,561	6.6	17.2	28,630	4.9
Total operating income	**502,826**	**105.7**	**-7.4**	**542,856**	**106.6**	**-11.6**	**614,004**	**104.9**
Cost of goods sold	-359,544	-75.6	-9.9	-399,125	-78.4	-12.7	-457,395	-78.1
Gross profit	**143,281**	**30.1**	**-0.3**	**143,731**	**28.2**	**-8.2**	**156,610**	**26.8**
Personnel expenses	-13,959	-2.9	-0.3	-14,007	-2.8	4.8	-13,363	-2.3
Other operating expenses	-108,685	-22.8	-5.3	-114,721	-22.5	-9.1	-126,154	-21.6
EBITDA	**20,637**	**4.3**	**37.6**	**15,003**	**2.9**	**-12.2**	**17,093**	**2.9**
Depreciation	-9,120	-1.9	-15.4	-10,779	-2.1	7.4	-10,034	-1.7
EBIT	**11,517**	**2.4**	**172.7**	**4,224**	**0.8**	**-40.2**	**7,059**	**1.2**
Net financial result	-1,375	-0.3	32.1	-1,040	-0.2	-50.7	-2,112	-0.4
EBT	**10,143**	**2.1**	**218.6**	**3,183**	**0.6**	**-35.6**	**4,947**	**0.8**
Income taxes	-2,117	-0.4	471.2	-371	-0.1	-119.9	1,866	0.3
Consolidated net income	**8,026**	**1.7**	**185.3**	**2,813**	**0.6**	**-58.7**	**6,813**	**1.2**

Overall statement on the earnings position

The 2023 financial year was influenced by subdued economic activity in Europe. The rising cost of living due to inflation did not remain without consequences for private consumption. The European replacement tyre market was also unable to escape the general economic data. Increases in the cost of raw materials, energy and wages as well as the reduction of inventories in the distribution channels meant that demand for car tyres from European dealers fell by around 8 %.

Accordingly, demand from our commercial customers was also weaker than the previous year. In contrast, private end customer demand gained momentum over the course of the year. Winter weather conditions also ensured strong demand for winter tyres in the final quarter. The year-on-year decrease in revenues is exclusively due to the introduction of the platform business last year. Delticom offers external third parties the opportunity to benefit from the know-how and infrastructure within the Delticom group and receives corresponding commission income for the platform business. At € 475.7 million, total annual revenues are at the lower end of the forecast range of € 470 million to € 504 million. With the presentation of the half-year figures, the company had adjusted the original revenues forecast from March for the full year 2023 in the range of € 500 million to € 534 million by the expected full-year revenues effect from the platform business, as these revenues are not recognized by Delticom. In view of the macroeconomic and industry-specific conditions, we are satisfied with the successful establishment of the platform business and the revenues performance for the year as a whole.

The increase in the gross margin from 21.6 % in the previous year to 24.4 % is due in part to a change in the sales mix. Internal developments also contributed to this improvement. The optimizations implemented over the course of the year have further improved the Group's profitability. EBITDA amounted to € 20.6 million, an increase of 37.6 % compared to the previous year (2022: € 15.0 million). Expenses in connection with the syndicated loan agreement in the amount of € 1.2 million are classified as non-operating. Accordingly, operating EBITDA amounted to € 21.8 million (2022: € 15.0 million). The company has thus significantly exceeded the forecasted range of € 14.0 million to € 18.9 million formulated at the beginning of 2023 with regard to operating EBITDA for the year as a whole. In a difficult market environment, the company was able to take advantage of growth and earnings opportunities that arose, continue to drive forward process optimization and further improve cost structures for the future. We are very satisfied with the earnings performance in the past financial year.

Financial and assets position

The Delticom group's financial position and net assets were further strengthened in the past fiscal year by means of stringent working capital management.

Investments

Property, plant and equipment

The investments in property, plant and equipment of € 4.8 million (2022: € 2.6 million) reported for 2023 are mainly replacement and equipment investments in our warehouses as well as plant and office equipment.

Intangible Assets

Delticom also invested € 811 thousand in intangible assets (2022: € 9.0 thousand).

The total of the investments made in 2023 in the amount of € 5.6 million is thus higher than the previous year's value of € 2.6 million.

Rights of use according to IFRS 16

The rights of use from leases to be recognized in accordance with IFRS 16 amounted to € € 46.1 million at the balance sheet date (31.12.2022: € 49.1 million). Scheduled amortization of rights of use amounting to € 6.1 million was recognized in the reporting period. The amortization of the IFRS 16 right-of-use assets exceeds the value of the additions and accordingly leads to the reduced balance sheet disclosure on the reporting date.

Working Capital

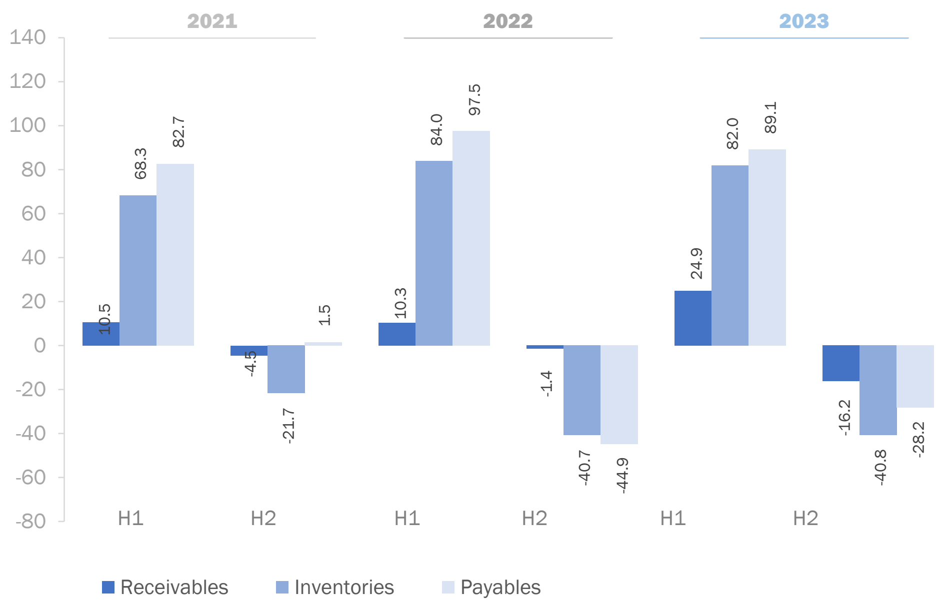
Working Capital

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. Working Capital released € 10.6 million over the course of the year (31.12.2023: € –11.0 million, 31.12.2022: € –0.4 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

In total, working capital commitment in receivables - reduced by prepayments received from customers as well as customer credits - decreased slightly from € 8.9 million as of 31.12.2022 to € 8.7 million as of 31.12.2023. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) with 6.8 was slightly higher compared to the previous year (2022: 5.3).

The accounts receivable stood at € 17.2 million on the reporting date (31.12.2022: € 17.2 million). At € 4.0 million, advance payments received from customers were slightly lower in a closing date comparison (31.12.2022: € 4.7 million). The liability position of customer credits on the reporting date stood at € 4.5 million (31.12.2022: € 3.6 million).

Inventories

The largest item in current assets is inventories. Company acted in line with the year-end inventory targets. At € 41.2 million, inventories are lower by € 2.1 million compared with the reporting date (31.12.2022: € 43.3 million). Due to the strong winter business, stocks of winter tyres were lower than the previous year. In contrast, summer stockpiling started several weeks earlier than the year before due to tight supply chains.

The average range of coverage (average level of inventories divided by average cost of materials per day) has increased to 42.9 days (2022: 41.1 days).

Payables

Trade payables are traditionally a major source of financing in the tyre trade. For the purposes of the analysis, we reduce these liabilities by the credit balances with suppliers (included in other assets). This balance of trade payables reduced by credit balances with suppliers is higher in a reporting date comparison with € 60.9 million (31.12.2022: € 52.6 million). The increase is associated with the increased winter business in the final weeks of the year.

Cash flow

Operating cash flow

Cash flow from operating activities for the reporting period was positive at € 33.1 million. The year-on-year improvement (2022: € –5.5 million) mainly results from the development of liabilities not attributable to investing and financing activities. The company uses the indirect cash flow method for the calculation.

Investing activities

Cash outflows for investments in property, plant and equipment amounted to € 4.8 million (2022: € 2.6 million) in the past fiscal year. In addition, Delticom invested € 811 thousand in intangible assets in the reporting period (2022: € 9 thousand). As a result, cash flow from investing activities amounted to € –5.6 million (previous year: € 3.1 million). In the previous year, the cash inflow from the sale of the shares in the US subsidiary exceeded the total investments made in 2022.

Financing activities

In the reporting period, the Delticom Group recorded a cash flow from financing activities of € –23.2 million (2022: € –0.6 million). Credit line utilization was reduced by € 12.7 million. In addition, leasing liabilities were repaid in the amount of € 10.4 million.

Liquidity according cash flow

The starting point is the liquidity at the reporting date 31.12.2022 of € 3.0 million. The net inflow in the reporting period amounted to € 4.3 million. Liquidity at the balance sheet date amounted accordingly to € 7.3 million. At the reporting date, the Group had net liquidity (liquidity less current financial debt) of € –2.2 million. The starting point is net liquidity less current financial debt at the beginning of the year of € –19.6 million plus the change in cash and cash equivalents by € 4.3 million and less the reduction in current financial debt in the reporting date comparison by € 13.2 million. With regard to the reasons for this development, we refer to the comments in the section *Balance sheet structure - Current financial resources*.

Free cash flow

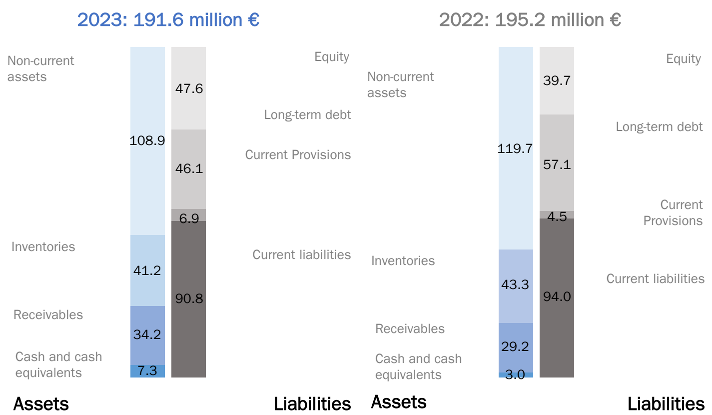
Free cash flow (operating cash flow less cash flow from investing activities) increased year-on-year from € –2.4 million to € 27.5 million. This development goes hand in hand with the increase in liabilities as described.

Balance sheet structure

As of 31.12.2023 the balance sheet total amounted to € 191.6 million (31.12.2022: € 195.2 million, –1.9 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged Balance Sheet

in thousand €

	31.12.2023	%	+%	31.12.2022	%	30.06.2022	%
Assets							
Non-current assets	108,910	56.9	-9.0	119,659	61.3	102,933	44.5
Fixed assets	94,128	49.1	-1.0	95,070	48.7	87,616	37.9
Other non-current assets	14,782	7.7	-39.9	24,589	12.6	15,317	6.6
Current assets	82,648	43.1	9.4	75,529	38.7	128,227	55.5
Inventories	41,224	21.5	-4.9	43,340	22.2	84,024	36.3
Receivables	34,170	17.8	17.0	29,205	15.0	39,433	17.1
Liquidity	7,253	3.8	143.1	2,984	1.5	4,770	2.1
Assets	**191,558**	**100.0**	**-1.9**	**195,188**	**100.0**	**231,160**	**100.0**
Equity and Liabilities							
Long-term funds	93,769	49.0	-3.1	96,744	49.6	87,123	37.7
Equity	47,635	24.9	20.1	39,670	20.3	39,557	17.1
Long-term debt	46,134	24.1	-19.2	57,074	29.2	47,566	20.6
Provisions	21	0.0	-81.7	115	0.1	181	0.1
Liabilities	46,113	24.1	-9.5	50,959	26.1	41,385	17.9
OtherNonCurrentLiabilities	0	0.0	-100.0	6,000	3.1	6,000	2.6
Short-term debt	97,788	51.0	-0.7	98,444	50.4	144,037	62.3
Provisions	6,941	3.6	55.4	4,467	2.3	3,107	1.3
Liabilities	90,848	47.4	-3.3	93,977	48.1	140,930	61.0
Equity and Liabilities	**191,558**	**100.0**	**-1.9**	**195,188**	**100.0**	**231,160**	**100.0**

Non-current assets

On the assets side, non-current assets decreased from € 119.7 million to € 108.9 million. Intangible assets and right-of-use assets totalled € 83.4 million as at the reporting date (31.12.2022: € 86.3 million). Newly concluded subleases have the opposite effect to the rights of use added during the course of the year, which result from the conclusion or extension of long-term rental agreements. The amortization of the IFRS 16 right-of-use assets exceeds the value of the additions and accordingly leads to the reduced balance sheet disclosure in a closing date comparison. The increase in property, plant and equipment from € 8.7 million by € 2.0 million to € 10.8 million is due to the investments in the warehouse infrastructure.

Other non-current assets decreased to € 14.8 million (31.12.2022: € 24.6 million). Deferred tax assets from loss carryforwards decreased by € 0.3 million to € 10.7 million. Non-current receivables decreased to € 4.1 million as at the reporting date, compared to € 13.6 million on 31.12.2022. This decrease is mainly due to the reduction in receivables in connection with project development and subleases. Due to their maturity, receivables from project development in the amount of € 2.3 million were reclassified to current receivables. There were no non-current receivables from project development transactions as at the balance sheet date.

Inventories

The largest item in current assets is inventories. They decreased by € 2.1 million in the reporting period and amounted to € 41.2 million (previous year: € 43.3 million) at the balance sheet date 31.12.2023. The reasons for the decrease of 4.9 % are presented in detail under *Financial Position - Working Capital*.

Receivables

Trade accounts receivable amounted to € 17.2 million at the end of the year and were nearly unchanged in a closing date comparison (31.12.2022: € 17.2 million, +0.1 %). Within other current assets amounting to € 16.9 million (2022: € 11.9 million), tax refund claims decreased from € 5.0 million to € 3.6 million. The increase in other current receivables from € 5.0 million at 31.12.2022 to € 11.8 million is mainly due to receivables in connection with project development transactions. Against the backdrop of economic developments, there were delays in project progress. Accordingly, receivables were reclassified to non-current receivables in 2022. As these receivables will now become cash-effective in 2024, they were reclassified again to current receivables.The total receivables including income tax receivables increased to € 34.2 million (31.12.2022: € 29.2 million) at the reporting date.

Liquidity position

Cash and cash equivalents recorded a net inflow of € 4.3 million. As of 31.12.2023, cash and cash equivalents amounted to € 7.3 million (31.12.2022: € 3.0 million).

Current assets totalled € 82.6 million (31.12.2022: € 75.5 million) at the balance sheet date. The increase of € 7.1 million results primarily due to the reclassification of receivables from project business from non-current to current receivables.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments decreased by € 0.7 million or 0.7 % to € 97.8 million (31.12.2022: € 98.4 million).

As part of the € 90.8 million in short-term liabilities as of 31.12.2023, € 61.5 million (31.12.2022: € 53.9 million) were recorded as accounts payable, corresponding to a share of 32.1 % of balance sheet total.

Current financial debt amounted to € 9.4 million at the balance sheet date, a decrease of € 13.2 million compared with the previous year (2022: € 22.6 million). They include the current portion of lease obligations under long-term leases amounting to € 9.4 million (31.12.2022: € 9.9 million). There were no current financial liabilities to banks at the end of the year (31.12.2022: € 12.7 million).

In the other current liabilities of € 15.9 million (previous year: € 12.8 million) € 4.0 million are attributable to payments received on account of orders (previous year: € 4.7 million) and € 4.5 million to customer credits (previous year: € 3.6 million). As at December 31, 2023, there was a loan of € 1.0 million, which was granted at the time outside the group of financiers. This loan with final maturity was repaid as scheduled at the beginning of the current fiscal year. Due to the short remaining term, a balance sheet reclassification was made from other non-current liabilities as at 31.12.2022 to other current liabilities as at the balance sheet date.

Long-term liabilities

Non-current liabilities of € 46.1 million (previous year: € 57.1 million) mainly include lease obligations under long-term leases in accordance with IFRS 16 amounting to € 46.1 million (31.12.2022: € 51.0 million). The € 4.8 million decrease in non-current financial liabilities compared to the reporting date is due to repayments in the form of rental payments made last year, which exceeded the additions made during the year. There were no other non-current liabilities on the balance sheet date (31.12.2022: € 6.0 million). The medium-term loan of € 5.0 million taken out at the end of the 2021 financial year outside of the financing group was repaid early in the past financial year.

The total of non-current and current financial liabilities, including the loan reclassified to other current liabilities due to its remaining term, amounted to € 56.5 million on the reporting date, a decrease of € 23.1 million or 28.9 % compared to the previous year (31.12.22022: € 79.6 million). These interest-bearing financial liabilities accounted for 30.0 % of total assets as at the reporting date (31.12.2022: 40.8 %).

Equity and equity ratio

On the liabilities side, equity increased by € 8.0 million or 20.1 % to € 47.6 million (previous year: € 39.7 million). The consolidated net income of € 8.0 million achieved in the past financial year contributed to a further strengthening of equity. The structure of equity and liabilities shows an increase in the equity ratio from 20.3 % to 24.9 %. The total of property, plant and equipment, intangible assets, rights of use, financial assets and inventories amounting to € 135.4 million was covered by non-current financing funds at the reporting date 31.12.2023 to 69.3 % (previous year: 69.9 %).

Overall statement on the financial and assets position

Sustainable balance sheet

The positive net profit for the year led to a further strengthening of equity. Against this background and together with the balance sheet contraction, the equity ratio also increased further. In March of the past fiscal year, the syndicated financing of the Delticom Group was successfully extended until December 20, 2024. Thanks to the company's positive development and stringent working capital management, financial debt was further reduced. Liquidity is subject to significant fluctuations during the year due to seasonality. Accordingly, credit lines are required during the year for interim financing. The company also continues to receive payment terms from its suppliers in line with the market. The development of the financial position and net assets in the past financial year was above plan. Accordingly, we are very satisfied with the development.

Financial Statements of Delticom AG

Results of operations of Delticom AG

Revenues

In the 2023 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 € 209.5 million (2022: € 255.3 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 € 209.5 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 668.2 million (2022: € 730.8 million). Adjusted revenues amounted to € 458.7 million (2022: € 475.6 million, –3.5 %). The decline is due to the reclassification of sales against the backdrop of the platform business introduced in the 2023 financial year.

Other operating income

Other operating income increased to € 17.0 million (2022: € 15.4 million) in the reporting period. The increase of 10.6 % mainly results from intercompany transfers between Delticom AG and its subsidiaries. The gains from exchange rate differences amount to € 3.3 million (2022: € 6.9 million). Delticom reports currency losses under other operating expenses (2023: € 4.5 million, 2022: € 7.9 million). The balance of currency gains and losses in the reporting period amounted to € –1.2 million (2022: € –1.0 million).

Key expense positions

Revenues related to the sale of merchandise from Delticom to Pnebo in an amount of € 209.5 million (2022: € 255.3 million) 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 € 331.0 million in the period under review (2022: € 357.8 million). The decrease of 7.5 % is mainly due to the development of revenues. Compared to the previous year, the cost of materials ratio decreased from 75.2 % to 72.2 %.

Personnel expenses

The company employed an average of 140 staff in the period under review (2022: 152). Personnel expenses decreased by 2.1 % from € 12.2 million to € 12.0 million compared to the previous year. The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 2.6 % in the period under review (2022: 2.6 %).

Other operating expenses

Transportation costs

Within other operating expenses, transport costs are the largest single item. In the reporting period, they amounted to € 39.0 million (2022: € 38.8 million). The share of transport costs in adjusted sales amounted to 8.5 % (2022: 7.9 %).

Warehousing costs

Expenses for warehousing decreased by 8.9 % in the reporting period from € 8.8 million in the previous year to € 8.0 million. As a percentage of adjusted sales, warehousing costs amounted to 1.7 % (2022: 1.8 %). The cost reduction goes hand in hand with process optimization in the area of warehouse logistics.

Marketing

Marketing costs amounted to € 12.3 million in the reporting period, after € 10.7 million in 2022 this correponds to a increase of 14.7 %. Against the backdrop of weak end customer demand, the company had adjusted its marketing expenditure in the previous year. In the past financial year, the reach of the end customer shops was increased by means of targeted marketing and campaign management The ratio of marketing expenses in relation to adjusted revenues amounted to 2.7 % (2022: 2.3 %).

Depreciation

Depreciation and amortization of intangible assets and property, plant and equipment went up by 49.5 % in the period under review from € 2.1 million to € 3.2 million. This increase is mainly due to the investments made in warehouse infrastructure over the course of the year.

Assumption of losses & depreciation of financial assets

Expenses from the assumption of losses from subsidiaries amounting to € 0.4 million were recorded in the reporting period (2022: € 1.2 million). Write-downs of financial assets amounted to € 1.6 million (2022: € 13.0 million). Against the backdrop of a highly inflationary interest rate environment, the impairment test for Delticom AG's investments resulted in unscheduled write-downs on the carrying amount of a subsidiary.

Earnings position

Gross margin

The gross margin (gross margin excluding other operating income) for the past financial year was 27.8 % compared with 24.8 % in the corresponding prior-year period. The year-on-year increase is primarily due to the change in the sales mix. In the past financial year, demand for quality tyres from Asian manufacturers increased. In addition, the proportion of total sales accounted for by the end customer business was higher than in the previous year.

Gross profit

Gross profit increased by 8.7 % in the period under review, from € 133.1 million in the comparable prior-year period to € 144.6 million. Gross profit in relation to adjusted total operating income of € 475.7 million (2022: € 490.9 million) amounted to 30.4 % (2022: 27.1 %).

EBITDA

At € 14.6 million, earnings before taxes, net interest income, net investment income, depreciation and amortization were significantly higher than in the previous year (2022: € 2.5 million, +486.9 %).

EBIT

Earnings before interest, taxes and income from investments (EBIT) amounted to € 11.4 million (2022: € 0.4 million) in the reporting period.

Financial income

Income from participating interests amounted to € 0.5 million in the reporting period (2022: € 2.6 million). The income from profit transfer agreements decreased by 44.3 % from € 1.4 million in 2022 to € 0.8 million in 2023. The income is offset by interest and similar expenses of € 1.6 million (2022: € 1.3 million).

Income taxes

With regard to income taxes, there was an expense of € 2.5 million for the reporting period. In 2022, income of € 1.2 million was generated.

Income and dividend

Earnings 2023 were € 8.0 million, compared with a prior-year figure of € –9.4 million. This corresponds to earnings per share for the fiscal year of € 0.54 (2022: € –0.63). With regard to the dividend, we refer to the explanations in the Group management report.

in € thousand	01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
Revenues	**668,210**	**730,845**
Other operating income	17,006	15,378
Cost of materials	-540,579	-613,142
Personnel expenses	-11,966	-12,224
Depreciation	-3,187	-2,131
Other operating expenses	-118,072	-118,370
Income from participating interests	450	2,645
Other interest received and similar income	1,425	437
Depreciations of financial assets	-1,600	-12,955
Expenses from loss transfers	-360	-1,190
Paid interest and similar expenses	-1,609	-1,308
Income from profit transfer agreements	806	1,448
Expenses from loss transfers	-2,478	1,202
Earnings after taxes	8,046	-9,364
Loss carried forward	-36,817	-27,453
Withdrawal from the legal reserve	200	0
Withdrawal from the capital reserve	28,571	0
Balance sheet result	**0**	**-36,817**

General statement of the Management Board on the earnings situation

Although the introduction of the platform business led to a year-on-year reduction in revenues, this did not have a negative impact on earnings, as the company generates corresponding commission income on the brokered business. Delticom is in a position to react quickly and flexibly to changing market conditions and to seize growth and earnings opportunities as they arise. Cost and process optimization contributed to a sustained improvement in earnings in the past fiscal year. We are very satisfied with the earnings performance in the past financial year.

Financial and assets position Delticom AG

Delticom AG's financial position and net assets have further strengthened as of the balance sheet date 31.12.2023.

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 investments in property, plant and equipment amounted to € 4.1 million in 2023

(2022: € 2.5 million) and relate mainly to the expansion of the shipping capacity in our warehouses. In addition, Delticom invested a total of € 810.9 thousand in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of € 130.5 million as of 31.12.2023 were 12.8 % below the previous year's € 149.7 million.

Non-current assets

On the assets side, non-current assets decreased from € 58.3 million to € 45.3 million compared with the prior-year basis. This significant decrease is mainly due to the capital reduction at a subsidiary.

Inventories

Inventories amounted to € 4.5 million (2022: € 2.3 million) in the reporting period. They mainly comprise merchandise in transit. Due to increased demand for low-priced quality tyres and tight supply chains, summer stockpiling was brought forward by a few weeks compared to the previous year. As a result, inventories are higher compared to the reporting date.

Receivables

Receivables due from associated companies in the reporting period amounted to € 38.2 million (2022: € 44.6 million). Trade receivables of € 21.5 million are 6.2 % lower than the previous year (2022: € 22.9 million).

Other assets amounting to € 4.9 million (2022: € 7.3 million) mainly relate to receivables in connection with sales and import VAT.

Liquidity

Liquid assets recorded a net increase of € 3.0 million. "Balance sheet liquidity" amounted to € 4.3 million as of 31.12.2023 (2022: € 1.3 million, +230.8 %).

The total current assets of € 73.4 million were above the corresponding figure for the previous year (2022: € 78.3 million).

Deferred tax assets

Delticom has made use of the capitalization option pursuant to Section 274 (1) sentence 2 HGB and has capitalized deferred tax assets in the amount of € 11.2 million (2022: € 12.4 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities decreased by 22.2 % or € 26.3 million, from € 118.6 million to € 92.3 million. While provisions increased by € 2.7 million to € 9.1 million (previous year: € 6.3 million), liabilities decreased to € 83.2 million (previous year: € 112.3 million).

Within the € 83.2 million of liabilities as of 31.12.2023 (2022: € 112.3 million), € 55.1 million, was attributable to trade payables. Compared with the previous year's € 50.6 million this amount increased by € 4.5 million or 8.8 %. Liabilities to affiliated companies decreased from € 26.5 million million to € 10.0 million in a closing date comparison.

Liabilities due to banks

There were no liabilities to banks as at the balance sheet date (2022: € 12.7 million).

Equity

On the liabilities side, shareholders' equity increased significantly by € 8.0 million or 28.1 % to € 36.4 million (2022: € 28.4 million) against the backdrop of the positive earnings trend. The structure of liabilities and equity shows an increase in the equity ratio from 19.0 % to 27.9 % compared with the previous year. In the past financial year, an amount of € 28.6 million was withdrawn from the capital reserve to offset the accumulated losses carried forward. The capital reserve now amounts to € 21.6 million (2022: € 50.2 million).

Assets that cannot be recognized

Besides the assets recognized on the balance sheet, Delticom AG 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	31.12.2023	31.12.2022
Fixed Assets	**45,284**	**58,310**
Intangible assets	1,034	876
Property, plant and equipment	9,217	7,647
Financial assets	35,033	49,786
Current Assets	**73,415**	**78,320**
Inventories	4,540	2,256
Accounts receivables	21,514	22,937
Receivables from affiliated companies	38,179	44,560
Other receivables and other assets	4,908	7,276
Cash and cash equivalents	4,273	1,292
Deffered item	**607**	**651**
Deffered taxes	**11,229**	**12,381**
Assets	**130,535**	**149,662**

in € thousand	31.12.2023	31.12.2022
Equity	**36,398**	**28,403**
Subscribed capital	14,805	14,831
Share premium	21,592	50,189
Retained earnings	0	200
Balance sheet loss	0	-36,817
Provisions	**9,061**	**6,318**
Provisions for taxes	1,282	63
Other provisions	7,780	6,255
Liabilities	**83,244**	**112,329**
Liabilities to banks	0	12,735
Payment received on account of orders	3,079	3,571
Accounts payable	55,113	50,637
Payables to affiliated companies	10,024	26,468
Other liabilities	15,028	18,918
Deferred item	**1,832**	**2,613**
Passiva Shareholders' Equity and Liabilities	**130,535**	**149,662**

Overall statement on the financial and assets position

Sustainable Balance Sheet

The company further strengthened its financial position in the past financial year. The significant improvement in earnings compared to the previous year has further raised the company's equity ratio. Delticom AG's equity base is accordingly adequate. The basis for future dividend distributions was created by offsetting the accumulated losses carried forward. Due to the positive development in working capital, there was no need to utilize credit lines at the end of the year. We are very satisfied with the development of our financial position and net assets in the past financial year.

Risk Report

The business development of Delticom AG is essentially subject to the same risks and opportunities as those of the Delticom Group. The overall statement made in the risk report for the Group on the opportunity and risk position explicitly includes Delticom AG due to its importance within the Delticom Group.

Forecast

Corporate planning is carried out at Delticom group level. 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. As a result, it can be assumed that Delticom AG's business development in the current year will be in line with the Group's development.

Risk and Opportunity Report

As an internationally operating company, Delticom is exposed to a wide range of risks. In order to be able to identify and evaluate these risks in good time and to initiate appropriate countermeasures, we established a risk management system at an early stage and adopted a company-wide guideline for early risk identification and risk management. Delticom considers opportunities to be potential successes that go beyond the defined targets.

Opportunities report

The following is a description of the main opportunities that we consider to be possible within the aforementioned observation period for risk reporting.

COVID-19

The coronavirus pandemic has led to an increase in contactless online purchases. With increasing online penetration, the proportion of e-shoppers continues to rise. This trend has a positive effect for Delticom as an online retailer, as customers are increasingly using the opportunity to buy tyres online and the advantage of online shopping remains sustainable.

Market opportunities

Delticom can improve its market position. By creating strategic conditions, Delticom can expand its market position in existing markets and pave the way for entering new markets. These conditions can include location advantages, better prices, but also an improved product range.

Process optimisation

Optimised processes enable Delticom to further expand its competitiveness. Delticom is constantly working on process optimisation and automation in order to achieve cost benefits, for example. These cost advantages can be passed on to our customers and thus increase our attractiveness on the market.

Cost and project management

Delticom is constantly working on reducing costs and developing new projects. Within the scope of project implementation, additional synergies and further efficiency gains can arise, which ultimately lead to lower costs or a higher contribution to revenues or earnings in deviation from the project planning. New projects that arise during the year and were therefore not part of the planning at the beginning of the year can also have a positive impact on the company's success.

Risk report

Definitions

Risks

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, liquidity, legal risks and IT risks.

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.

Risk Rating

The company's equity is used as the basis for calculating the risk rating. A distinction was made at 31.12.2023 between high (going concern risks, expected net losses in excess of €20 million), medium (material, expected net losses between €2 million and €20 million) and low (expected net losses of less than €2 million) risks.

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 countermeasures from gross risk value. The loss expectations follow from the gross and net amounts of loss by weighting them with probabilities of occurrence. Overall, there are three groups of probabilities of occurrence: high (more than 66.7 %), medium (33.4 - 66.6 %) and low (less than 33.3 %).

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 is responsible for inventorying and processing risks for the Management Board.

Internal Risk Audit

An internal auditor is responsible for auditing the risk management system. The effectiveness of the methods and countermeasures used is reviewed annually on the basis of random samples.

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 of other business areas 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

In addition to regular risk reporting by the risk manager, ad hoc reporting is possible at any time if required. No distinction is made here between risk classifications, so that every risk is initially recorded. In principle, permanent risk communication is carried out as part of business management.

Software

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

Risk inventory

The risk manager carries out an annual risk inventory. As part of such a risk inventory, it is determined in all functional units and subunits whether new risks have arisen compared to the short- and medium-term planning. At the same time, it is checked whether and how measures already adopted have successfully limited known risks or whether there is still a need for further action. The risk support team supports the risk manager in this process and incorporates unit-specific developments into the assessment.

Risk audit

After the annual risk inventory has been completed, the independent internal risk audit department selects several identified risks. The selected risks are typically new risks included to the inventory list, as well as risks with a particularly high or a particularly low gross risk, and risks with a particularly high or a particularly low probability of occurrence. The gross risk assessment and the effectiveness of the implemented countermeasures are then reviewed for these risks. New findings are reported to the risk manager and updated in the risk management system. The audit manager prepares a protocol for this purpose for documentation and reports to the Board of Management. Overall, the risk audit did not identify any significant changes in risks compared to the previous year.

Key individual risks

The 2023 risk inventory did not identify any significant individual risks with a net expected loss of between € 2 million and € 20 million.

Other key individual risks grouped by risk category

On the next pages, the individual risks with a low loss amount (less than EUR 2 million expected net loss) are listed in alphabetical order, grouped by risk category.

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.

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 hone its cost structure.

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.

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 only two thirds of its revenues by selling from own inventories. If sales fail to materialise, the goods may remain in stock, with the risk of obsolescence.

To minimise the risk even further, stocks are routinely checked for obsolescence. We offer older tyres - marked accordingly - at a discount in the online shops or sell them to business customers.

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. However, this is not recognisable at present.

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. On the other hand, electric cars have slightly higher wear and tear due to their higher weight and sportier acceleration and deceleration. In our opinion, the total impact of both effects cancels each other out. 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 is currently rising continuously. Although the number of registered electric cars worldwide remains comparatively low, it is highly likely that electric motors will be the dominant form of drive in newly registered vehicles in the future. 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. 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.

Currency risk

As a company with international business operations, Delticom is exposed to foreign currency risk. Due to exchange rate fluctuations in various foreign currencies such as the US dollar, but also other non-euro currencies in Europe such as the Swiss franc or Norwegian krone, there can be unwanted negative effects.

The company has local bank accounts and receives the majority of customer payments in local currency in corresponding foreign currency accounts. Where possible, local payment obligations are serviced in local currency from the respective inflows. Incoming payments in foreign currencies are largely hedged by outgoing payments in the same currency. Delticom's Treasury department hedges payment obligations in foreign currency from delivery contracts in connection with stockpiling using forward exchange transactions.

Political Conflict

Political conflict in East Asia could lead to a shortfall in the supply of tyres from Asian manufacturers. As Delticom sources some of its goods from East Asia, it would be affected by this unrest. The company works with various partners in East Asia, and its production sites are distributed regionally accordingly. If necessary, the quantities from Asia can largely be covered by the European brands. However, as around a quarter of all replacement car tyres meanwhile come from Asia, major market distortions are to be expected in such cases and, according to economic theory, significantly higher prices if demand remains unchanged. In addition, possible tariffs imposed by the European Union on imports of replacement car tyres produced in Asia could have similar effects.

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. However, alternative transport systems are not yet sufficiently efficient, especially in non-urban regions. 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.

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.

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.

The failure of the IT landscape due to programming errors is counteracted by extensive testing at development level. Possible errors can be detected before live operation.

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.

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.

Through a change management system and 4-eyes principle in programming, we limit the risk of manipulation of programs/data by employees. 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.

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.

Liquidity risk

Customers can run into payment problems, which can lead to bad debt losses. The payment behavior of our customers is usually good, but may decline in difficult times. If the economic situation of consumers in Europe deteriorates, this could be reflected in a decline in willingness to pay in the end customer business. We have a stringent receivables management system and cooperate with specialist companies in the areas of risk assessment and debt collection. We limit default risks for major business customers as far as possible through credit insurance.

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.

Personnel risks

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.

Thanks to the collaboration software currently in use, knowledge is centrally documented, versioned and historicized. Employees receive a defined framework for action by means of work and process instructions.

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.

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.

Process 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.

Legal risks

We categorise legal risks as legal disputes (civil, official and administrative court proceedings), compliance risks and risks from trade and purchasing restrictions.

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.

With our compliance measures and structures, we counter risks from the areas of unfair competition, anti-money laundering, data protection and antitrust law, among others. Here too, Delticom's internal legal department works together with external specialist advisors and renowned law firms in Germany and abroad.

The international orientation of the Delticom group also means that risks can arise in connection with trade and purchasing restrictions, embargo measures and economic sanctions against certain countries, companies and individuals. We pay strict attention to complying with customs and export control regulations as well as other trade restrictions, including throughIT-supported processes in the areas of money laundering/"know-your-customer" checks and sanctions lists.

Delticom pursues an appropriate provisioning policy to counter the aforementioned legal risks. To the extent that it makes economic sense, some of the risks are also covered by insurance.

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.

Ukraine War

At present, Delticom has no operations in Russia or Ukraine. Therefore, Delticom is not directly affected by the current developments in the Ukraine war.

Delticom worked with various service providers and partners located in the west of Ukraine. The service providers have now been relocated to other locations.

Tyre manufacturers are no longer dependent for Russia. Thus, Delticom is in regular exchange with the affected tyre manufacturers. The effects were actively managed.

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. Delticom's international orientation spreads the risk, as prices usually do not come under pressure throughout Europe, but only in individual countries. Forward exchange transactions are the main financial instrument used to hedge and manage the risk of exchange rate differences.

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.

Overall statement on the risk and opportunity situation

Delticom has an extensive and fully 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 cannot identify any individual risks that jeopardize the Group's continued existence. The total sum of risks does not pose a threat to Delticom's continued existence. For every identified risk, there are corresponding opportunities that offer the possibility of achieving positive results through targeted risk management and strategic decisions.

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 (Section 289 Paragraph 4 and Section 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

The rising cost of living continued to dampen European consumers' willingness to spend in the past financial year. In addition, the tyre trade was confronted with inflation-related cost increases. Together with the stocks available on the market, this resulted in less demand for replacement car tyres from dealers last year. The macroeconomic and industry-specific conditions also had a corresponding effect on our business development last year. At € 475.7 million, full-year revenues were within the range that we had adjusted to between € 470 million and € 504 million at the end of the first half of the year. The original full-year revenues forecast of between € 500 million and € 534 million formulated at the beginning of the year was therefore not achieved due to the introduction of the platform business and the associated shift in revenues. Nevertheless, the company succeeded in achieving an operating EBITDA of € 21.8 million, thereby exceeding the operating EBITDA range of between € 14 million and € 18.9 million formulated at the beginning of the year.

Forecast report

Assessment of the full-year guidance 2023

Revenues

In the current fiscal year, the existing shop business was supplemented by platform business. The company provides the technical infrastructure and its sales and process know-how to enable external third parties to sell goods online to Delticom's private and commercial end customers. This results in a partial shift of the shop business to platform business. The company realizes corresponding commission income on the shifted share of revenues. Following a preceding test phase, the 2023 summer tyre season was the first season for the platform business under live conditions. In the 2022 planning process for the 2023 financial year, possible effects from this business expansion were not taken into account, as at the time of planning there was no overwhelming probability of timely realization and accordingly a successful market establishment in 2023 with corresponding effects on revenues could not be anticipated. The addition of the platform business to the shop business has resulted in a partially shift of shop sales. For the business volume shifted to the platform, the company now reports the commission income realized in revenues. This is accompanied by a reduction in revenues as a result of the lower revenues recognition. Accordingly, we adjusted the revenues forecast for the year as a whole by this revenues effect when we presented the half-year report. At that time, we assumed that a revenues volume of around € 30 million would be shifted away from our shops for the year as a whole. Accordingly, we were now forecasting revenues in a range of € 470 million to € 504 million for the year as a whole (original forecast from March 2023: € 500 million to € 534 million). At € 475.7 million, full-year revenues are at the lower end of the adjusted forecasted range. Despite strong winter business in the final quarter and correspondingly high demand from motorists, it was not possible to fully make up for the weaker business performance of the previous months. We were correct in our assessment of the shift in revenues to the platform business for the year as a whole. The revenues forecast formulated at the beginning of the year did not reflect this situation at the time and therefore could not be achieved.

Operating EBITDA

At the beginning of the year, we targeted an operating EBITDA range of € 14 million to € 18.9 million for the year as a whole, depending on revenues, and confirmed this range with the presentation of the half-year report, as the transfer of parts of shop business to the platform business has not had a negative impact on the Group's profitability. At € 21.8 million, operating EBITDA for the year as a whole exceeded the upper end of the forecast range despite the weaker revenues performance. In addition to the strong winter business, this is due to internal optimizations and the resulting cost savings.

Future macroeconomic environment

Global economy

According to an initial estimate by the Kiel Institute for the World Economy (IfW Kiel), the global economy will continue to expand at a moderate pace this year. Over the course of the year 2023, commodity prices and energy prices in particular have fallen significantly again and inflation has therefore decreased. Thanks to easing inflation and rising remuneration, real wages are now rising again and supply bottlenecks are no longer an unusually strong obstacle to economic activity. The experts see risks both in the continuing high level of uncertainty for companies and consumers in the face of military conflicts and in economic conflicts, which could have a dampening effect on the propensity to invest and consume. Monetary policy could also have a dampening effect. Against this backdrop, the experts at IfW Kiel expect global gross domestic product to increase by 2.9 % overall in the current year.

Europe

According to experts, the economy in the eurozone should regain momentum in the current year. Rising real wages and falling inflation are expected to boost private consumption. In addition, financing conditions are expected to improve in view of the anticipated easing of monetary policy. Last but not least, the foreign policy environment in 2024 should gradually provide more impetus for economic activity. The IfW Kiel is forecasting an increase in gross domestic product of 0.8 % for the eurozone for the year as a whole.

Germany

The domestic economy is expected to pick up speed again this year. In particular, the fairly strong growth in real disposable income should boost private consumption. On the one hand, the negative impact of the interest rate turnaround on the construction industry could have a dampening effect. On the other hand, there is uncertainty as to how the consolidation that is becoming apparent following the federal constitutional ruling on the supplementary budget for 2021 will affect economic expansion. The experts at IfW Kiel are currently forecasting a slight increase in German gross domestic product of 0.1 % for 2024.

Future sector-specific development

E-Commerce

E-commerce will continue to play an increasingly important role as a sales channel in the future. The Global Digital Report 2024 assumes that more than 5 billion people, or over 65 % of the global population, already use the internet today. In addition to the tense economic situation and the uncertain future expectations of many households, experts also see the political environment as a challenge for online retail. For example, e-commerce revenues in Germany fell by more than 20 % in 2023 compared to 2021 and by around 12 % compared to 2022. Despite this, the German E-Commerce and Distance Selling Trade Association (bevh) and the EHI Retail Institute expect the downward trend in domestic online retail to come to an end in the course of the year. The experts expect revenues growth in e-commerce of 2.0 % for the year as a whole.

Replacement tyre market

In Germany, the largest single market in Europe, sales of replacement passenger car tyres from retailers to consumers last year were 1.6 % higher than in the previous year. Nevertheless, at European level, the industry sold 7.9 % fewer tyres to retailers in the largest sub-segment in terms of volume (passenger car, SUV and light truck tyres) over the year as a whole. The extent to which the market conditions for the European replacement tyre business can improve this year will largely depend on the economic environment.

2024 forecast

Focus on the core business

Internal reorganizations took place last year to ensure the company's flexibility and adaptability to the increasingly rapidly changing market conditions in the future. In addition to the closure, merger or dissolution of subsidiaries, this includes personnel changes as well as structural and process adjustments in order to further reduce the company's cost base. With the introduction of the platform business, Delticom has expanded its core business "Online Tyre Retailing Europe" with a component that will continue to grow in importance for the future of Ecommerce.

Positive customer acquisition trend

The extent to which business with private end customers can benefit from a catch-up effect in the current year will largely depend on the overall economic conditions in the current year. Our declared aim is to convince at least as many new customers of our products and value-for-money offers in the current 2024 financial year as in the previous year (2023: 737 thousand).

Repeat Customers

More than 19 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.

Revenues and EBITDA

Although inflation has weakened in recent months and experts expect real wages in Europe to rise and private consumption to pick up over the course of this year, there are economic and geopolitical risks that cannot be assessed in terms of their potential impact on companies, consumers and supply chains. Given the wide range of possible influences, we are currently unable to estimate the extent to which demand for replacement tyres in Europe will pick up this year in a market environment characterized by uncertainty. Accordingly, we have not reflected opportunities for a market recovery in our planning for the current financial year. The same applies to positive weather conditions. In particular, we do not expect the strong winter tyre business in 2023 to be repeated in 2024. There is also the possibility that more revenues will be shifted to the platform business in the current year than in the previous year. Accordingly, we are planning revenues in the range of € 450 - 470 million in the current financial year. Risks with regard to revenues development for the year as a whole include a significant deterioration in economic and sector-specific conditions compared to the previous year. Correspondingly, there are also opportunities in the event of a significant improvement in the general conditions. We are planning for neither the one nor the other.

We are assuming that we will further reduce costs in the current year. For operating EBITDA for the year as a whole, we are planning a range of € 19 million to € 21 million, depending on sales.

In summary, we expect to maintain the operating result achieved in the past financial year in the current year.

Investments

As in the previous year, we will invest a mid-single-digit million amount in the current financial year in the further expansion of logistics facilities to reduce costs.

Liquidity

In line with our revenues and liquidity planning for the current year, we will build up or reduce inventories in the coming quarters. Close control of working capital will continue to play a central role. Free cash flow for the full year is expected to be in the mid single-digit millions.

Financing

The syndicated loan agreement extended in March of the last financial year has a term until December 2024. Accordingly, the company entered into discussions at an early stage to organise adequate follow-up financing. The company assumes that the current financing framework is sufficient to finance future growth.

Medium term outlook

Increasing digitization worldwide, coupled with steadily rising online penetration, is a key factor for future growth. As the market leader in the European online tyre trade, Delticom will continue to benefit from the growing importance of e-commerce as a sales channel in the medium term. In the medium term, we are aiming for an operating EBIT margin of 3 %.

Free Cashflow

By continuing to focus on optimized inventories and consistent working capital management, Delticom will also generate positive free cash flows in the medium term.

Statement on corporate governance

The Managing and Supervisory Boards report summarized for Delticom AG and the Group on corporate governance, the working methods of the Managing and Supervisory Boards, defined targets and their achievement, and the corporate governance practices of Delticom AG and the Group. The corporate governance declaration is available on the company's website www.delti.com/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung/.

The declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act was submitted by the Management Board and Supervisory Board on March 25, 2024 and made available to shareholders on our website www.delti.com/de/investor-relations/corporate-governance/entsprechungserklaerung/.

Information required by takeover law

Report on disclosures pursuant to Section 289a (sentence 1) and Section 315a (sentence 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 2023, taking account of the knowledge and events up until the time when this report was prepared in accordance with § 289a Sentence 1 and § 315a Sentence 1 of the German Commercial Code *(HGB)*, as follows:

No. 1: Composition of subscribed capital

The Company's subscribed capital amounted to € 14,831,361 as of the balance sheet date. It consists of no-par value registered shares with a notional interest in the capital stock of € 1.00 per share.

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

Delticom AG's shareholders are not restricted in their decision to acquire or sell shares by German law or by the company's articles of incorporation. Only the statutory prohibitions on voting rights apply.

With regard to agreements between shareholders regarding restrictions on voting rights or the transfer of shares, the following applies:

The shareholders Prüfer GmbH and Binder GmbH, as parties to a pooling agreement, are restricted in the exercise of their voting rights in such a way that they have to vote their voting behaviour with a view to uniform voting at the Annual General Meeting.

No. 3: Interests exceeding 10 % of voting rights

Only the shareholders GANÈ Aktiengesellschaft based in Aschaffenburg/Germany and 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 § 34 Abs. 1 Satz 1 Nr. 1 WpHG 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 § 34 Abs. 1 Satz 1 Nr. 1 WpHG 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 § 34 Abs. 1 Satz 1 Nr. 1 WpHG of the German Securities Trading Act (WpHG).

No. 4: Holders of shares with special rights

There are no shares with special rights which grant the holders controlling powers.

No. 5: Voting right control in the case of employee participation

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 §§ 84 et sec. 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 § 6 (2) sentence 2 of the articles of incorporation, the Supervisory Board determines the number of Management Board members in line with statutory regulations. Pursuant to § 17 (3) sentence 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 § 179 (2) sentence 1 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 § 5 "Level and division of share capital" of the articles of incorporation of Delticom AG, and those concerning the repurchase of shares in §§ 71 et seq. AktG 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 May 11, 2021 authorized the Executive Board, with the approval of the Supervisory Board, to increase the Company's share capital by a total of up to €6,231,665 by May 10, 2026 by issuing a total of up to 6,231,665 new no-par value registered shares of the Company against cash contributions or contributions in kind on one or more occasions (Authorized Capital 2021).

The Executive Board is authorized, with the approval of the Supervisory Board, to exclude subscription rights in the case of capital increases against contributions in kind.

In the case of capital increases against cash contributions, shareholders shall generally be granted subscription rights to the new shares. The new shares shall then be underwritten by at least one bank or at least one company operating in accordance with 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 Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases against cash contributions,

aa) to utilize any fractional shares,

bb) to the extent that this is necessary to protect against dilution, in order to grant holders of conversion or option rights, which were or are issued by Delticom AG or by companies in which Delticom AG directly or indirectly holds a majority interest, subscription rights to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling conversion obligations,

cc) if the issue price of the new shares is not significantly lower than the stock market price and the shares issued in accordance with or by analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) against cash contributions excluding subscription rights during the term of this authorization do not exceed a total of 10% of the capital stock, either at the time this authorization becomes effective or at the time it is exercised. In calculating this limit of 10% of the capital stock, account shall be taken of (1) those shares which are issued or are to be issued to service bonds with conversion or option rights if and to the extent that the bonds are issued during the term of this authorization in analogous application of Sec. 186 (3) Sentence 4 AktG to the exclusion of subscription rights and (2) treasury shares which are sold during the term of this authorization in analogous application of Sec. 186 (3) Sentence 4 AktG to the exclusion of shareholders' subscription rights.

Authorized Capital 2021 was entered in the commercial register for the Company on July 30, 2021.

There is no other authorized capital.

b) conditional capitals

The Annual General Meeting of 29 April 2014 authorised the Management Board, with the consent of the Supervisory Board (or the Supervisory Board in place of the Management Board if option rights are granted to members of the Management Board), to grant option rights for the subscription of a total of up to 540,000 new no-par value registered shares of the Company to members of the Management Board of the Company, to employees of the Company and to employees and members of the management of affiliated companies (stock option programme 2014) on one or more occasions up to 28 April 2019. In order to grant new shares to the holders of option rights issued by the Company in accordance with the aforementioned authorisation resolution, the share capital was conditionally increased by up to € 540,000 by issuing up to 540,000 new no-par value registered ordinary shares (no-par shares) (conditional capital I/2014). By resolution of the General Meeting of 12 August 2019, the Conditional Capital I/2014 was reduced, so that the share capital is conditionally increased by a total of up to € 142,332 by issuing a total of up to 142,332 new no-par value ordinary registered shares (no-par value shares). This corresponds to the maximum scope required to service the option rights issued on the basis of the aforementioned authorization. Since the authorization has expired, no further option rights can be issued on this basis. The conditional capital I/2014 was originally entered in the Commercial Register on June 11, 2014, and the reduction was entered on September 23, 2019 by resolution of the Annual General Meeting on August 12, 2019.

By resolution of the Annual General Meeting on August 12, 2019, the authorization to grant stock option rights (stock option program 2014) granted by resolution of the Annual General Meeting on April 29, 2014 was also cancelled to the extent that the authorization had not yet been exercised.

On the basis of this authorization, a stock option plan for employees of the Company was introduced by resolutions of the Management Board of the Company on December 25, 2016 and of the Supervisory Board of the Company on December 27, 2016, and a stock option plan for members of the Management Board of the Company was introduced by resolution of the Supervisory Board of the Company on December 28, 2016. Based on these plans, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017 and a total of 32,000 stock options to members of the Company's Management Board on January 5, 2017. On January 5, 2018, a total of 18,337 stock options were issued to employees of the Company and a total of 32,000 stock options to members of the Company's Management Board. In addition, a total of 16,660 stock options were issued to employees of the Company on December 17, 2018 and a total of 24,000 stock options to members of the Company's Management Board on December 28, 2018. In addition, 3,332 stock options were issued to employees of the Company on April 17, 2019. The vesting period for all stock options is four years beginning on the respective issue date. Due to this, the vesting period for 142,332 of the above-mentioned issued stock options has already expired. However, 117,332 of these stock options have already been forfeited, so that 25,000 stock options are exercisable subject to the fulfillment of the other exercise conditions of the stock option program 2014.

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 regulations in the notes to the annual financial statements, in the notes to the consolidated financial statements or in the annual report. The issue of stock options from the aforementioned stock option program is no longer possible since April 29, 2019 due to the expiry of time.

The Annual General Meeting on August 12, 2019 authorized the Executive Board, with the consent of the Supervisory Board (or the Supervisory Board instead of the Executive Board, insofar as option rights are granted to members of the Executive Board), to grant option rights for the subscription of a total of up to 540,000 new no-par value registered shares of the Company to members of the Executive Board of the Company, to employees of the Company and to employees and members of the management of companies affiliated with the Company on one or more occasions or - insofar as issued option rights expire or otherwise lapse - repeatedly until August 11, 2024 (Stock Option Program 2019). This authorization was adjusted by resolution of the Annual General Meeting on May 10, 2022.

The capital stock of the Company is conditionally increased by up to € 540,000 (in words: five hundred and forty thousand euros) by issuing up to 540,000 (in words: five hundred and forty thousand) new no-par value registered shares (no-par value shares) (Conditional Capital I/2019). The conditional capital I/2019 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)) or issued by the Company on the basis of the authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)), taking into account the amendments resolved by the Annual General Meeting on May 10, 2022 under agenda item 7 a). The shares will be issued at the exercise price to be determined in each case in accordance with the above resolutions. The conditional capital increase shall only be carried out to the extent that the holders of the option rights exercise them. The shares - insofar as they come into existence by the beginning of the Annual General Meeting of the Company - shall participate in profits from the beginning of the preceding fiscal year, otherwise from the beginning of the fiscal year in which they come into existence.

The conditional capital I/2019 was entered in the commercial register on September 23, 2019. On the basis of the 2019 stock option program, 124,175 option rights were issued to members of the Board of Management by December 31, 2022 on the basis of a Supervisory Board resolution dated January 6, 2022, each with a vesting period of four years from the issue date. Of these, 74,505 option rights were forfeited on December 31, 2023.

By resolution of the Supervisory Board on 19 May 2023, 211,266 option rights were also issued to members of the company's Management Board on the basis of this share option program. A vesting period of four years applies to all share options from the 2019 share option program, which has not yet expired.

The Management Board and the Supervisory Board will report on the option rights granted and their exercise for each financial year in accordance with the applicable regulations in the notes to the annual financial statements, in the notes to the consolidated financial statements or in the annual report. The issue of further share options from the 2019 share option programme is no longer possible due to the cancellation of the underlying authorization, insofar as it had not yet been exercised at that time, since the corresponding resolution of the Annual General Meeting on 21 June 2023.

The Annual General Meeting on 21 June 2023 authorized the Management Board, with the approval of the Supervisory Board (or the Supervisory Board instead of the Management Board if option rights are granted to Management Board members), to grant option rights to subscribe to a total of up to 800,000 new no-par value registered shares in the company to members of the company's Management Board, employees of the company and employees and members of the management of companies affiliated with the company on one or more occasions or - if issued option rights expire or otherwise lapse - repeatedly until 20 June 2028 (stock option program 2023).

The company's share capital is conditionally increased by up to € 800,000 (in words: eight hundred thousand euros) by issuing up to 800,000 (in words: eight hundred thousand) new no-par value ordinary registered shares (no-par value shares) (conditional capital I/2023). Conditional Capital I/2023 serves exclusively to grant new shares to the holders of option rights issued by the company in accordance with the authorization resolution of the Annual General Meeting on 21 June 2023 (agenda item 7 b)). The shares will be issued at the exercise price to be determined in accordance with the aforementioned resolution. The conditional capital increase will only be carried out if the holders of the option rights make use of them. The shares will participate in profits from the beginning of the previous financial year, provided they are created by the beginning of the company's Annual General Meeting, otherwise from the beginning of the financial year in which they are created. Conditional Capital I/2023 was entered in the commercial register on 11.07.2023.

No share options had yet been issued on the basis of the 2023 share option program as at 31.12.2023.

The Annual General Meeting on July 7, 2020 authorized the Executive Board, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants (collectively "W/C bonds") with a total nominal amount of up to EUR 70,000,000.00 with or without a limited term on one or more occasions until July 6, 2025 and to grant the holders of W/C bonds conversion or option rights to subscribe to a total of up to 5. 500,000 (in words: five million five hundred thousand) new no-par value registered ordinary shares (no-par value shares) in the Company with a pro rata amount of the share capital of up to EUR 5,500,000.00 (in words: five million five hundred thousand euros) in total ("New Shares") in accordance with the more detailed provisions of the convertible bond or option conditions.

The share capital of the Company is conditionally increased by up to EUR 5,500,000.00 (in words: five million five hundred thousand euros) by issuing up to 5,500,000 (in words: five million five hundred thousand) new no-par value ordinary registered shares (no-par value shares) (Conditional Capital I/2020). The conditional capital I/2020 serves exclusively to grant new shares to the holders of conversion or option rights that are issued by Delticom AG or by companies in which Delticom AG directly or indirectly holds a majority interest in accordance with the authorization resolution of the Annual General Meeting on July 7, 2020 under agenda item 7 a).

The shares are issued at the conversion or option price to be determined in accordance with the aforementioned resolution. The conditional capital increase shall only be carried out to the extent that the holders of conversion or option rights exercise their conversion or option rights or fulfill conversion obligations under such bonds. The shares - insofar as they come into existence by the beginning of the Annual General Meeting of the Company - participate in profits from the beginning of the preceding fiscal year, otherwise from the beginning of the fiscal year in which they come into existence.

Conditional Capital I/2020 was entered in the Commercial Register on July 30, 2020. No W/O bonds have yet been issued on the basis of the above authorization; the full amount of Conditional Capital I/2020 still exists.

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

By resolution of the Annual General Meeting on July 7, 2020, the Company was authorised to acquire treasury shares in a volume of up to 10% of its share capital existing at the time of the resolution or - if this value is lower - of its share capital existing at the time the authorisation is exercised. The authorization is valid until July 6, 2025. The authorization may be exercised in whole or in part, once or several times, for one or more purposes by the Company, by its Group companies or by third parties for its or their account. At the discretion of the Management Board, the shares may be acquired either via the stock exchange or by means of a public purchase offer addressed to all shareholders.

The consideration per share paid for the acquisition of the shares on the stock exchange (excluding incidental acquisition costs) may not be more than 10% higher or lower than the average closing price on the three stock exchange trading days preceding the obligation to purchase (**"reference days"**).

The **"closing price"** is, with regard to each individual trading day, the closing price determined in the closing auction or, if such a closing price is not determined on the trading day in question, the last price of the Company's shares determined in continuous trading. The basis for all three reference days is the closing price in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange or in floor trading on a German stock exchange, or the last price in continuous trading which was based on the highest turnover in the ten trading days prior to the first of the three reference days. If the acquisition is made by means of a public purchase offer, the purchase price offered (excluding incidental acquisition costs) per share may not be more than 10 % higher or lower than the average of the closing prices (as defined above) on the three stock exchange trading days prior to the reference date.

The **"cut-off date"** is the date of publication of the Company's decision to make a public offer or, in the case of an amendment to the offer regarding the purchase price, the date of the final decision of the Management Board regarding the amendment to the offer.

The purchase offer may provide for conditions. If more shares are tendered to the Company for repurchase than the Company has offered to repurchase in total, the Company will acquire shares in proportion to the number of shares tendered. Preferential acceptance of small numbers of up to 100 shares tendered per shareholder may be given.

The Management Board is authorized to use the acquired treasury shares for all legally permitted purposes; in particular, it may - with the approval of the Supervisory Board - redeem the shares, transfer them in return for non-cash contributions, transfer them to fulfill conversion or option rights arising from convertible bonds or bonds with warrants or in the course of fulfilling conversion obligations arising from convertible bonds, or, under certain conditions, sell them in ways other than via the stock exchange. Shareholders' subscription rights to own shares may be excluded under certain conditions.

On the basis of this authorization, the company announced on 3rd July 2023 introducing a share buyback programme beginning 4 July 2023 with a maximum term until 31st December 2023 and a maximum volume of 100,000 treasury shares and a maximum total purchase price of € 200,000 for the purpose of acquiring shares as an acquisition currency for the acquisition of companies. The buyback program was terminated prematurely on 11th December 2023. As part of this program, a total of 26,235 shares with a pro rata amount of the share capital of € 26,235 (corresponding to 0.18% of the share capital) were acquired between 4th July 2023 and 8th November 2023. The shares were acquired via the stock exchange by a bank commissioned by the company in electronic trading on the Frankfurt Stock Exchange (Xetra) on 35 trading days. There was no sale or other issue or withdrawal of treasury shares in the 2023 financial year.

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

By resolutions of the Company's Management Board on December 25, 2016 and of the Company's Supervisory Board on December 27, 2016, a stock option plan for employees of the Company was introduced and by resolution of the Company's Supervisory Board on December 28, 2016, a stock option plan for members of the Company's Management Board was introduced.

Both stock option plans provide that in the event of a change of control of the Company (defined in the option terms and conditions as the direct or indirect acquisition of at least 50% of the voting rights in the Company by a natural person or legal entity or a plurality of natural or legal persons acting in concert), the stock options issued on the basis of these option plans become immediately exercisable, provided that the waiting period for these stock options has already expired and the performance target has been achieved. Option rights for which the waiting period has not yet expired expire without replacement.

On the basis of these plans, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017 and a total of 32,000 stock options to members of the Management Board of the Company on January 5, 2017. On January 5, 2018, a total of 18,337 stock options were issued to employees of the Company and on January 5, 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 December 17, 2018 and a total of 24,000 stock options to members of the Company's Management Board on December 28, 2018. In addition, 3,332 stock options were issued to employees of the Company on April 17, 2019. The vesting period for all stock options is four years beginning on the respective issue date. Due to this, the vesting period for 142,332 of the above-mentioned issued stock options has already expired. However, 127,332 of these stock options have already been forfeited, so that 25,000 stock options are exercisable subject to the fulfillment of the other exercise conditions.

Delticom AG and another group company are also party to a follow-up financing (syndicated loan agreement) with lending banks. Each of these lending banks is entitled to terminate the syndicated loan agreement activelly upon the occurrence of a change of control – as defined in the agreement – and to demand repayment of the amounts owed, whereby the remaining lending banks may opt to continue the agreement without the terminating bank. The definition of a change of control in the syndicated loan agreement is not congruent with a change of control within the meaning of section 29(2) of the WpÜG; however, a change of control within the meaning of section 29(2) of the WpÜG may also constitute a change of control within the meaning of the syndicated loan agreement. Termination of the syndicated loan agreement would have an impact on the financing situation of Delticom AG and its group companies and could lead to their insolvency.

No. 9: Compensation agreements with Management Board members or employees for the instance of a takeover offer

The Company has not entered into any compensation agreements with members of the Executive Board or employees in the event of a takeover bid.

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Consolidated Income Statement

in € thousand		01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Revenues from contracts with customers	(1)	**475,693**	**509,295**
Other operating income	(2)	27,133	33,561
Total operating income		502,826	542,856
Cost of goods sold	(3)	-359,544	-399,125
Gross profit		143,281	143,731
Personnel expenses	(4)	-13,959	-14,007
Amortization and depreciation of intangible assets, rights of use and property, plant and equipment	(5)	-9,120	-10,779
Bad dept losses and specific allowance		-2,171	-3,162
Other operating expenses	(6)	-106,514	-111,559
Earnings before interest and taxes (EBIT)		11,517	4,224
Financial expenses		-2,571	-1,904
Financial income		1,196	863
Net financial result	(7)	**-1,375**	**-1,040**
Earnings before taxes (EBT)		10,143	3,183
Income taxes	(8)	-2,117	-371
Consolidated net income		**8,026**	**2,813**
Thereof allocable to:			
Non-controlling interests		0	0
Shareholders of Delticom AG		8,026	2,813
Earnings per share (basic)	(9)	0.54	0.19
Earnings per share (diluted)	(9)	0.54	0.19

Statement of Recognized Income and Expenses

in € thousand	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Consolidated Net Income	**8,026**	**2,813**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**111**	**-219**
Recycling profit and loss		
Changes in value due to currency translation*	111	-219
Total comprehensive income for the period	**8,137**	**2,594**
Attributable to non-controlling interests	0	0
Attributable to shareholders of the parent	8,137	2,594

*see section 22) of the notes to the consolidated financial statements

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2023	31.12.2022
Non-current assets		**108,910**	**119,659**
Intangible assets	(10)	37,255	37,215
Rights of use	(11)	46,103	49,106
Property, plant and equipment	(12)	10,769	8,747
Financial assets		2	2
Deferred taxes	(13)	10,665	11,036
Other non-current receivables	(14)	4,117	13,553
Current assets		**82,648**	**75,529**
Inventories	(15)	41,224	43,340
Accounts receivable	(16)	17,214	17,201
Other current assets	(17)	16,901	11,893
Income tax receivables	(18)	55	112
Cash and cash equivalents	(19)	7,253	2,984
Assets		**191,558**	**195,188**

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2023	31.12.2022
Equity		**47,635**	**39,670**
Equity attributable to Delticom AG shareholders		**47,635**	**39,670**
Subscribed capital	(20)	14,805	14,831
Share premium	(21)	19,070	47,667
Stock option plan	(20)	151	272
Other components of equity	(22)	-295	-406
Retained earnings	(23)	0	200
Net retained profits / losses	(24)	13,903	-22,893
Non-controlling interests		**0**	**0**
Liabilities		**143,923**	**155,518**
Non-current liabilities		**46,134**	**57,074**
Non current financial liabilities	(25)	46,113	50,959
Non-current provisions	(26)	21	115
Other Non Current Liabilities		0	6,000
Current liabilities		**97,788**	**98,444**
Income tax liabilities	(27)	2,076	629
Other current provisions	(26)	4,865	3,838
Contractual liabilities	(1)	4,028	4,670
Accounts payable	(28)	61,478	53,851
Current financial liabilities	(25)	9,429	22,619
Other current liabilities	(30)	15,913	12,836
Shareholders' equity and liabilities		**191,558**	**195,188**

Consolidated Cash Flow Statement*

in € thousand	01.01.2023 – 31.12.2023	1/1/2022 – 31.12.2022
Earnings before interest and taxes (EBIT)	**11,517**	**4,224**
Depreciation of intangible assets and property, plant and equipment	9,120	10,779
Changes in other provisions	933	273
Gain (–) / loss (+) from the disposal of non-current assets	506	-4,018
Other non-cash expenses and income	1,979	3,963
Changes in inventories	2,116	3,253
Changes in receivables and other assets not attributable to investment or financing activities	38	6,804
Changes in payables and other liabilities not attributable to investment or financing activities	9,154	-28,611
Interest received	328	161
Interest paid	-2,571	-1,904
Income tax paid	-63	-446
Cash flow from operating activities	**33,057**	**-5,522**
Payments for investments in property, plant and equipment	-4,787	-2,592
Payments for investments in intangible assets	-811	-9
Cash inflow from the sale of subsidiaries	0	5,709
Cash inflow from the acquisition of a subsidiary	0	40
Cash flow from investing activities	**-5,598**	**3,148**
Payments for the acquisition of own shares	-51	0
Cash inflow of financial liabilities	0	8,446
Cash outflow of financial liabilities	-23,139	-9,078
Cash flow from financing activities	**-23,190**	**-632**
Changes in cash and cash equivalents due to currency translation	0	11
Cash and cash equivalents at the start of the period	2,984	5,979
Changes in cash and cash equivalents	4,269	-3,006
Cash and cash equivalents - end of period	**7,253**	**2,984**

*see section on the cash flow statement in the notes to the consolidated financial statements

Statement of Changes in Shareholders' Equity*

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Stock option plan	Retained earnings	Net retained earnings	Total	Non-controlling interests	Total equity
as of 1 January 2022	**14,831**	**47,667**	**-187**	**193**	**200**	**-25,706**	**36,998**	**984**	**37,982**
Changes in minority interests						0	0	-984	-984
Stock option plan				79			79	0	79
Consolidated net income						2,813	2,813	0	2,813
Other comprehensive income			-219			0	-219	0	-219
Total comprehensive income			**-219**			**2,813**	**2,594**	**0**	**2,594**
as of 31 December 2022	**14,831**	**47,667**	**-406**	**272**	**200**	**-22,893**	**39,670**	**0**	**39,670**
as of 1 January 2023	**14,831**	**47,667**	**-406**	**272**	**200**	**-22,893**	**39,670**	**0**	**39,670**
Buyback of own shares	-26	-26					-52		-52
Withdrawal from Capital Reserves		-28,571				28,571			
Withdrawal from Retained Earnings					-200	200			
Stock option plan				-121			-121	0	-121
Consolidated net income						8,026	8,026	0	8,026
Other comprehensive income			111			0	111	0	111
Total comprehensive income			**111**			**8,026**	**8,137**	**0**	**8,137**
as of 31 December 2023	**14,805**	**19,070**	**-295**	**151**	**0**	**13,903**	**47,635**	**0**	**47,635**

*see sections 20) to 24) of the notes to the consolidated financial statements

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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 complete wheels. The range offered to retail and commercial customers includes over 600 brands and more than 40,000 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 30,000 partner garages of Delticom AG in Europe.

The group offers its product range in 67 countries, with a focus on the EU and other European countries such as Switzerland and Norway.

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.

In the online stores, the entire product range available through both sales channels is presented to customers in a uniform manner. Hotlines in the respective national language and the Europe-wide network of workshop partners ensure high service quality.

These consolidated financial statements were approved by the Executive Board on April 19, 2024. The consolidated financial statements are disclosed and submitted to the operator of the electronic Federal Gazette for publication in order to have them published in the German company register.

For computational reasons, rounding differences may occur in the tables.

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in accordance with IFRS pursuant to Section 315e of the German Commercial Code (HGB).

Delticom's consolidated financial statements for the fiscal year 2023 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 are prepared in Euros (EUR). The Euro is Delticom's functional and reporting currency. Unless otherwise stated, the amounts in the notes are generally stated in thousands of Euros (€ thousand).

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

Delticom AG has implemented all accounting standards adopted by the EU and whose application is mandatory from fiscal year 2023.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Explanation of the Effects of First-time Adoption of New Standards and Interpretations and their Amendments
- Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules;
- Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information;
- Amendments to IAS 12 Income Taxes: Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- IFRS 17 Insurance Contracts including the amendments to IFRS 17.

The above-mentioned regulations have no impact on the Delticom Group's net assets, financial position and results of operations.

Standards and interpretations published but not yet required to be applied

The Delticom Group will apply the following standards in the future:

Standard / Interpretation		Published by the IASB	Mandatory application[1]	Adoption by EU	Anticipated effects
IAS 1	Classification of debts as short-term or long-term, long-term liabilities with covenants	1/23/2020	1/1/2024	yes	No material impact
IRFS 16	Leasing liability in one Sale and leaseback contract	9/22/2022	1/1/2024	yes	No impact
IAS 21	Amendments to IAS 21 Effects of changes in exchange rates: Lack of convertibility	8/15/2023	1/1/2025	no	No impact
IAS 7, IFRS 7	Changes to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Notes: Agreements on supplier credits	5/25/2023	1/1/2024	no	No impact

1 Mandatory first-time application from the perspective of Delticom AG.

The Group does not consider the effects of these new regulations to be material on current or future reporting periods or on foreseeable future transactions.

Group of consolidated companies

In addition to Delticom AG as the parent company, the group of consolidated companies comprises 8 (previous year: 10) domestic and 5 (previous year: 6) foreign subsidiaries, which were fully consolidated in the consolidated financial statements.

The shares in Toroleo Tyres TT GmbH & Co KG were sold by Delticom AG to Tirendo GmbH in the fiscal year. This was followed by the merger of Toroleo Tyres GmbH and the integration of Toroleo Tyres TT GmbH & Co. KG to Tirendo GmbH. In addition, DeltiCar SAS, Paris, was dissolved in 2023. Ringway GmbH was sold by Deltilog GmbH to Delticom AG. These changes had no material impact on the annual financial statements of Delticom AG.

Delticom holds an indirect interest in Delticom TOV, Lviv (Ukraine), and a direct interest in Delticom Russland, Moscow. Significant assets of both companies do not exist or have already been impaired. Already during the year 2021 and independently of the conflict in Ukraine, Delticom AG had decided to close Delticom TOV and to discontinue the operations of Delticom Russia.

Consolidation methods

Subsidiaries are all investments 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 that 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 fair value at the time of the transaction. Any remaining differences between the cost of acquisition and the net assets acquired are recognized as goodwill. Any gain from a business combination is recognised immediately in profit or loss after reassessment.

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

Segment reporting

Delticom is a single-segment company: The group's business activities consist of the online sale of tires and complete wheels. In E-Commerce, goods are sold to dealers, workshops and end consumers via 355 online stores and sales platforms in 67 countries. The key performance indicators are revenue and operating EBITDA at Group level. With regard to domestic revenue, please refer to *(1) Revenue from Contracts with Customers*. In geographical terms, non-current assets (goodwill, rights of use, intangible assets, property, plant and equipment, and non-current sublease receivables) account for € 92,941 thousand in Germany and € 4,792 thousand in Romania and Switzerland. There are no other business areas besides e-commerce that could constitute separately reportable segments.

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). As a rule, foreign companies belonging to Delticom are independent sub-units, whose financial statements are translated 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.

	Average rate on the balance sheet date	Weighted annual average exchange rate
country	1 € =	1 € =
UK	GBP 0,8677	GBP 0,8697
USA	USD 1,1052	USD 1,0816
Romania	RON 4,9743	RON 4,9406
Schwitzerland	CHF 0,9305	CHF 0,9716

Estimates and assumptions

In preparing the consolidated financial statements, assumptions and estimates have been made which have affected the amount and disclosure of assets and liabilities, income and expenses, and contingent liabilities. The assumptions and estimates relate primarily to the Group-wide determination of economic useful lives of non-current assets, the duration of leases and the related incremental borrowing rate, the recognition and measurement of provisions, the measurement of non-current assets including goodwill, and the realizability of future tax benefits. The assumptions underlying the respective estimates are explained in the individual items of the income statement and balance sheet. In individual cases, the actual values may differ from the assumptions and estimates made. Such deviations are recognized in profit or loss at the time of disclosure.

Due to the international nature of its business activities, Delticom AG and its subsidiaries are subject to a large number of national laws and regulations. These have an impact on the amount of tax assets and liabilities, deferred taxes and other taxes. This uncertainty is measured at the most probable value. Whether groups of risks are aggregated or presented individually depends on the individual case under consideration. Discretionary decisions resulted, among other things, from an estimate of the amount of potential additional tax payments for income taxes and other taxes. Furthermore, discretionary decisions resulted from the assessment of the usability of tax loss carryforwards.

The company has no sales activities in Ukraine or Russia. Accordingly, the war in Ukraine and the sanctions imposed on Russia by the West against this background are not expected to have any direct impact.

Accounting and valuation principles

Accounting treatment of acquisitions

As a possible consequence of acquisitions, goodwill is recognized in the Group's balance sheet. Upon initial consolidation of an acquisition, all identifiable assets, liabilities and contingent liabilities are recognized at their respective fair values at the acquisition date. One of the significant estimates in this context relates to the determination of the respective fair values of these assets and liabilities at the acquisition date. Land, buildings and office equipment are generally valued on the basis of independent appraisals, while marketable securities are valued at quoted market prices. If intangible assets are identified, the independent opinion of an external valuation expert is used, depending on the nature of the intangible asset and the complexity of determining the fair value. These valuations are closely linked to the assumptions made by management regarding the future development of the value of the respective assets and the discount rate to be applied.

Goodwill

The Group tests annually, and additionally if a triggering event exists, whether the carrying amount of goodwill has been impaired. In this case, the recoverable amount of the cash-generating unit is determined. This corresponds to the higher of the fair value less costs to sell and the value in use. The determination of the recoverable amount involves adjustments and estimates relating to the forecasting and discounting of future cash flows.

Delticom uses the fair value less costs to sell (FVLCOD) to determine the recoverable amount in fiscal year 2023. The basis for the measurement of the FVLCOD is the planning prepared by management for the Delticom business at Group level. This planning is based on the assumption that e-commerce will continue to gain importance in the tire trade in the coming years. The complete integration of the Tirendo business into Delticom in terms of personnel and organization was the reason why the goodwill arising from the acquisition of Tirendo in 2014 is not monitored at the level of Tirendo, but at the level of the overall group as a cash-generating unit.

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 taxes of 10.56% (previous year: 9.35%), an average EBITDA margin of 4.7% (previous year: 4.3%) and average sales growth in the detailed planning period of 0.4% (previous year: 5.4%) as well as a growth discount for perpetuity of 1.0% (previous year: 1.0%) were used to assess the recoverability of the acquired goodwill in the amount of € 35.3 million at overall Group level.

The discount rate is determined on the basis of the risk-free interest rate, the market risk premium and the borrowing rate. In addition, specific peer group information is taken into account for the beta factor and the leverage ratio. 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 five 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. Sales growth was forecast taking into account the average growth of the last five years and the estimated sales and price growth for the next five years.

The estimated recoverable amount exceeded the carrying amount by around € 51 million (previous year: € 10 million).

A 1.0 % increase in the WACC would lead to an impairment of about € 39 million. A 0.5 % reduction in the EBITDA margin in perpetuity would lead to an impairment of about € 32 million.

Other intangible assets

Intangible assets acquired for consideration are capitalized at cost plus the cost of bringing them to their working condition and, if they have a finite useful life, are amortized on a straight-line basis over their estimated useful lives. Internally generated intangible assets are carried at cost and are tested annually for impairment if they are still in the development stage. They are also amortized on a straight-line basis over their useful lives. Borrowing costs are not capitalized due to the lack of capitalization requirements, but are recognized as an expense in the period in which they are incurred. Costs associated with maintaining software are expensed as incurred.

The scheduled linear depreciation is mostly based on the following useful lives:

	Useful life in years
Internet domains	3–20
Software	3–10

Leasing agreements

For leases, the lessee recognizes a liability for future lease obligations. Correspondingly, a right of use to the leased asset is capitalized, which generally corresponds to the present value of the future lease payments plus directly attributable costs and is amortized over the useful life.

Accounting as lessor

Delticom sub-leases leased assets (warehouse space) to third parties and is thus also a lessor. The subleasing is classified as a finance lease. Accordingly, a receivable is recognized in the proportionate amount of the subleasing. In the opposite direction, the value of the right of use is reduced in the fixed assets. Receivables and liabilities or expenses and income are not offset.

Delticom has not entered into any agreements as a lessor that would have to be accounted for as operating leases.

This note provides information on leases in which the Group is the lessee and also the lessor.

The following items are shown in the balance sheet in connection with leases:

in € thousand	31.12.2023	31.12.2022
Rights of use		
Buildings	45,894	48,747
Technical equipment and machinery	209	356
Operating and office equipment	0	0
	46,103	**49,103**
Leasing receivables		
short-term	3,572	3,176
long-term	3,377	5,705
	6,949	**8,881**
Leasing liabilities		
short-term	9,430	9,883
long-term	46,113	50,957
	55,543	**60,840**

Further details can be found in section 11 from the statement of changes in fixed assets.

The maturities of the liabilities are as follows:

in € thousand	2023	2022
up to 1 year	9,430	9,883
1–5 years	27,542	27,690
over five years	18,571	23,267
Total	**55,543**	**60,840**

Additions to rights of use during the financial year 2023 amounted to € 5,452 thousand (previous year: € 20,830 thousand).

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

in € thousand	2023	2022
Depreciation on rights of use		
Buildings	5,949	8,091
Technical equipment and machinery	147	260
Operating and office equipment	0	34
Income from sale and lease back transactions	10	12
Interest expenses	1,135	724
Expenses in connection with short-term leases (included in other operating expenses)	1,149	642
Expenses in connection with leases of low-value assets not included in current leases (included in other operating expenses)	251	59

Total lease payments amounted to € 11,539 thousand (previous year: € 9,804 thousand). The amount of lease payments recognized as an expense in accordance with IFRS 16.6 amounted to € 1,400 thousand in the financial year (previous year: € 701 thousand).

Other financial obligations include rental agreements with terms of between eight and twelve years. These relate to new leases for warehouses and offices in northern Germany. Leases are scheduled to commence in 2024 respectively and will result in cash outflows totaling € 16,350 thousand (previous year: € 32,064 thousand) over the minimum lease term.

In addition, there are lease extension options for various warehouses and office premises for periods of between 2 and 5 years, which could lead to cash outflows of € 73,778 thousand (previous year: € 72,363 thousand) if utilized to the maximum extent.

Delticom has mainly concluded rental agreements for office buildings, warehouses, IT equipment and warehouse equipment. The agreements have a term of up to 12 years and may include extension options beyond this.

For short-term leases and leases of low-value assets, there are exceptions to recognition within the meaning of IFRS 16. Payments for leases based on assets of low value and for short-term leases are recognized in profit or loss. Short-term leases are leases with a term of up to 12 months and without a purchase option. Low-value assets mainly include IT equipment and office furniture.

Rights-of-use assets and lease liabilities are initially recognized at cost or present value. Lease liabilities include the present value of fixed and variable index-based lease payments.

Lease terms are negotiated individually and include a variety of different conditions. Delticom's leases also include extension and termination options. Such contractual terms are used to give the Group maximum operational flexibility with regard to the assets used by the Group. The renewal and termination options can only be exercised by the Group and not by the respective lessor.

The measurement of the lease liability also takes into account lease payments based on reasonably certain utilization of renewal options.

Lease payments are discounted at the implicit interest rate underlying the lease if this is readily determinable. Otherwise - and this is generally the case in the group - the lease payments are discounted at the lessee's incremental borrowing rate, i.e., the interest rate that Delticom would have to pay if it had to borrow funds to acquire an asset of a similar value in a similar economic environment for a similar term with similar collateral under similar conditions.

Lease payments are divided into repayment and interest portions. The interest portion is recognized in profit or loss over the lease term.

Rights of use are amortized on a straight-line basis over the shorter of the useful life of the underlying asset and the term of the underlying lease. For information on the impairment testing of rights of use, please refer to the comments on property, plant and equipment.

Sale and lease back

Delticom sold individual assets in 2019 and then leased them back from the new owner. The right of use associated with the leaseback is recognised at the proportion of the previous carrying amount that relates to the right of use retained. Gains or losses are only recognized to the extent that they relate to the rights transferred.

Tangible assets

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 on the disposal of assets are determined as the difference between the proceeds from the sale and the carrying amount and are recognised in the income statement.

Scheduled linear depreciation is essentially based on the following economic useful lives:

	Useful life in years
Warehouse equipment	12-17
Machinery	4-14
Equipment	3-13
Office fittings	3-23

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 financial liability is initially measured at fair value. For an item that is not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue are also included. Trade receivables without a significant financing component are initially measured at 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 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 amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably elect to designate financial assets that otherwise qualify for measurement at amortized cost or FVOCI as FVTPL if doing so results in the elimination or significant reduction of accounting mismatches that would otherwise arise.

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 of whether the contractual cash flows are solely payments 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 on a financial asset acquired at a premium or discount to its contractual principal amount that permits or requires it to be redeemed early for an amount that is substantially the same as its contractual principal amount plus accrued (but unpaid) contractual interest (which may include an appropriate consideration for early termination) is treated as complying with the criterion if the fair value of the early redemption 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 classified and measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified at 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 expenses, 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 from 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 are 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.

If 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 cash flow hedge accounting is discontinued, the amount transferred to the hedging reserve remains in equity until - for a hedging transaction that results in the recognition of a non-financial item - this amount is included in the cost of the non-financial item on initial recognition or - for other cash flow hedges - this amount is reclassified to profit or loss in the period or periods during which the hedged forecast future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, the amounts transferred to the hedging relationship reserve and the reserve for hedging costs are immediately reclassified to profit or loss.

Inventories are generally measured at the lower of cost and net realizable value, taking into account any allowance for obsolescence.

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 receivables and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. In accordance with IFRS 9, an impairment loss on trade receivables is recognized using the expected loss model if there is objective evidence that the amounts due are not recoverable in full or at all.

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 are calculated in accordance with IAS 12. Deferred tax assets are generally recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet, but only if it is probable that future taxable profit will be available against which the temporary difference can be utilized. In addition, deferred taxes are capitalized for loss carryforwards that are estimated to be realizable in the future. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet.

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 laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax items of domestic companies are valued at a tax rate of 32.40 % (previous year: 32.65 %). With regard to the valuation of deferred taxes from foreign companies, the respective applicable individual tax rate of the company was applied.

Deferred tax assets are offset against deferred tax liabilities if the tax creditors are identical and the maturities match.

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.

Income tax obligations 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.

With the exception of leasing liabilities, **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.

Revenue (including commissions) and other operating income are recognized at the time the service is rendered, provided that the amount of the income can be reliably determined and it is probable that the economic benefit will flow to the company. Income from services, the scope of which is immaterial, is generally recognized pro rata temporis over the period in which the service is rendered. Sales are reduced by sales deductions. In the case of the sale of merchandise to customers, the service is generally rendered at the time at which the merchandise is transferred to the control of the customer. The transfer of control is not linked to the transfer of legal ownership. Deliveries of merchandise for which a return is expected 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.

Depreciation and amortisation of non-financial assets

Amortization is charged on intangible assets, property, plant and equipment and rights of use over their expected useful lives. Reductions in the value of assets (impairment test) below amortized cost are recognized through unscheduled write-downs. On each balance sheet date, Delticom reviews the carrying amounts of its intangible assets, its rights of use and its property, plant and equipment to determine whether there are any indications of impairment. If such indications are identifiable, the recoverable amount is estimated in order to determine the extent of the impairment loss.

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 losses on financial assets

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

Delticom's business is not very capital-intensive. The seasonal nature of the business and early stocking require stringent working capital management. Budget and guard rail specifications and their continuous monitoring represent a relevant component of capital management. Capital is managed centrally with the aim of optimizing the ratio of equity to debt and reducing the cost of raising capital. In addition to the objective of increasing earnings, it is ensured that all Group companies can operate under the going concern assumption. In order to maintain or optimize the capital structure, it is incumbent on the parent company's Executive Board to adjust the level of dividend payments, carry out capital increases or issue new shares.

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 and commissions are of minor significance.

Sales in Germany amounted to € 241,441 thousand (previous year: € 251,977 thousand), in non-EU countries € 83,634 thousand (previous year: € 91,153 thousand) and in the EU € 150,618 thousand (previous year: € 166,164 thousand).

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

in € thousand	31.12.2023	31.12.2022
Trade receivables	17,214	17,201
Prepayments received from customers (contract liabilities)	-4,028	-4,670

Revenue from contracts with customers and commissions are 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 note (16). Advance payments received from customers are recognized as revenue when control of the goods is transferred to the customer, which usually occurs upon delivery of the goods. In fiscal year 2023, € 4,670 thousand (previous year: € 5,273 thousand) was recognized as revenue, which was included in advance payments received at the beginning of the period.

(2) Other operating income

Exchange rate gains of € 3.9 million (previous year: € 7.1 million) include gains from exchange rate changes between the time of origination and the time of payment, as well as valuation at the closing rate. Exchange rate losses from these transactions are reported under other operating expenses. In addition, other operating income in connection with logistics projects in lower saxony in the amount of € 4.1 million is recognized in 2023 (previous year: € 2.9 million) in profit or loss. Furthermore, miscellaneous other operating income includes rental income, marketing subsidies, income from transport losses and other income.

(3) Cost of sales

The cost of sales amounted to € 359.5 million (previous year: € 399.1 million) resulting exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2023	2022
Wages and salaries	12,323	12,124
Social security contributions	1,594	1,677
Share-based compensation with equity instruments	-49	115
Expenses for pensions and other benefits	90	90
Total	**13,958**	**14,007**

The statutory pension insurance in Germany is a defined contribution plan. Delticom makes contribution payments to the statutory pension insurance scheme on the basis of its obligation imposed on it by the legislator.

Delticom has no further payment obligations beyond the payment of contributions. The contributions amounting to € 760 thousand (previous year: € 803 thousand) were recognized in personnel expenses when due.

The disclosures on the stock option program are included under the *equity* section.

In 2023, Delticom-Group had an average of 169 employees (previous year: 183 employees).

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

in € thousand	2023	2022
Intangible assets	779	778
Rights of use	6,096	8,383
Property, plant and equipment	2,245	1,618
Total	**9,120**	**10,779**

In the case of rights of use, € 6,096 thousand (previous year: € 7,161 thousand) relates to scheduled amortization and € 0 thousand (previous year: € 1,222 thousand) to impairment losses as a result of significant structural defects at a warehouse.

(6) Other operating expenses

in € thousand	2023	2022
Transportation costs	40,136	40,689
Warehousing costs	10,215	11,578
Credit card fees	3,646	3,454
Marketing costs	15,017	13,835
Operations centre costs	11,224	9,951
Rents and overheads	4,509	3,541
Financial and legal costs	7,115	7,243
IT and telecommunications	2,404	2,330
Expenses from exchange rate differences	4,726	8,956
Other	7,523	9,982
Total other operating expenses	**106,514**	**111,559**

The reported rents and operating costs include short-term leases as well as leases for assets of low value and, in particular, ancillary costs. Please refer to the section on *leases*.

Losses on receivables and individual value adjustments (€ 2,150 thousand; previous year: € 3,162 thousand) are shown as a separate item in the income statement.

(7) Financial result

in € thousand	2023	2022
Financial expenses	-2,571	-1,904
Financial income	1,196	863
Total	**-1,375**	**-1,040**

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 relate to interest expenses for bank loans, leasing and overdrafts.

Financial income in fiscal year 2023 includes € 0 thousand (previous year: € 702 thousand) from the early repayment of a rental collateral discounted at the time of acquisition and € 945 thousand (previous year: € 6 thousand) from the compounding of logistics projects.

(8) Income taxes

The income taxes result from:

	2023			2022		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	1,404	431	1,835	-202	9	-193
Deferred income taxes	292	-10	282	563	1	564
Total	**1,696**	**421**	**2,117**	**361**	**10**	**371**

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

	2023		2022	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Losses carried forward	10,207	0	11,002	0
Intangible assets	270	0	72	0
Rights of use	0	16,665	0	21,871
Property, plant and equipment	1	33	1	33
Inventories	0	441	0	660
Financial assets	0	0	48	0
Receivables	571	59	196	0
Long-term assets	0	0	283	0
Long-term provisions	0	0	88	0
Short-term provisions	309	442	284	1,210
Liabilities	17,483	536	22,873	0
Other equity and liabilities	0	0	0	37
Total	**28,841**	**18,176**	**34,847**	**23,811**
Balancing	18,176	18,176	23,811	23,811
Value on the balance sheet	**10,665**	**0**	**11,036**	**0**

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

in € thousand	2023	2022
Profit before income taxes	10,143	2,813
Delticom AG income tax rate	32.63%	32.49%
Expected tax expense	**3,310**	**914**
Differences from anticipated income tax expense		
Adjustment to different tax rate	-159	-8
Non-deductible operating expenses	374	776
Tax-exempt income	-1,397	-1,014
Non-period income taxes	0	-317
Effect from utilization of loss carried forward for which no deferred tax assets were recognized in the previous year	0	-6
Value adjustment of deferred tax assets on loss carryforwards formed in the previous year	0	16
Other tax effects	-11	8
Total adjustments	**-1,193**	**-543**
Actual tax expense	**2,117**	**371**

Control and profit and loss transfer agreements exist with All you need GmbH, DeltiLog GmbH, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Giga GmbH and TyresNet GmbH. A profit and loss transfer agreement (PTA) exists with Tirendo GmbH (formerly Tirendo Holding GmbH).

The deferred tax assets on loss carryforwards totaling € 10.2 million (previous year: € 11.0 million) relate entirely to losses incurred by Delticom AG in previous years. Utilization of the vested loss carryforwards is probable in future years due to expected positive tax results.

In the year under review, loss carryforwards totaling around € 25 thousand were used, for which no deferred tax assets were recognized in the previous year. No deferred tax assets were recognized for loss carryforwards of Delticom Russia and Ringway GmbH that are not expected to expire totaling € 1.8 million (previous year: € 1.8 million) due to a lack of recoverability. They were capitalized on the basis of a substantiated business plan, which was prepared in cooperation with an external consultant.

(9) Earnings per share

Basic earnings per share amount to € 0.54 (previous year: € 0.19). Diluted earnings per share amount to € 0.54 (previous year: € 0.19).

In accordance with IAS 33, basic earnings per share are calculated as the ratio of profit for the period after tax of € 8,025,515.29 (previous year: € 2,812,736.54) to the weighted average number of ordinary shares outstanding during the financial year of 14,821,468 (previous year: 14,831,361).

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 when the average market price of the common shares in circulation is at least 130% of the issue price of the new shares in the period under consideration. There is no dilutive effect in 2023.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relationships	Trademarks	Rights of sale
Acquisition costs				
As of 1 January 2023	**35,338**	**2,377**	**10,591**	**3,450**
Additions	0	0	0	0
Disposals	0	-615	-8,222	-3,450
Currency translation	0	0	0	0
As of 31 December 2023	**35,338**	**1,762**	**2,369**	**0**
Accumulated depreciation				
As of 1 January 2023	**0**	**2,377**	**10,591**	**3,450**
Additions	0	0	0	0
Disposals	0	-615	-8,222	-3,450
Currency translation	0	0	0	0
As of 31 December 2023	**0**	**1,762**	**2,369**	**0**
Residual carrying amounts as of 31 December 2023	**35,338**	**0**	**0**	**0**

in € thousand	Domains	Software	Total
Acquisition costs			
As of 1 January 2023	**4,637**	**23,764**	**80,157**
Additions	0	811	**811**
Disposals	0	-3,829	**-16,116**
Currency translation	3	0	**3**
As of 31 December 2023	**4,640**	**20,746**	**64,855**
Accumulated depreciation			
As of 1 January 2023	**3,511**	**23,013**	**42,942**
Additions	122	657	**779**
Disposals	-5	-3,829	**-16,121**
Currency translation	0	0	**0**
As of 31 December 2023	**3,628**	**19,841**	**27,600**
Residual carrying amounts as of 31 December 2023	**1,012**	**905**	**37,255**

The additions in 2023 mainly result from the capitalization of IT software for the warehouse system in Ensisheim and AI software for reading tire data.

in € thousand	Goodwill	Customer Relationships	Trademarks	Rights of sale
Acquisition costs				
As of 1 January 2022	**35,338**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	-1,782	-1,825	0
Currency translation	0	0	0	0
As of 31 December 2022	**35,338**	**2,377**	**10,591**	**3,450**
Accumulated depreciation				
As of 1 January 2022	**0**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	-1,782	-1,825	0
Currency translation	0	0	0	0
As of 31 December 2022	**0**	**2,377**	**10,591**	**3,450**
Residual carrying amounts as of 31 December 2022	**35,338**	**0**	**0**	**0**

in € thousand	Domains	Software	Total
Acquisition costs			
As of 1 January 2022	**4,651**	**24,462**	**84,476**
Additions	0	9	**9**
Disposals	-14	-707	**-4,328**
Currency translation	0	0	**0**
As of 31 December 2022	**4,637**	**23,764**	**80,157**
Accumulated depreciation			
As of 1 January 2022	**3,401**	**23,066**	**46,492**
Additions	124	654	**778**
Disposals	-14	-707	**-4,328**
Currency translation	0	0	**0**
As of 31 December 2022	**3,511**	**23,013**	**42,942**
Residual carrying amounts as of 31 December 2022	**1,126**	**751**	**37,215**

(11) Rights of use

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2023	69,784	712	0	70,496
Additions	5,452	0	0	5,452
Disposals	-3,480	0	0	-3,480
Currency translation	0	0	0	0
As of 31 December 2023	71,756	712	0	72,468
Accumulated depreciation				
As of 1 January 2023	21,034	357	0	21,390
Additions	5,949	147	0	6,096
Disposals	-1,121	0	0	-1,121
Currency translation	0	0	0	0
As of 31 December 2023	25,862	504	0	26,365
Net book values as of 31 December 2023	**45,894**	**208**	**0**	**46,103**

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2022	57,075	2,064	136	59,275
Additions	20,830	0	0	20,830
Disposals	-8,121	-1,352	-136	-9,609
Currency translation	0	0	0	0
As of 31 December 2022	69,784	712	0	70,496
Accumulated depreciation				
As of 1 January 2022	15,736	982	76	16,794
Additions	8,090	259	34	8,383
Disposals	-2,792	-884	-110	-3,786
Currency translation	0	0	0	0
As of 31 December 2022	21,034	357	0	21,390
Net book values as of 31 December 2022	**48,750**	**355**	**0**	**49,106**

For information on accounting for rights of use in accordance with IFRS 16, please refer to the section *Significant accounting policies*. The additions in 2023 result from two newly leased warehouses and increases in rents for existing leases. The disposals relate to two smaller lease contracts. Depreciation and amortization in fiscal year 2022 included impairment losses of € 1,222 thousand due to significant structural defects in a warehouse.

(12) 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 2023	846	22,788	20,741	44,375
Additions	0	216	4,571	4,787
Disposals	0	-946	-4,707	-5,653
Reclassifications	0	4,200	-4,200	0
Currency translation	0	0	4	4
As of 31 December 2023	846	26,258	16,409	43,513
Accumulated depreciation				
As of 1 January 2023	101	17,069	18,459	35,629
Additions	21	1,373	851	2,245
Disposals	0	-393	-4,749	-5,142
Currency translation	5	3	5	13
As of 31 December 2023	127	18,052	14,566	32,745
Amortised cost as of 31 December 2023	**719**	**8,207**	**1,843**	**10,769**

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 2022	846	21,184	19,909	41,939
Additions	0	1,423	1,169	2,592
Disposals	0	0	-155	-155
Reclassification	0	181	-181	0
Currency translation	0	0	-1	-1
as of 31 December 2022	846	22,788	20,741	44,375
Accumulated depreciation				
As of 1 January 2022	80	16,268	17,817	34,165
Additions	20	801	797	1,618
Disposals	0	0	-155	-155
Currency translation	1	0	0	1
As of 31 December 2022	101	17,069	18,459	35,629
Amortised cost as of 31 December 2022	**745**	**5,720**	**2,282**	**8,747**

Property, plant and equipment mainly includes office equipment for the rented office premises as well as tire packaging machines and warehouse equipment. In December 2023, the € 4.2 million storage system that was currently under construction was completed in Ensisheim. This resulted in a reclassification of “Other systems under construction” into “Technical systems and machines”.

(13) Deferred taxes

There are deferred tax assets of € 10,665 thousand (previous year: € 11,036 thousand), which are mainly based on deferred tax assets from loss carryforwards.

(14) Other non-current receivables

Receivables consist primarily of the receivables from subleases (€ 3,607 thousand, previous year: € 5,705 thousand), and deposits paid to the Oberzolldirektion Bern and the Eidgenössische Steuerverwaltung Bern. Currency translation was performed at the closing rate. To account for the general risk of default, other non-current receivables were impaired by € 36 thousand.

Leasing agreements

The subleasing of leased assets is classified as finance leasing. Accordingly, receivables are recognised in the balance sheet at the proportionate amount of subletting. The receivables in the amount of the minimum lease payments from these leases are as follows:

	2023		2022	
in € thousand	nominal	discounted	nominal	discounted
up to 1 year	3,475	3,377	3,332	3,176
1–2 years	1,663	1,627	2,400	2,308
2–3 years	590	571	1,623	1,589
3–4 years	572	559	550	532
4–5 years	572	565	532	520
over five years	286	285	798	791
Total	**7,158**	**6,984**	**9,235**	**8,916**

Subletting resulted in other operating income of € 1,765 thousand (previous year: € 929 thousand) and interest income of € 169 thousand (previous year: € 119 thousand).

Current assets

(15) Inventories

in € thousand	2023	2022
Tyres and Accessories	36,908	41,683
Goods in Transit	4,164	1,505
Other	152	152
Total	**41,224**	**43,340**

Sales transactions have already been concluded in some cases for the goods in transit as of the reporting date. The goods in storage are intended for sale in e-commerce. Inventories are recognized taking into account the agreed delivery terms upon transfer of control.

Goods in transit relate on the one hand to goods in the amount of € 2,655 thousand (previous year: € 221 thousand) for which no goods had been received as of the balance sheet date, but for which the risk had already been transferred in accordance with Incoterm, and on the other hand to goods in the amount of € 1,509 thousand (previous year: € 1,283 thousand) for which goods had already been issued from the warehouse, but for which the risk had not yet been transferred to the recipient of the goods.

In the reporting year, € 218,934 thousand (previous year: € 256,974 thousand) of inventories were recognized as an expense. The loss-free valuation resulted in valuation allowances of € 418 thousand (previous year: € 734 thousand).

(16) Accounts receivable

in € thousand	2023	2022
Accounts receivable	17,214	17,201

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

(17) Other current receivables

in € thousand	2023	2022
Refund claims from taxes	3,641	4,975
Credits with suppliers	561	1,235
Deferrals	1,026	1,452
Receivables from warehouse project	0	0
Other current receivables	11,673	4,231
Total	**16,901**	**11,893**

Other current receivables include € 4,909 thousand receivables from logistics projects (previous year: € 0 thousand).

(18) Income tax receivables

Income tax receivables mainly relate to expected tax refunds for years not yet finally assessed.

(19) Cash and cash equivalents

Cash and cash equivalents include bank balances, all of which are due in the short term, as well as cash in hand and a few cheques.

The cash and cash equivalents can be broken down as follows:

in € thousand	2023	2022
Cash	2	48
Bank balances	7,251	2,936
Total	**7,253**	**2,984**

Equity

(20) Subscribed capital

Following the IPO on October 26, 2006, the subscribed capital consisted of 3,946,480 no-par value registered shares with a notional value of € 1.00 per share. As a result of the capital increase from company funds resolved by the Annual General Meeting on May 19, 2009, and the associated issue of new shares, the subscribed capital tripled to € 11,839,440. As a result of the exercise of stock option rights in 2011 and 2013, as well as partial utilization of Authorized Capital I/2011 in 2016, Delticom's subscribed capital increased to € 12,463,331.

On June 1, 2021, a capital increase without subscription rights was carried out by issuing 1,246,333 new no-par value registered shares at a placement price of € 7.12. In addition, a capital increase with subscription rights was carried out on June 24, 2021 by issuing 1,121,697 new no-par value registered shares at a placement price of € 7.12. As a result, Delticom AG's subscribed capital increased to € 14,831,361.00 (as of December 31, 2022).

Share buybacks with a total nominal value of € 26,235.00 (**own shares**) took place in the financial year 2023. This results in a total subscribed capital of € 14,805,126.00 as of the balance sheet date.

Equity interests exceeding 10 % of voting rights

Direct capital interests exceeding 10 % of Delticom AG's voting rights exist exclusively on the part of the shareholders Binder GmbH and Prüfer GmbH, both based in Hanover. Indirect equity interests exceeding 10 % of Delticom AG's voting rights are held by Rainer Binder, Hanover, to whom Binder GmbH's direct interest is attributed within the meaning of Section 22 (1) sentence 1 no. 1 of the WpHG, and by Dr. Andreas Prüfer, Hanover, to whom Prüfer GmbH's indirect interest is attributed within the meaning of Section 22 (1) sentence 1 no. 1 of the WpHG. The pooling agreement, to which Prüfer GmbH, Binder GmbH, Mr. Rainer Binder and Dr. Andreas Prüfer are parties, also leads to a mutual attribution of voting rights within the meaning of Section 22 (2) Sentence 1 WpHG.

In addition, GANÉ Aktiengesellschaft, Aschaffenburg, held a 13.51 % interest in Delticom AG as of the balance sheet date.

There are no shares with special rights that grant the holders controlling powers.

There are no employee shareholdings in the capital from which the employees could not directly exercise their control rights.

Appointment and dismissal of Executive Board members, amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board is generally governed by Arts. 84 et seq. AktG. § Section 6 (1) sentence 3 of Delticom AG's Articles of Association also stipulates that members of the Managing Board should not have exceeded the age of 65 at the end of the term for which they are appointed. Pursuant to Section 6 (2) sentence 2 of the Articles of Association, the number of members of the Managing Board is determined by the Supervisory Board in accordance with the statutory provisions. According to Section 17 (3) sentence 1 of Delticom AG's Articles of Association, amendments to the Articles of Association require a simple majority of the votes cast and, in deviation from Section 179 (2) sentence 1 of the AktG, only a simple majority of the share capital represented, unless a larger capital majority is required by law.

Powers of the Executive Board, in particular to issue and buy back shares

The Managing Board's powers with regard to issuing shares are set out in Section 5 "Amount and division of share capital" of Delticom AG's Articles of Association and with regard to buying back shares in Section 71 et seq. AktG and corresponding authorization resolutions of the General Meeting.

Restrictions relating to voting rights or the transfer of shares

Delticom AG's shareholders are not restricted in their decision to acquire or sell shares either by German law or by the company's Articles of Association. Only the statutory prohibitions on voting rights apply. However, as parties to a pooling agreement, the shareholders Prüfer GmbH and Binder GmbH are restricted in exercising their voting rights in such a way that they must coordinate their voting behavior with regard to a uniform vote at the Annual General Meeting. This pool agreement and the resulting voting right allocations continue to exist unchanged.

Authorized Capital

By resolution of the Annual General Meeting on May 11, 2021, the authorized capital 2017 was cancelled. In this context, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to € 6,231,665.00 by May 10, 2026 by issuing a total of up to 6,231,665 new no-par value registered shares against cash contributions or contributions in kind on one or more occasions (authorized capital 2021).

Contingent capital
Stock option plan I/2014

The Annual General Meeting on April 29, 2014 authorized the Executive Board, with the approval of the Supervisory Board (or the Supervisory Board in place of the Executive Board if option rights are granted to Executive Board members), to grant option rights to subscribe to a total of up to 540,000 new no-par value registered shares of the Company to members of the Executive Board of the Company, to employees of the Company, and to employees and members of the management of companies affiliated with the Company on one or more occasions until April 28, 2019.

The capital stock of the Company is conditionally increased by a total of up to € 142,332 by issuing a total of up to 142,332 new no-par value registered shares (no-par value shares) (Conditional Capital I/2014). The conditional capital 1/2014 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General

Meeting on April 29, 2014. Conditional Capital I/2014 was entered in the Commercial Register on June 11, 2014.

By resolutions of the Executive Board of the Company on December 25, 2016 and of the Supervisory Board of the Company on December 27, 2016, a stock option plan for employees of the Company was introduced, and by resolution of the Supervisory Board of the Company on December 28, 2016, a stock option plan for members of the Executive Board of the Company was introduced, taking into account the specifications on key features contained in the resolution of the Annual General Meeting of the Company on April 29, 2014.

Based on this plan, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017, and a total of 32,000 stock options were issued to members of the Company's Management Board on January 5, 2017. On January 5, 2018, a total of 18,337 stock options were issued to employees of the Company and on January 10, 2018, a total of 32,000 stock options were issued to members of the Company's Management Board. Furthermore, a total of 16,660 stock options were issued to employees of the Company on December 17, 2018, and a total of 24,000 stock options were issued to members of the Company's Management Board on December 28, 2018. On April 17, 2019, 3,332 stock options were issued to employees of the Company. By the balance sheet date, a total of 101,3321 stock options had expired from these tranches.

The vesting period for all stock options is four years, starting on the respective issue date. The stock options are earned in installments during the vesting period. The option rights each have a maximum term of ten years from the date on which the respective option right arises. The beneficiaries may exercise the option rights at the earliest after the expiry of a waiting period of four years, starting on the issue date. The prerequisite for exercising an option right is that the unweighted average of the closing prices of the Company's shares on the five stock market trading days prior to the first day of the respective exercise period in which the option is exercised is at least 130% of the exercise price. The Executive 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 regulations in the notes to the annual financial statements or in the notes to the consolidated financial statements. The term of the stock option plan ended on April 28, 2019, after which date it is no longer permissible to issue stock options under this stock option plan. Accordingly, by resolution of the Annual General Meeting on August 12, 2019, the authorization to grant stock option rights under the 2014 Stock Option Plan was partially cancelled.

The fair value at the grant date is determined independently using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the effect of dilution (if material), the share price at the grant date and the 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.

Based on this, fair values of € 3.75 (January 5, 2017), € 2.88 (January 10, 2018), € 1.91 (December 28, 2018) and € 1.42 (April 17, 2019) per stock option were calculated. The exercise prices are €

17.61 (January 5 and January 10, 2017), € 11.39 (January 5 and January 10, 2018) and € 6.09 (December 28, 2018).

By resolution of the Annual General Meeting on August 12, 2019, the authorization granted by resolution of the Annual General Meeting on April 29, 2014 to grant stock option rights (2014 stock option program) was cancelled insofar as the authorization had not yet been utilized.

Stock option programme I/2019

The Annual General Meeting on August 12, 2019 authorized the Executive Board, with the consent of the Supervisory Board (or the Supervisory Board in place of the Executive Board, insofar as option rights are granted to members of the Executive Board), to grant option rights to subscribe to a total of up to 540,000 new no-par value registered shares of the Company to members of the Executive Board of the Company, to employees of the Company, and to employees and members of the management of companies affiliated with the Company on one or more occasions or - insofar as issued option rights expire or otherwise lapse - on repeated occasions until August 11, 2024.

The capital stock of the Company is conditionally increased by up to € 540,000 (in words: five hundred and forty thousand euros) by issuing up to 540,000 (in words: five hundred and forty thousand) new no-par value registered ordinary shares (no-par value shares) (Conditional Capital I/2019). The conditional capital 1/2019 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)). The shares shall be issued at the exercise price to be determined in each case in accordance with the aforementioned resolution. The conditional capital increase will only be carried out to the extent that the holders of the option rights exercise them. The vesting period for all stock options is four years, commencing on the respective issue date, with the stock options vesting pro rata during the vesting period. The prerequisite for exercising an option right is that the unweighted average of the closing prices of the Company's shares on the five stock market trading days prior to the first day of the respective exercise period in which the option is exercised is at least 130% of the exercise price. The other option conditions also correspond to those of the 2014 Stock Option Plan. The shares participate in profits - insofar as they arise up to the beginning of the Annual General Meeting of the Company from the beginning of the preceding financial year, otherwise from the beginning of the financial year in which they arise.

No stock options were issued under this stock option plan in fiscal years 2019 to 2021. Stock options were issued for the first time under this program in financial year 2022. On January 06, 2022, a total of 124,175 stock options were issued to members of the Company's Executive Board, of which 74,505 stock options expired due to the departure of Executive Board members in 2022 and 2023.

The following assumptions were made to determine the fair value of the stock options issued as of January 06, 2022:

- Dividend yield: 1.25
- volatility of the shares based on historical data: 50 %

- risk-free interest rate: -0.27 %

Based on this, the fair value is € 3.02 per stock option. The exercise price is € 6.59 (January 6, 2022).

On May 19, 2023, a total of 211,266 stock options were issued to members of the Company's Executive Board as part of the stock option program I/2019.

The following assumptions were made to determine the fair value of the stock options issued as of May 19, 2023:

- Dividend: € 0.10 from 2025 onwards
- volatility of the shares based on historical data: 50 %
- risk-free interest rate: 2.442 %

Based on this, the fair value is € 0.71 per stock option. The exercise price is € 1.87 (May 19, 2023).

By resolution of the Annual General Meeting on June 21, 2023, the 2019 stock option program was canceled to the extent that the authorization had not yet been used.

Stock option plan I/2023

The Annual General Meeting on June 21, 2023 authorized the Executive Board, with the consent of the Supervisory Board (or the Supervisory Board in place of the Executive Board, insofar as option rights are granted to members of the Executive Board), to grant option rights to subscribe to a total of up to 800,000 new no-par value registered shares of the Company to members of the Executive Board of the Company, to employees of the Company, and to employees and members of the management of companies affiliated with the Company on one or more occasions or - insofar as issued option rights expire or otherwise lapse - on repeated occasions until June 20, 2028.

The capital stock of the Company is conditionally increased by up to € 800,000 (in words: five hundred and forty thousand euros) by issuing up to 800,000 (in words: five hundred and forty thousand) new no-par value registered ordinary shares (no-par value shares) (Conditional Capital I/2023). The conditional capital 1/2023 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General Meeting on June 21, 2023). The shares shall be issued at the exercise price to be determined in each case in accordance with the aforementioned resolution. The conditional capital increase will only be carried out to the extent that the holders of the option rights exercise them. The vesting period for all stock options is four years, commencing on the respective issue date, with the stock options vesting pro rata during the vesting period. The prerequisite for exercising an option right is that the unweighted average of the closing prices of the Company's shares on the five stock market trading days prior to the first day of the respective exercise period in which the option is exercised is at least 130% of the exercise price. The other option conditions also correspond to those of the 2014 Stock Option Plan. The shares participate in profits - insofar as they arise up to the beginning of the Annual General Meeting of the Company from the beginning of the preceding financial year, otherwise from the beginning of the financial year in which they arise.

No stock options were issued in 2023 as part of this stock option plan.

Issue of convertible bonds or bonds with warrants (Conditional Capital I/2020)

By resolution of the Annual General Meeting on July 7, 2020, the Executive Board was authorized, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants (collectively "W/O bonds") on one or more occasions on or before July 6, 2025 for a total nominal amount of up to € 70,000,000.00 with or without a limited term and to grant the holders of W/O Bonds conversion or option rights to subscribe to a total of up to 5,500,000 new registered no-par value ordinary shares (no-par value shares) of the Company with a pro rata amount of the share capital of up to € 5,500,000.00 in total ("New Shares") in accordance with the more detailed provisions of the convertible bond or option conditions (Conditional Capital I/2020). The authorization may be exercised in partial amounts.

The shares will be issued at the conversion or option price to be determined in each case. The conditional capital increase will only be carried out to the extent that the holders of conversion or option rights exercise their conversion or option rights or fulfil conversion obligations arising from such bonds. The shares participate in the profits – insofar as they come into existence by the beginning of the Annual General Meeting of the Company – from the beginning of the previous financial year, otherwise from the beginning of the financial year in which they come into existence.

Powers of the Executive Board to buy back shares and use treasury shares

Based on the resolution of the Annual General Meeting of 7 July 2020 on agenda item 6, the company is authorized until 6 July 2025 in accordance with Section 71 para. 1 no. 8 AktG to acquire treasury shares with a pro rata amount of the share capital of up to a total of 10 % of the share capital existing at the time of the resolution or - if this value is lower - at the time the authorization is exercised, at the discretion of the Management Board via the stock exchange or by means of a purchase offer addressed to all shareholders. The authorization may be exercised in full or in partial amounts, once or several times, in pursuit of one or more purposes by the company, by its Group companies or by third parties for its or their account.

On the basis of this authorization, the company announced on 3 July 2023 that it would introduce a share buyback program from 4 July 2023 with a term until 31 December 2023 and a maximum volume of 100,000 treasury shares and a maximum total purchase price of € 200,000 for the purpose of acquiring shares as an acquisition currency for the acquisition of companies. The buyback program was terminated prematurely on 11 December 2023. As part of the program, a total of 26,235 shares (week 27: 3,439 shares, week 28: 4,487 shares, week 29: 5,058 shares, week 30: 2,345 shares, week 31: 2,607 shares, week 32: 1,286 shares, week 40: 1,237 shares, week 41: 1,104 shares, week 43: 1.784 shares, week 44: 1,632 shares, week 45: 1,257 shares) with a proportionate amount of the share capital of around € 26,235, corresponding to 0.18 % of the share capital, were acquired at an average purchase price of € 1.96 per share and a total gross purchase price of € 51,456.46. The shares were acquired via the stock exchange by a bank commissioned by the company in electronic trading on the Frankfurt Stock Exchange (Xetra) on 35 trading days.

As a result of the share buy-backs, treasury shares with a total nominal value of € 26,235.00 were recognized in equity. The amount paid in excess of this reduced the capital reserve by a total of € 25,220.70.

Information on treasury shares for the financial year 2023:

	Financial Year 2023
Stock at the beginning of the financial year	0 Shares
Stock at the end of the financial year	26.235 Shares
Portion of share capital amount related to stock	EUR 26.235
Ratio of stock amount in relation to total share capital	0,18 %
Type of shares	individial registered common shares without nominal amount

The 26,235 treasury shares at the end of the financial year 2023 are held exclusively by Delticom AG itself.

There was no sale or other issue or redemption of treasury shares in the financial year 2023.

(21) Share premium

The capital reserve contains the amounts generated in excess of the nominal amount on the issue of no-par value registered shares and reserves from the stock option program.

On June 1, 2021, a capital increase without subscription rights was carried out by issuing 1,246,333 new no-par value registered shares at a placement price of € 7.12. In addition, a capital increase with subscription rights was carried out on June 24, 2021 by issuing 1,121,697 new no-par value registered shares at a placement price of € 7.12. As a result, Delticom AG's subscribed capital now increased to € 14,831 thousand. Taking into account issuing costs and deferred taxes thereon (totaling € 565 thousand), Delticom AG's capital reserves increased by € 13,928 thousand to € 47,667 thousand.

In accordance with the resolution of the Board of Directors, a total of € 28,571 thousand was withdrawn from the capital reserves in 2023 in order to offset the accumulated balance sheet losses. The decline in the current financial year also results from the share buyback in 2023 (€ 25 thousand).

(22) Gains and losses recognized directly in equity

The currency deviations of the foreign subsidiaries and affiliates arising in the balance sheet translation difference were transferred to the adjustment item from currency translation.

(23) Retained earnings

The revenue reserves consisted exclusively of the legal reserve in accordance with Section 150 AktG. In accordance with the Executive Board resolution, the entire legal reserve was withdrawn in 2023 to partially offset the existing accumulated balance sheet losses. After the release of retained earnings and the partial release of the capital reserve, there are still capital reserves amounting to at least 10% of the share capital, meaning that there is no obligation to form a legal reserve.

(24) Consolidated net earnings

The development is shown in the statement of changes in equity.

Summarized financial information for subsidiaries is not presented for reasons of immateriality.

Liabilities

(25) Finanical liabilities

Financial liabilities break down as follows on the balance sheet date:

in € thousand	31.12.2023	31.12.2022
Long term Financial Loans	46,113	50,959
Short term financial liabilities	9,429	22,619
Total	**55,543**	**73,578**

Financial debt relates to non-current and current leasing liabilities totaling € 55,543 thousand (previous year: € 60,843 thousand), as well as current annuity loans and the utilization of credit lines.

The following collateral has been provided by the lending banks for all liabilities to banks existing at the balance sheet date:

Collateral to financial assets

- Pledging of all payment accounts of the Company and other Group companies in Germany and abroad on the basis of account pledge agreements (€ 4.2 million)
- Assignment of all claims arising from intercompany loans, customer receivables and insurance claims under blanket assignments in accordance with German and foreign law (€ 15.4 million)

Collateral to non-financial assets

- Pledge of IP rights
- Assignment as security of warehouses in Germany and abroad
- Assignment of all claims under trade credit insurance policies

- Assignment of the remuneration claim and the loan repayment claim under a cooperation agreement, pledge of the related rental collateral account
- Collateral on all other material assets of the Delticom Group

(26) Provisions

Provisions had the following breakdown:

in € thousand	31.12.2023	31.12.2022
Long-term provisions	21	115
Other short-term provisions	4,865	3,838
Total	**4,886**	**3,953**

The provisions have developed as follows:

in € thousand	01.01.2023	Consumption	Resolution	Feed	31.12.2023
Other provisions long-term	115	94	0	0	21
Other provisions short-term	3,838	2,278	360	3,665	4,865
Total	**3,953**	**2,372**	**360**	**3,665**	**4,886**

Current other provisions mainly include provisions for legal risks and customer bonuses to be reimbursed, as well as disposal charges still to be paid. The other provisions have a term of less than one year. Non-current provisions are due in more than one year. The interest effect from the compounding of non-current provisions is of minor significance.

Non-current provisions include the costs of fulfilling obligations to retain business records.

(27) Other non-current liabilities

Non-current liabilities (December 31, 2023: € 0 thousand; previous year: € 6,000 thousand) include two bullet loans bearing a fixed interest rate of 7.25% in previous year. Reference is also made to the disclosures on related parties.

(28) Trade accounts payable

in € thousand	31.12.2023	31.12.2022
Accounts payable	61,478	53,851
thereof liabilities with associated companies and related parties (category: persons in key positions)	1	121

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

(29) Additional notes concerning financial instruments

Net profits and losses from financial instruments are as follows:

in € thousand	2023	2022
Financial assets at amortized cost	1,196	863
Financial assets and liabilities (FVTPL)	151	481
Financial liabilities at amortized cost	-2,592	-1,904
thereof net interest income	-1,396	-1,040

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

	Measurement category according to IFRS 9	**Book Value 31.12.23**	Balance sheet valuation according to IFRS 9			**Fair value 31.12.23**
in € thousand			Amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**7,253**	7,253	0	0	**7,253**
Accounts receivable	AC	**17,214**	17,214	0	0	**17,214**
Other receivables - current	AC	**3,964**	3,964	0	0	**3,964**
Receivable from sublease	n/a	**6,901**	0	0	0	**6,901**
Other receivables - non current	AC	**545**	545	0	0	**545**
Derivative financial assets	FVTPL	**0**	0	0	0	**0**
		35,877	**28,976**	**0**	**0**	**35,877**
Liabilities						
Other non-current liabilities	FLAC	**0**	0	0	0	**0**
Accounts payable	FLAC	**62,940**	62,940	0	0	**62,940**
Other current liabilities	FLAC	**5,471**	5,471	0	0	**5,471**
Other original financial liabilities	FLAC	**0**	0	0	0	**0**
Derivative financial liabilities	FVTPL	**946**	0	0	946	**946**
Leasing liabilities	n/a	**55,543**	0	0	0	**55,543**
		124,900	**68,411**	**0**	**946**	**124,900**

in € thousand	Measurement category according to IFRS 9	**Book Value 31.12.22**	Balance sheet valuation according to IFRS 9			**Fair value 31.12.22**
			Amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**2,984**	2,984	0	0	**2,984**
Accounts receivable	AC	**17,201**	17,201	0	0	**17,201**
Other receivables - current	AC	**2,290**	2,290	0	0	**2,290**
Receivable from sublease	n/a	**8,881**	0	0	0	**8,881**
Other receivables - non current	AC	**7,848**	7,848	0	0	**7,848**
Derivative financial assets	FVTPL	**0**	0	0	0	**0**
		39,204	**30,323**	**0**	**0**	**39,204**
Liabilities						
Other non-current liabilities	FLAC	**6,000**	6,000	0	0	**6,252**
Accounts payable	FLAC	**53,851**	53,851	0	0	**53,851**
Other current liabilities	FLAC	**3,647**	3,647	0	0	**3,647**
Other original financial liabilities	FLAC	**12,736**	12,736	0	0	**12,736**
Derivative financial liabilities	FVTPL	**795**	0	0	795	**795**
Leasing liabilities	n/a	**60,843**	0	0	0	**60,843**
		137,872	**76,234**	**0**	**795**	**138,124**

Assets and liabilities that are not attributable to financial instruments are not listed.

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

The fair value of the fixed-interest other non-current liabilities was calculated as the present value of the future cash flows for interest and principal repayments based on an interest rate in line with the market in previous year. This is therefore a Level 3 fair value.

The fair value of cash and cash equivalents, current receivables, trade payables and other current financial assets and liabilities approximates their carrying amount due to their short remaining term. The carrying amount of derivative financial instruments corresponds to their fair value.

The fair value of in last year existing non-interest-bearing non-current receivables is calculated as the present value of future cash flows based on an interest rate in line with the market. This is therefore a Level 3 fair value.

The maximum default risk can be seen from the carrying amount of each financial asset, including derivative financial instruments, recognized in the balance sheet, less any impairment losses on these assets recognized at the balance sheet date. As the counterparties to derivatives are reputable financial institutions, the Group assumes that they will meet their obligations.

We have classified the financial instruments in the held-for-trading category in the amount of € 0 thousand (2021: € 0 thousand) and in the held-for-trading category in the amount of € 946 thousand (2021: € 795 thousand) in level 2 of the fair value hierarchy.

Level 2 is subject to the condition that a stock exchange or market price is available for a similar financial instrument or that the calculation parameters are based on data from observable markets. The fair value is determined by discounting the future cash flows using the market interest rate with an equivalent maturity. As the interest rate terms approximate the market level, the carrying amount of the financial debt approximates fair value (level 2 of the fair value hierarchy).

There are no financial instruments for which valuation methods are used for which the significant input parameters do not result from data from observable markets (level 3 of the fair value hierarchy).

Delticom recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period in which the change occurred. No such transfers took place during fiscal year 2023.

Net gains and losses on financial assets measured at amortized cost include changes in impairment losses, gains and losses on disposal, cash inflows, reversals of impairment losses on loans and receivables originally impaired, and currency translation adjustments.

Net gains and losses on financial assets and liabilities whose fair value is recognized in profit or loss include changes in the fair value of derivative financial instruments for which hedge accounting is not applied, as well as gains and losses on maturity during the year.

Net gains and losses on financial liabilities measured at amortized cost comprise gains or losses on disposal and currency translation.

(30) Other current liabilities

These mainly relate to credit balances from customers, sales tax, social security contributions and wage and church tax. In addition, liabilities were accrued using the best estimate method.

Furthermore, the balance sheet item includes € 946 thousand in liabilities from derivative financial instruments (previous year: € 795 thousand) due within one year.

All current liabilities are due within one year.

in € thousand	31.12.2023	31.12.2022
Sales tax (VAT)	5,939	7,170
Customer credits	4,471	3,647
Social security contributions	68	180
Income and church tax	156	152
Other current liabilities	5,279	1,688
Total	**15,913**	**12,837**

Advance payments received in the amount of € 4,028 thousand (previous year: € 4,670 thousand) are presented in a separate line in the balance sheet as contract liabilities. Further information on contract liabilities from advance payments received is presented in section *(1) Revenue from Contracts with Customers*.

Other notes

Contingent liabilities and other financial commitments

There were no contingent liabilities from the issuance or transfer of checks and bills of exchange or from the provision of guarantees, warranties or other collateral for third parties.

Significant financial obligations exist from:

in € thousand	31.12.2023	31.12.2022
Order commitments for goods	44,184	64,391
Other financial commitments	18,257	33,180
Total	**62,441**	**97,571**

Other financial obligations include those from leases that will not be recognized in the balance sheet until 2024 due to the start of the lease term. The total for this amounts to € 16,350 thousand and relates to new leases for warehouses in northern Germany. There are also leases for low-value assets with a term of less than 12 months.

Accounting for derivative financial instruments

Derivative financial instruments are only used at Delticom for hedging purposes.

The derivatives do not meet the requirements for hedge accounting in accordance with IAS 39.71 et seq. or IFRS 9. All derivatives are carried in the balance sheet at fair value. Valuation is based on current ECB reference rates and forward premiums or discounts.

The remaining terms of the forward exchange transactions were all less than 6 months as of 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 currencies 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 effects if receivables or payables in the currencies shown had increased or decreased in value by 10% against the euro. The figures are earnings before income taxes.

Currency	1 Euro = unit FX (as of 31.12.2023)	Result +10% in €	Result -10% in €	Net exposure
CHF	0.9305	-180,594	180,594	-1,805,940
DKK	7.4536	3,545	-3,545	35,452
GBP	0.8677	-6,300	6,300	-62,999
NOK	11.2114	-3,306	3,306	-33,063
PLN	4.3429	-89,272	89,272	-892,720
RON	4.9743	0	0	0
RUB	98.9635	-12,969	12,969	-129,691
SEK	11.1013	-44,519	44,519	-445,191
USD	1.1052	-1,546,587	1,546,587	-15,465,869
Others	n/a	95,756	-95,756	957,558

Currency	1 Euro = unit FX (as of 31.12.2022)	Result +10 % in €	Result -10 % in €	Net exposure in €
CHF	0.9877	-52,834	52,834	-528,342
DKK	7.4364	12,309	-12,309	123,089
GBP	0.8867	-2,231	2,231	-22,313
NOK	10.5191	-3,250	3,250	-32,502
PLN	4.6826	-92,570	92,570	-925,702
RON	4.946	0	0	0
RUB	77.9165	-16,472	16,472	-164,723
SEK	11.1317	-20,780	20,780	-207,798
USD	1.0674	-1,225,607	1,225,607	-12,256,071
Others	n/a	84,191	-84,191	841,912

Interest rate risk

For financial instruments with variable interest rates, there is a cash flow risk from interest. Due to the low level of interest rates, sensitivities were determined using a hypothetical change of 10 basis points. An increase in interest rates by 10 basis points results in a loss of € 27 thousand (previous year: € 60 thousand), a decrease in interest rates by 10 basis points results in a gain of € 27 thousand (previous year: € 60 thousand). The sensitivity analysis included both bank balances and variable-interest financial liabilities.

Liquidity risk

In March 2023, the syndicated loan agreement was successfully extended until December 20, 2024. Under the current agreement, the Company has an obligation to comply with financial covenants relating to net gearing, equity and minimum liquidity. As of December 31, 2023, the agreed covenants were complied with.

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						
2023	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	0	**0**	0	0	0	0	0
Loans	1,000	**1,001**	1001	0	0	0	0
Leasing liabilities	55,543	**59,507**	1,734	8,668	7,834	22,190	19,081
Accounts payable trade	62,940	**62,940**	62,940	0	0	0	0
Derivative financial liabilities	0	**0**	0	0	0	0	0

in € thousand	Contractual cash flows						
2022	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	12,736	**12,736**	12,736	0	0	0	0
Bank loans	6,000	**7,136**	73	1,363	363	5,337	0
Leasing liabilities	60,840	**65,262**	1,813	9,063	9,358	20,974	24,054
Accounts payable trade	53,848	**53,848**	53,848	0	0	0	0
Derivative financial liabilities	0	**0**	0	0	0	0	0

Credit risk

Delticom supplies goods to trading companies with varying credit ratings. With regard to some customers, there may be temporary concentrations of risk which could represent a burden on the group's earnings and liquidity position. Delticom has therefore concluded credit insurance policies and commission transactions with some customers, which limit the financial impact on the company to such an extent that a threat to its continued existence can be ruled out. The total of credit-insured gross receivables amounts to € 5,219 thousand (previous year: € 8,739 thousand). The deductible for credit-insured receivables is 10%.

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

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

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

in € thousand	2023	2022
Expenses for the complete derecognition of receivables	-64	-499
Income from receipts on receivables written off	75	110

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 using complex rules and blocked. 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 is set for private and corporate customers.

The Group does not require collateral for trade and other receivables. The respective allowance ratios are calculated taking into account the due dates of the receivables:

In € thousand Receivables from deliveries and services	Book value	Not overdue	less than 30 days	30 to 60 days	60 to 90 days	over 90 days	value adjusted
as of 31.12.2023	17,214	10,760	4,285	1,325	746	2,536	2,438
Value adjustment rate in %		0.1	1.0	5.0	15.0	87.0	
as of 31.12.2022	17,200	9,065	5,968	952	956	3,075	2,816
Value adjustment rate in %		0.4	2.8	10.8	28.1	82.0	

To account for the general credit risk for other non-current receivables not past due (€ 13,980 thousand), impairment losses totaling € 507 thousand were also recognized in previous year.

The change in the allowance ratios mainly results from the changed economic conditions, which necessitate an adjustment of the historically observable default rates. In addition, a macroeconomic scaling factor was introduced to take into account higher default expectations (in particular for longer periods of outstanding debt) due to current recession expectations and inflation developments. The tightening of the impairment model based on findings from the review of actual defaults (backtesting) also resulted in the changed impairment rates.

Receivables older than 90 days are impaired and given to a collection agency. Impaired receivables are not derecognized until they are no longer expected to be collectible via a collection agency. Valuation allowances are calculated using the expected loss over the term (simplified approach for expected credit losses).

The allowances for trade and other non-current receivables developed as follows:

in € thousand	2023	2022
Write-downs – balance on January 1	**3,324**	**3,808**
Additions (expenses for write-downs)	2,214	2,662
Reversals	-75	-588
Use of write-downs	-3,025	-2,558
Write-downs – balance on December 31	**2,438**	**3,324**

The valuation allowances for trade receivables are determined according to the lifetime expected loss model. Additions for allowances include additions for other non-current receivables not past due (€ 507 thousand), calculated according to the 12-month expected loss model in previous year.

Related party disclosures

With regard to the persons in key positions (Executive Board and Supervisory Board), we refer to the comments on "Governing 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 2,176,061, 14.67 % interest)
- Prüfer GmbH (number of shares 4,469,021, 30.1 % interest)

The interests in Delticom AG are attributable to Rainer Binder, Hanover, via Binder GmbH, and Andreas Prüfer, Hanover, via Prüfer GmbH and Seguti GmbH, in accordance with Section 34 I sentence 1 no. 1 of the WpHG. In addition, there is an agreement between Binder GmbH and Prüfer GmbH within the meaning of Section 34 II sentence 1 WpHG (voting rights agreement).

In January 2022, Mr. Rainer Binder granted Delticom AG a bullet loan of € 1.0 million via Binder GmbH with a term of 24 months, an interest rate of 7.25 % and a signing fee of 4.0 % of the loan amount. The loan was repaid on schedule at the beginning of January 2024.

Sale of goods:

in € thousand	2023	2022
to associated companies and related parties (category: persons in key positions)	2	1

Purchase of goods and services:

in € thousand	2023	2022
to associated companies and related parties (category: persons in key positions)	0	0

All transactions with related parties are conducted on an arm's length basis.

Executive bodies

The company's executive bodies are the Annual General Meeting, the Supervisory Board and the Management Board. In the 2023 financial year, the Management Board consisted of the following members

- Alexander Eichler, Ilmenau (until June 30, 2023): Warehouse, Distribution Logistics, Process/Quality Management
- Philip von Grolman, Hemmingen: Distribution Logistics, Human Resources, Category Non Tyres Products
- Nathalie Kronenberg, Hanover (from February 1, 2024): Purchasing, Sales & Marketing B2B, Supplier Management
- Andreas Prüfer, Hanover: Sales & Marketing B2C, Finance, Warehouse
- Dr. Johannes Schmidt-Schultes, Waldbronn (until March 31, 2023): Accounting, Controlling, Treasury, Corporate Communication, Human Resources, Legal Affairs

During fiscal year 2023, the Supervisory Board was composed as follows:

- Karl-Otto Lang, Chairman of the Supervisory Board (since January 6, 2023), Wiesbaden: Interim management (self-employed), Wiesbaden
- Alexander Gebler (until January 6, 2023), Chairman of the Supervisory Board, Hanover: Lawyer Schulze-Borges Rechtsanwälte Steuerberater PartGmbB, Hanover
- Michael Thöne-Flöge, Deputy Chairman of the Supervisory Board, Hanover: Managing Director of becker + flöge GmbH, Hanover. Mr. Thöne-Flöge is a member of a supervisory body comparable to a supervisory board, namely the administrative board of Opticland GmbH, Nuremberg.
- Andrea Hartmann-Piraudeau (since January 7, 2023), Supervisory Board member, Modena/Italy Managing Director of Consensus GmbH, Stuttgart.

Compensation of the executive bodies

The Supervisory Board was granted compensation of € 218 thousand for the financial year 2023 (previous year: € 150 thousand). This exclusively comprises fixed short-term compensation without performance-related components. In the financial year 2023, the compensation paid to Supervisory Board members Michael Thöne-Flöge amounted to € 67 thousand (previous year: € 45 thousand), Alexander Gebler to € 6 thousand (previous year: € 70 thousand), Karl-Otto Lang to € 95 thousand (previous year: € 35 thousand) and Andreas Hartmann-Piraudeau to € 50 thousand.

The compensation of Delticom AG's Management Board members is based on the compensation system approved by the Annual General Meeting on April 4, 2012 and the compensation system revised at the Annual General Meeting on May 11, 2021 and May 10, 2022. The compensation of the Management Board is generally made up of fixed compensation and variable compensation.

The fixed compensation is a non-performance-related basic compensation including fringe benefits. The fringe benefits include rent paid in 2023, social security costs and costs of double budgeting.

The variable compensation is structured as a performance-related bonus and a discretionary bonus. The performance bonus is a variable component with a long-term incentive effect, which is measured on the basis of the key performance indicators "Group revenue" and "Group EBT". In order to align the compensation structure with long-term, successful corporate management, the payment of the performance-related compensation is spread over a period of three years (long-term benefits). Furthermore, this compensation component is subject to adjustment by means of a bonus/malus system that depends on the two key performance indicators mentioned above.

In addition to the fixed salary and performance bonus, Executive Board members may receive a discretionary bonus as a further component of variable compensation in cash or in the form of option rights to no-par-value shares in the Company based on the applicable stock option plan (SOP 2014) in the event of extraordinary performance.

Under the 2021 and 2022 compensation systems, members of the Executive Board may receive long-term variable share-based compensation (SOP 2021) in addition to fixed salary and short-term variable compensation based on the achievement of performance targets.

The total compensation of the Management Board for the financial year 2023 amounts to € 1,467 thousand (including share options). In addition, severance payments of € 369 thousand is to be taken into account due to the premature termination of Mr. Schmidt-Schulte's and Mr. Eichler's service contract. The total compensation of the Board of Management includes basic compensation including fringe benefits and other salary components totaling € 1,072 thousand and performance bonuses totaling € 245 thousand. Furthermore, stock options totaling € 150 thousand were granted to Executive Board members. The compensation of the Board of Management is as follows:

Board member	Fixed remuneration				Variable remuneration			Total remuneration
	Basic remuneration	Fringe benefits	Other	Total fixed remuneration	Performance bonus	Discretionary bonus		
In thousand €						cash	Granting of stock	
Philip von Grolman	281	5	0	286	85	0	75	446
Andreas Prüfer	583	6	0	588	145	0	75	808
Alexander Eichler	110	3	225	338	15	0	0	353
Johannes Schmidt-Schultes	81	4	144	229	0	0	0	229
	1,054	**18**	**369**	**1,441**	**244**	**0**	**150**	**1,836**

The basic remuneration, fringe benefits (with the exception of employer contributions to pension insurance), other salary components and the discretionary cash bonus are short-term benefits. The compensation of the members of the Board of Management breaks down into the following categories as follows:

in € thousand	
Services due in the short term	1,317
Benefits due on the occasion of termination of employment	369
share-based payments	150
	1,836

Accruals for Executive Board compensation amount to € 230 thousand (current).

The stock options granted to members of the Board of Management developed as follows:

	AOP 2014	AOP 2019		
	3rd tranche 12/28/2018	1st tranche 1/6/2022	2nd tranche 5/19/2023	Total 31.12.2023
Philip von Grolman	8,000	24,835	105,633	138,468
Andreas Prüfer	8,000	24,835	105,633	138,468

In 2023, Mr. von Grolman and Mr. Prüfer waived their right to exercise the share options from the first and second tranches of the 2014 share option programme. Mr Eichler's share options from the first tranche of the 2019 share option program expired when he left the company in 2023.

The fair values at the grant date of the share options granted to the members of the Executive Board are as follows

	AOP 2014	AOP 2019	
	Fair value 3rd tranche 12/28/2018	Fair value ist tranche 1/6/2022	Fair value 2nd tranche 5/19/2023
Philip von Grolman	12,280	75,002	74,999
Andreas Prüfer	15,280	75,002	74,999

The fair values per share at the respective grant dates were € 1.91 (December 28, 2018), € 3.02 (January 6, 2022) and € 0.71 (May 19, 2023). The exercise prices are € 6.09 (December 28, 2018), € 6.59 (January 6, 2022) and € 1.87 (May 19, 2023). A total of 175,837 share options expired due to the departure of former members of the Management Board and employees and the waiver of the exercise of share options by members of the Management Board.

There were no changes in value due to changes in the exercise conditions.

Proposal for the appropriation of profits

The Executive Board proposes that no dividend be paid for the financial year 2023 and that part of the legal reserve and capital reserves exceeding 10 % of the share capital within the meaning of Section 150 para. 4 sentence 1 no. 2 AktG be used to fully offset the loss carryforward remaining after offsetting against the net profit for the financial year 2023.

Exempting Consolidated Financial Statements

Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Tirendo GmbH, Giga GmbH, TyresNet GmbH, DeltiLog GmbH, and All you need GmbH have fulfilled the conditions of section 264 (3) of the HGB through their inclusion in the consolidated financial statements and make use of the exemption provision as far as possible.

Shareholdings

Consolidated subsidiaries:

	Fixed capital interest %	
Name, registered office	2023	2022
Direct		
All you need GmbH, Berlin	100	100
DeltiCar SAS, Paris (France)	-	100
Delticom O.E. S.R.L., Timisoara (Romania)	100	100
Delticom Russland OOO, Moscow (Russia)	100	100
Delticom Ltd., Witney (Great Britain) (formerly DeltiLog Ltd.)	100	100
DeltiLog GmbH, Hanover	100	100
DS Road GmbH, Pratteln (Switzerland)	100	100
Giga GmbH, Hamburg	100	100
Extor GmbH, Hannover	100	na
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover	100	100
Tirendo GmbH, Berlin	100	100
Toroleo Tyres GmbH, Hannover (formerly Toroleo Tyres GmbH, Gadebusch)	-	100
Toroleo Tyres TT GmbH & Co. KG, Hannover (formerly Toroleo Tyres TT GmbH & Co. KG, Gadebusch)	-	100
TyresNet GmbH, Munich	100	100
Ringway GmbH, Hanover (fomerly *indirect* participation)	100	100
Indirect		
Delticom TOV, Lwiw (Ukraine) (via Delticom O.E. SRL)	99	99

All you need GmbH is in liquidation. The decision to liquidate was made on August 22, 2023.

DeltiCar SAS was dissolved without liquidation. The assets of DeltiCar SAS were transferred to Delticom AG with effect from December 26, 2023.

In accordance with the merger agreement dated November 23, 2023, Toroleo Tyres GmbH and Toroleo Tyres TT GmbH & Co. KG were merged into Tirendo GmbH.

The entry in the Hanover commercial register dates from December 8, 2023.

Ringway GmbH was sold by DeltiLog GmbH to Delticom AG by agreement dated October 12, 2023. Ringway GmbH is now - as a wholly owned subsidiary of Delticom AG - to be classified as a direct investment. Prior to the sale, it represented an indirect participation.

Delticom Russia OOO, Moscow, and Delticom TOV, Lviv, are and were in liquidation at the time Delticom AG's annual and consolidated financial statements were prepared.

Auditor's fees

In 2023, the following fees were recorded for the auditor BDO AG, Bremen:

in € thousand	2023
Audits of the financial statements	555
Other confirmation and valuation services	45
Tax consultancy services	0
Other services	0
Total	**600**

The audit services primarily include the fees for the audit of the consolidated financial statements, the audit of the dependent company report and the statutory audit of Delticom AG.

The fees reported under other assurance services mainly relate to services in connection with the review of the half-year financial statements.

Notes to the cash flow statement

The consolidated statement of cash flows has been prepared in accordance with IAS 7. It is used to assess the extent to which the Group generates cash and cash equivalents. The cash flows are divided into cash flows from operating activities, investing activities and financing activities. The presentation of cash flows from operating activities is based on the so-called indirect method, under which the net profit for the year is modified by non-cash transactions. Cash and cash equivalents comprise cash on hand and bank balances.

in € thousand	12/31/2022	Cash changes	Non-cash changes		31.12.2023
			Reclassifications Maturities	Acquisitions/ disposals recognized directly in equity	
Loans	6,000	-5,000	0	0	1,000
Short term bank loans	12,736	-12,736	0	0	0
Leasing liabilities	60,840	-10,403	0	5,106	55,543
Total	**79,576**	**-28,139**	**0**	**5,106**	**56,543**

in € thousand	31.12.2021	Cash changes	Non-cash changes		31.12.2022
			Reclassifications Maturities	Additions to leasing liabilities	
Long term bank loans	5,000	1,000	0	0	6,000
Short term bank loans	5,290	7,446	0	0	12,736
Leasing liabilities	50,832	-9,804	0	19,812	60,840
Total	**61,122**	**-1,358**	**0**	**19,812**	**79,576**

The cash changes in lease liabilities include cash interest of € 1,135 thousand (previous year: € 727 thousand).

Supplementary report

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

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, 19 April 2024

(The Management Board)

Auditors' Report

INDEPENDENT AUDITOR'S REPORT

To Delticom AG, Hanover

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Delticom AG, Hanover, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2023 to December 31, 2023 and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of Delticom AG for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements we have not audited the content of those parts of the combined management report listed in the section "OTHER INFORMATION".

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 IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. (paragraph) 1 HGB 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, 2023 and of its financial performance for the financial year from January 1, 2023 to December 31, 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3), sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined 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 COMBINED 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 combined 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, 2023 to December 31, 2023. 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.

We have identified the following matters as key audit matters to be disclosed in our auditor’s report:

- REVENUE RECOGNITION
- IMPAIRMENT OF GOODWILL

REVENUE RECOGNITION

Matter

As of December 31, 2023, the consolidated financial statements reported revenues of EUR 475.7 million (previous year: EUR 509.3 million).

Delticom AG sells tyres and complete wheels to private and commercial customers via the Internet, whereby the majority of revenues are generated from private individuals. The revenues generated by Delticom AG represent bulk transactions. Revenues are recognised when the customer obtains control, accounting for any rights of cancellation of the customer. The processing and monitoring of these transactions is IT-supported.

Due to the mass transactions, there are increased requirements for the IT systems and processes to ensure that revenue is recognised in the correct period. Against this background, revenue recognition was of particular significance in the context of our audit.

The company's disclosures on revenue recognition are contained in the section “Notes to the income statement”, “(1) Revenue from contracts with customers” in the notes to the consolidated financial statements.

Auditor’s response and findings

As part of our audit, we assessed, among other things, the appropriateness and effectiveness of the internal control system established for the processing and realisation of revenue, including the IT systems used. We involved internal specialists in the audit procedures.

Based on this, we traced the sales of goods by means of random sampling. Furthermore, we performed analytical audit procedures with regard to the distribution of sales of goods to customer groups and the distribution over time during the year and around the reporting date.

We also assessed whether revenue is recognised when control is transferred to the customer or in the correct period and, in this regard, assessed the consistency of the IT-based procedures used to determine revenue recognition. The same applies to the recognition of goods for which customers have exercised their right of cancellation and to the determination of reliable return rates.

In our opinion, the procedures and methods applied by the legal representatives and the internal control system, including the IT systems, are suitable overall for the realisation and allocation of revenues to correct periods.

Information on revenues is provided in the section “Notes to the income statement – Revenues” in the notes to the consolidated financial statements.

IMPAIRMENT OF GOODWILL

Matter

The intangible assets recognised in the consolidated financial statements include goodwill amounting to EUR 35.3 million (previous year: EUR 35.3 million). This corresponds to 18.2 % of the balance sheet total.

Goodwill is subjected to an impairment test by the company at least once a year and additionally on an ad hoc basis. Goodwill is tested for impairment at group level and thus at the level of a cash-generating unit. This test is based on the present value of the future cash flows of the cash-generating unit. As part of the impairment test, this present value is compared with the carrying amount of the cash-generating unit as the recoverable amount. In the first step, the present value is generally determined on the basis of the fair value less costs to sell.

The present value is determined using discounted cash flow models, whereby the plan prepared by management for the group represents the starting point and is extrapolated with assumptions about, for example, long-term growth rates in order to reflect a sustainable state (so-called “perpetual annuity”). Discounting is carried out using the weighted average cost of capital of the cash-generating unit.

The result of this valuation is highly dependent on the estimate of future cash inflows and outflows by the legal representatives of the company as well as on the discount rate and growth rate used and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

The company's disclosures on the recoverability of goodwill are contained in the section “Accounting and valuation policies”, “Goodwill” in the notes to the consolidated financial statements.

Audit approach and findings

As part of our audit, with the support of our valuation specialists, we analysed the methodology used to perform the impairment test. We compared the future cash inflows used in the calculation of the recoverable amount with the planning for the group prepared by management. We assessed the appropriateness of the assumptions underlying the calculation of future cash inflows, in particular by reconciling them with general and industry-specific market expectations. In addition, we performed audit procedures to assess the accuracy of the planning. In addition, with the assistance of internal specialists, we satisfied ourselves that the allocation of goodwill at the level of the group as a cash-generating unit is appropriate.

With the knowledge that even relatively small changes in the discount rate used can be material, we assessed the parameters used to determine the discount rate applied and the calculation method. In order to take account of the existing forecast uncertainties, we assessed the sensitivity analyses prepared by the company and performed our own sensitivity analyses.

The valuation parameters and assumptions applied by the legal representatives are generally in line with our expectations and are also within what we consider to be reasonable ranges.

Other information

The legal representatives or the supervisory board are responsible for the other information.

The other information comprises:

- the separately published declaration on corporate governance pursuant to sections 289f and 315d HGB, to which reference is made in section “Statement on corporate governance” of the summarised management report
- the other parts of the annual report except for the audited consolidated financial statements and combined management report as well as our auditor’s report

Our audit opinions on the consolidated financial statements and combined management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, evaluate whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or with our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there has been a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) 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. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements in all material respects, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for the overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the

date of our auditor’s report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group in order to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the group’s position it provides.
- perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT IN ACCORDANCE WITH § 317 (3A) HGB

Assurance opinion

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "Delticom_AG_KA+KL-B_ESEF-2022-12-31" and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the "REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the assurance opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file identified above in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards, which implement the IAASB's International Standards on Quality Management.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 No. 2 HGB.

In addition, the legal representatives of the company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

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

Auditor’s Responsibilities for the assurance work on the ESEF documents

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

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appro-priate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general shareholders’ meeting on 21 June 2023. We were engaged by the Board on 9 October 2023. We have been the group auditor Delticom AG without interruption since the financial year 2023.

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).

OTHER MATTER - USE OF THE AUDIT OPINION

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Claas-Tido Zypress.

Hannover, 19 April 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

sgd. Jörg Sabath	Claas-Tido Zypress
German Public Auditor	German Public Auditor

Compensation report of Delticom AG

1. General information

This compensation report pursuant to § 162 of the German Stock Corporation Act (AktG) presents and explains the compensation of the current and former members of the Management and Supervisory Board of Delticom AG in fiscal year 2023 in accordance with the requirements of the AktG. In order to facilitate the classification of the information and to promote understanding, the general features of the compensation systems for the Management Board and the Supervisory Board applicable in fiscal year 2023 are also presented. The preparation of the compensation report in accordance with § 162 AktG is the responsibility of the Management Board and the Supervisory Board.

The compensation report was audited by the auditors in accordance with § 162 (3) AktG. It is available on our website at https://www.delti.com/en/investor-relations/reports-presentations/financial-reports/ together with the auditor's report.

2. General features of the compensation system for the members of the Management Board

2.1. Overview

The compensation of the members of the Management Board was originally based on a compensation system adopted in 2012, which is presented in the following section. In fiscal year 2021, a new compensation system was resolved by the Annual General Meeting. This is explained in more detail in section 2.3. In 2022, the compensation system resolved in 2021 was further developed. These adjustments are presented in section 2.4.

The compensation taken into account in 2023 was paid - to a small extent - in accordance with the 2012 compensation system described below and - for the most part - the compensation systems adopted in 2021 and 2022.

The compensation of the members of the Management Board Philip von Grolman, Andreas Prüfer and Johannes Schmidt-Schultes was paid in accordance with the compensation system adopted in the 2022 financial year. As a result, the fixed compensation of the aforementioned members of the Management Board was amended and paid out in 2023; the compensation system adopted in 2022 formed the basis for payments of variable compensation for the first time. Philip von Grolman also received the performance bonus in accordance with the 2012 compensation system. Alexander Eichler continued to be compensated in 2023 in accordance with the 2012 compensation system.

2.2. Compensation system 2012

The Supervisory Board is responsible for determining the structure of the compensation system and the compensation of the individual members of the Management Board. It regularly reviews the compensation structure to ensure that it is appropriate. In its meeting on March 20, 2012, Delticom's Supervisory Board adopted to introduce a compensation system for the members of Delticom AG's Management Board. The Annual General Meeting on April 30, 2012 approved this compensation system. Accordingly, the compensation of the Management Board was generally made up of the following components:

- Fixed compensation
- variable compensation

The **fixed compensation** is a non-performance-related basic compensation paid subsequently at the end of each month including fringe benefits.

The **variable compensation** is structured in the form of a

- performance bonus and
- a discretionary bonus.

The **performance bonus** is a variable component with a long-term incentive effect that is measured on the basis of the key performance indicators "Group revenues" and "Group EBT". In order to align the compensation structure with long-term, successful corporate management, the payment of the performance-related compensation is spread over a period of three years. In addition, this compensation component is adjusted by a bonus/malus system that depends on the two key performance indicators mentioned. For details of how this performance-related component is determined, please refer to section 4. of this compensation report.

In addition to the fixed salary and the performance-related bonus, members of the Management Board can receive a discretionary bonus as a further component of variable compensation for exceptional performance

- in cash or
- in the form of option rights to no-par-value shares in the company on the basis of the applicable stock option plan.

In the event of such extraordinary performance, the Supervisory Board determines the type and amount of the discretionary bonus at its reasonable discretion. In addition to extraordinary performance in individual cases, particular account is taken of the extraordinary services rendered by the member of the Management Board to the sustainable development of the company.

To limit the effects of extraordinary positive developments, a cap on variable compensation applies. For no fiscal year may the sum of the performance bonus and the discretionary bonus (together variable compensation) exceed a certain predefined limit (€ 500,000 per member of the Management Board). If this is the case, the performance and discretionary bonuses are reduced pro rata up to this limit.

In the event of premature termination of a member of the Management Board's contract without good cause, they receive a maximum of two years' compensation (severance payment cap), including fringe benefits, and no more than the remaining term of the employment contract. With regard to the 2012 compensation system, this provision continues to apply only to Alexander Eichler. In addition, Thomas Loock and Philip von Grolman each received a performance bonus under this compensation model.

Option rights

Stock option plan 2014

Taking into account the specifications on the key features of the 2014 stock option program (SOP) contained in the resolution of the company's Annual General Meeting on April 29, 2014, the company's Supervisory Board resolved on December 28, 2016 to grant the members of the company's Management Board option rights to subscribe to up to 135,000 no-par value shares in several tranches. On January 5, 2017, the Supervisory Board of Delticom AG resolved to issue the first tranche of option rights to subscribe to 8,000 new no-par value registered shares of the company each to the then members of the company's Management Board Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer.

Furthermore, on November 21, 2017, the company's Supervisory Board resolved to grant the members of the company's Management Board option rights to subscribe to no-par value shares from the second tranche. On January 5, 2018, the Supervisory Board of Delticom AG then resolved to issue 8,000 option rights each from this second tranche to the then members of the Management Board Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer.

Furthermore, on December 4, 2018, the company's Supervisory Board resolved to grant the members of the company's Management Board option rights to subscribe to no-par value shares from the third and final tranche. On December 28, 2018, the Supervisory Board of Delticom AG then resolved to issue 8,000 option rights each from this third tranche to the then members of the Management Board Susann Dörsel-Müller, Philip von Grolman and Andreas Prüfer.

The vesting period for all stock options is four years, starting on the respective issue date. The option rights each have a maximum term of ten years from the date on which the respective option right arises. The option rights may only be exercised if the unweighted average of the closing prices of the company's shares on the five stock market trading days prior to the first day of the respective exercise period in which the option right is exercised is at least 130 % of the exercise price (performance target). If this requirement is met for a particular exercise period, the option may be exercised during this exercise period irrespective of the further performance of the company's share price.

If the employment of a member of the Management Board is terminated before the end of the vesting period, 1/16 of the option rights shall be forfeited for each three months or part thereof that the employment relationship ends before the end of the vesting period; fractions of option rights that continue to exist shall be rounded up to the next full number. Stock option rights for which the vesting period has expired may only be exercised once in the exercise period following the expiry of the vesting period.

The following stock options were granted to the following members of the Management Board in 2017 and 2018:

	1st tranche 05.01.2017	2nd tranche 10.01.2018	3rd tranche 28.12.2018	Option rights granted	Expired	Stock of option rights 31.12.2023
Susann Dörsel-Müller	8,000	8,000	8,000	24,000	-24,000	0
Philip von Grolman	8,000	8,000	8,000	24,000	-16,000	8,000
Andreas Prüfer	8,000	8,000	8,000	24,000	-16,000	8,000
Thierry Delesalle	8,000	8,000	0	16,000	-16,000	0

The exercise price of the respective tranche is € 17.61 (1st tranche), € 11.39 (2nd tranche SOP) and € 8.02 (3rd tranche).

No share options have yet been exercised by the entire Management Board. Due to the withdrawal of Susann Dörsel-Müller in 2020, all of her share options expired in 2020 (10,000 share options with a value of € 25,255.00 (fair value at the grant date in each case)), 2021 (6,500 share options with a value of € 24,375.00), 2022 (4,500 share options with a value of € 12,960.00) and 2023 (4,000 share options with a value of € 11,520.00) in accordance with the share option plan. Due to Thierry Delesalle's withdrawal in 2019, all of his share options (16,000 in total) expired in 2019 (11,000 share options with a value of € 35,595.00), 2021 (3,500 share options with a value of € 13,125.00) and 2022 (1,500 share options with a value of € 4,320.00) in accordance with the share option plan.

In a declaration dated 12.12.2023, Philip von Grolman and Andreas Prüfer waived the exercise of their share options from the first and second tranches with a value of € 30,000.00 (1st tranche) and € 23,040.00 (2nd tranche) respectively.

Stock option plan 2019

The Annual General Meeting on August 12, 2019 authorized the Supervisory Board to grant option rights for the subscription of a total of up to 150,000 new no-par value registered shares of the company to members of the Management Board of Delticom AG on one or more occasions or - to the extent that issued option rights expire or otherwise lapse - repeatedly until August 11, 2024 (stock option plan I/2019). This stock option plan also applies to the 2021 and 2022 compensation systems. The terms and conditions largely correspond to those of the 2014 stock option plan. In fiscal year 2021, as in the two previous years, no stock options were issued to members of the Management Board at the discretion of the Supervisory Board - due to the compensation system 2012.

By way of a resolution dated December 10, 2021, the Supervisory Board of Delticom AG introduced a stock option plan for members of the company's Management Board (stock option program 2022). On this basis, the Supervisory Board of Delticom AG then resolved on January 6, 2022 to issue 24,835 option rights each to the members of the then Management Board Alexander Eichler, Philip von

Grolman, Thomas Loock, Torsten Pötzsch and Andreas Prüfer in accordance with the option conditions of the 2022 stock option plan.

The following stock options were granted to the following members of the Mangement Board in 2022 and 2023:

	1st tranche 06.01.2022	2md tranche 19.05.2023	Option rights granted	Expired	Stock of option rights 31.12.2022
Philip von Grolman	24,835	105,633	130,468	0	130,468
Andreas Prüfer	24,835	105,633	130,468	0	130,468
Alexander Eichler	24,835	0	24,835	-24,835	0
Thomas Loock	24,835	0	24,835	-24,835	0
Torsten Pötzsch	24,835	0	24,835	-24,835	0

The exercise price of the 1st tranche is € 6.59 and € 1.87 for the 2nd tranche. The fair value per share option at the grant date is € 3.02 for the 1st tranche and € 0.71 for the 2nd tranche.

In accordance with the termination agreements of Thomas Loock, Torsten Pötzsch and Alexander Eichler the option rights granted at the beginning of 2022 expired in full upon their respective withdrawal.

At the end of the financial year 2023, the following members of the Management Board therefore have stock options from the two stock option plans:

	SOP 2014	SOP 2019		
	3rd tranche 26.12.2018	1st tranche 06.01.2022	2nd tranche 19.05.2023	Total stock 31.12.2023
Philip von Grolman	8,000	24,835	105,633	138,468
Andreas Prüfer	8,000	24,835	105,633	138,468

No stock options have yet been exercised by the entire Management Board from the 2014 and 2019 stock option programs.

Stock Option Plan 2023

The Annual General Meeting on June 21, 2023 authorized the Management Board, with the approval of the Supervisory Board (or the Supervisory Board in place of the Management Board if option rights are granted to members of the Management Board), to grant option rights to subscribe to a total of up to 650,000 new no-par value registered shares to members of the company's Management Board on one or more occasions until June 20, 2028 or - if issued option rights expire or otherwise lapse - repeatedly. This stock option plan applies to the 2022 compensation system. The conditions largely correspond to those of the 2014 and 2019 stock option plans. No stock options were issued to members of the Management Board from this stock option plan in the 2023 financial year.

2.3. Changes of the compensation system in 2021

In fiscal year 2021, changes were made to the compensation system for the members of the Management Board in order to meet the new requirements of the act implementing the Second Shareholders' Directive (ARUG II) and the recommendations and suggestions of the German Corporate Governance Code. Accordingly, Delticom AG's new compensation system 2021 was approved by resolution of the Annual General Meeting on May 11, 2021. The new regulations were introduced within two months of the Annual General Meeting. From this date, the new compensation system 2021 was applicable to all new or extended Management Board contracts.

The main content of the compensation system 2021 is as follows:

The Supervisory Board determines the amount of the target total compensation for each member of the Management Board separately for the next fiscal year on the basis of the compensation system. This is in each case the sum of fixed compensation (basic compensation and fringe benefits) and variable compensation. The target total compensation should be commensurate with the duties and performance of the Management Board member and at the same time take into account the economic situation and performance of the company. In addition, appropriateness and customary market conditions are verified on the basis of a horizontal and vertical comparison. The amount of the respective target total compensation takes into account the function and area of responsibility of the member of the Management Board in each case.

Management Board compensation includes the following three main components for new or renewal contracts, whose share of total compensation breaks down as follows:

- Fixed compensation (basic compensation and fringe benefits) – 50 to 75 %
- Short-term variable compensation (bonus) – 10 to 25 %
- Long-term variable share-based compensation – 15 to 30 %

The share of long-term share-based variable compensation in the target total compensation must always be larger than the share of short-term variable compensation in the target total compensation. The short-term variable compensation based on a target achievement level of 100 % for the individual board member Philip von Grolman for the year 2022 was € 70,000.00.

The value of the long-term share-based compensation is measured based on the actual allocation made in 2022.

Each member of the Management Board receives **basic compensation** in the form of a fixed salary for the performance of his or her Management Board mandate. This is paid in twelve monthly installments.

It may vary for individual members of the Management Board, taking into account in particular the role on the Management Board, experience, area of responsibility and market conditions. Members of the Mangement Board receive **fringe benefits** in line with standard market practice. Such fringe benefits include, for example, allowances for insurance and additional expenses for double housekeeping due to the change of the main place of work, including any taxes incurred in connection therewith. The Supervisory Board determines the maximum monetary value of fringe benefits as a percentage of basic compensation for each member of the Management Board before the start of a fiscal year.

The **short-term variable compensation of** the members of the Management Board is linked to Delticom's annual performance (bonus). It depends on the achievement of a financial target as well as non-financial targets. These targets are derived from the corporate strategy, so that this compensation component is intended to contribute to the company's sustainable success by providing appropriate incentives. With regard to the financial performance criterion, the focus is on operating profitably and efficiently.

The short-term variable compensation is based on the following performance parameters and is weighted as follows:

- At least 65 % of the consolidated net income and
- individual targets at 35 %

Each year, before the start of a fiscal year, the Supervisory Board uses its due discretion to determine the target value for consolidated net income for that fiscal year. Relevant factors may include the market and competitive environment, figures from previous years, budget values and externally communicated figures. With regard to the individual targets, the Supervisory Board selects two to four non-financial targets individually for each member of the Management Board before the start of the respective fiscal year.

After the end of each fiscal year, the Supervisory Board will determine the target achievement both with regard to the consolidated net income on the basis of the approved consolidated financial statements and with regard to the individual performance criteria, and will combine them to form a weighted average. With regard to the financial target and the non-financial targets, target achievement of less than 50 % means that no short-term variable compensation is paid to the member of the Management Board for this target or these targets. In the case of target achievement of between 50 % and 150 %, there is in each case a linear bonus line by means of which the Supervisory Board determines the target achievement and the resulting payment amounts after the end of the fiscal year by multiplying the respective individual target compensation of the member of the Management Board by the percentage of target achievement (up to a maximum of 150 %), with 100 % being the target value and a cap at 150 % target achievement. The calculated bonus is paid out no later than one month after publication of the consolidated financial statements.

The **long-term variable share-based compensation** is based on stock options granted to the members of the Management Board on the basis of a stock option plan of the company. The basis for such a stock option plan is currently the authorization of the Annual General Meeting on August 12, 2019. The amount is allocated at the discretion of the Supervisory Board, taking into account the target total compensation and the intended ratio of the individual compensation components.

With their four-year vesting period, the stock options represent long-term variable share-based compensation with a multi-year assessment basis. They thus contribute, as with the compensation system from 2012, to the long-term development of the company and link Management Board compensation to shareholder interests. Due to the four-year vesting period and the requirement to achieve the performance target, the long-term positive development of the Delticom share price is rewarded.

The total compensation to be granted for a fiscal year, i.e. the total of all compensation contributions made by the company for the fiscal year in question, including fixed salary, variable compensation and fringe benefits, is limited in the sense of a maximum compensation. This amounts to € 500,000.00 (Mr. von Grolman) for the members of the Management Board. The reference point is the expenses of the company for a fiscal year, irrespective of when the actual payment of the respective amounts is made.

In the event of premature termination of service on the Management Board by mutual agreement without good cause, members of the Management Board receive as compensation the basic compensation plus the bonuses actually received in the last fiscal year before termination and any long-term share-based compensation granted. Withdrawing members of the Management Board receive the value of a maximum of two years' compensation including fringe benefits (severance payment cap) and no more than the remaining term of the employment contract would result in. The compensation payment is reduced by 10 % if the remaining term of the appointment is still more than six months.

In financial year 2021, following the revision of the compensation system by the Supervisory Board and the approval resolution of the Annual General Meeting on May 11, 2021, the respective Management Board contracts for the Management Board members Torsten Pötzsch and Philip von Grolman were revised or extended with effect from January 1, 2022. The compensation system 2021 therefore (initially) applied to these members of the Management Board from this date. The compensation of Philip von Grolman was based on this compensation model with regard to the payment of short-term variable compensation. The target compensation for this amounted to € 70,000.00.

2.4 Changes to the compensation system in 2022

In financial year 2022, further changes were made to the compensation system for members of the Management Board in order to further develop the compensation system that was revised and approved in the previous year. By resolution of the Annual General Meeting on May 10, 2022, the new compensation system of Delticom AG was approved in the financial year 2022. Since this date, the new compensation system has been decisive for all new Management Board contracts to be concluded or extended.

The Supervisory Board determines the amount of the target total compensation for each member of the Management Board separately for the next fiscal year on the basis of the compensation system.

This is in each case the sum of fixed compensation (basic compensation and fringe benefits) and variable compensation. The target total compensation should be commensurate with the duties and performance of the member of the Management Board and at the same time take into account the economic situation and performance of the company. In addition, appropriateness and customary market conditions are verified on the basis of a horizontal and vertical comparison. The level of the respective target total compensation takes into account the function and area of responsibility of the member of the Management Board in each case.

The Management Board compensation includes the following three main components for new contracts or contracts up for renewal, whose share of total compensation breaks down as follows:

- Fixed compensation (basic compensation and fringe benefits) – 40 to 60 %
- Short-term variable compensation (bonus) – 15 to 25 %
- Long-term variable share-based compensation – 25 to 35 %

The share of long-term share-based variable compensation in the target total compensation must always be greater than the share of short-term variable compensation in the target total compensation.

There is also the option of granting members of the Management Board a discretionary bonus in individual cases of exceptional performance at the dutiful discretion of the Supervisory Board. In order to take account of the fact that members of the Management Board sometimes provide extraordinary services that have a lasting benefit for the company but are not adequately rewarded by any other compensation component, a discretionary bonus of up to 20 % of the respective annual basic compensation can be granted in cash or in share options for new shares in the company for such services. Each member of the Management Board may receive a discretionary bonus no more than once per calendar year. As it can only be granted for extraordinary performance in individual cases at the dutiful discretion of the Supervisory Board, the discretionary bonus is not part of the target total compensation for the members of the Management Board.

The total compensation to be granted for a financial year, i.e. the sum of all compensation contributions paid by the company for the financial year in question, including basic compensation, variable compensation and fringe benefits as well as any discretionary bonus, is limited in the sense of a maximum compensation. This amounts to € 1 million for each member of the Management Board. The calculation is based on the company's expenses for a financial year, irrespective of when the respective amounts are actually paid out.

The total target compensation based on a target achievement level of 100 % for the individual members of the Management Board for 2023 is therefore as follows:

Member of the Management Board	Target compensation			
	Fixed compensation	Short-term variable compensation	Share-based payment	Total
Andreas Prüfer	582,660.00	145,000.00	74,999.43	802,659.43
Philip von Grolman	280,539.96	70,000.00	74,999.43	425,539.39

The value of the long-term share-based compensation is measured based on the actual allocation made in 2023. Philip von Grolman's target compensation with regard to the short-term variable compensation (€ 70,000.00) is based on the 2021 compensation model.

In the employment contracts of the current members of the Management Board, it is agreed that the basic compensation at the beginning of a financial year will be increased by an inflation adjustment based on the rate of change in the consumer price index for Germany in the past financial year compared to the respective previous year, as published by the Federal Statistical Office, taking into account the maximum total compensation defined in the compensation system and the bandwidths for the individual compensation components defined in the compensation system. An increase of 7.9 % compared to the previous year was thus taken into account for 2023.

Johannes Schmidt-Schultes was not granted any short-term variable compensation for the 2023 financial year (see section 4.1. Fixed compensation). He was also not granted any share-based compensation. Please also refer to section 4.1. Fixed compensation in this regard.

No target amounts were set for Alexander Eichler, as he was still compensated according to the compensation model 2012.

Each Management Board member receives **basic compensation** in the form of a fixed salary for the performance of his or her Management Board mandate. This is paid in twelve monthly installments. It may vary for individual Management Board members, taking into account in particular the role on the Management Board, experience, area of responsibility and market conditions. Members of the Management Board receive **fringe benefits** in line with standard market practice. Such fringe benefits include, for example, allowances for insurance, the assumption of car costs and additional expenses for double housekeeping due to a change in the main place of work, including any taxes incurred in connection with this, as well as shares in social security expenses for long-term care and health insurance within the legally prescribed framework. The Supervisory Board determines the maximum monetary value of fringe benefits as a percentage of basic compensation for each member of the Management Board before the start of a financial year.

The **short-term variable compensation** of the members of the Management Board is linked to Delticom's annual performance (bonus). It depends on the achievement of a financial target as well as non-financial targets. These targets are derived from the corporate strategy, so that this compensation component is intended to contribute to the company's sustainable success by providing appropriate incentives. With regard to the financial performance criterion, the focus is on strengthening growth in the core business while operating profitably and efficiently.

The short-term variable compensation is based on the following performance parameters and is weighted as follows:

- Group revenues growth at 20 %,
- Group EBT at 50 % and
- individual (non-financial) targets at 30 %

At the end of each fiscal year, the Supervisory Board will determine the target achievement both in terms of Group revenues growth and Group EBT on the basis of the approved consolidated financial statements and in terms of the individual performance criteria, and aggregate them to form a weighted average. By multiplying the respective individual target compensation of the Management Board member for the short-term variable compensation by the weighted average of target achievements, the amount paid out to the respective Management Board member is calculated.

To this end, the Supervisory Board sets values for each individual performance criterion before the start of the financial year corresponding to target achievement of 0 %, 100 % and 150 %. The value for the respective performance criterion set by the Supervisory Board at 0 % is the minimum threshold that must be exceeded for the performance criterion in question to be included at all in the calculation of the short-term variable compensation. If this value is missed, the performance criterion in question does not contribute to the short-term variable compensation by multiplication with the factor 0 %. The target value for the respective performance criterion is equal to 100 %. Similarly, the Supervisory Board sets a maximum value for each performance criterion at 150 %, above which no further compensation is to be paid. There is a linear distribution between 0 % and 150 %.

The **long-term variable share-based compensation** is based on stock options granted to the members of the Management Board on the basis of a stock option plan of the Company. The basis for such a stock option plan is currently the authorization of the Annual General Meeting on August 12, 2019.

The members of the Management Board are granted stock options annually as early as possible within a financial year, taking into account the relevant issue periods. The number of stock options is determined by the Supervisory Board at its due discretion, taking into account the target total compensation and the intended ratio of the individual compensation components.

With their four-year vesting period, the stock options represent long-term variable share-based compensation with a multi-year assessment basis. As with the 2012 compensation system, they thus contribute to the long-term development of the Company and link the compensation of the Management Board with the interests of the shareholders. Due to the four-year waiting period and the requirement to achieve the performance target, the long-term positive development of the Delticom share price is rewarded.

Option rights may only be exercised if the unweighted average of the closing prices of the Company's shares on the five stock market trading days prior to the first day of the respective exercise period in which the option right is exercised is at least 130 % of the exercise price (performance target). If this requirement is met for a particular exercise period, the option may be exercised during this exercise period irrespective of the further performance of the Company's share price.

Here, the total compensation to be granted for a financial year, i.e. the total of all compensation contributions expended by the Company for the financial year in question, including fixed salary, variable compensation and fringe benefits, is limited in the sense of a maximum compensation. This amounts to € 1,000,000.00. The calculation basis is the expenses of the Company for a financial year, irrespective of when the actual payment of the respective amounts is made.

In the event of premature termination of service on the Management Board by mutual agreement without serious cause, Management Board members receive as compensation the basic compensation plus the bonuses actually received in the last fiscal year before termination and any long-term share-based compensation granted. Withdrawing Management Board members receive the value of a maximum of two years' compensation including fringe benefits (severance payment cap) and no more than the remaining term of their employment contract would result in. The compensation payment is reduced by 10 % if the remaining term of the appointment is still more than six months.

In the financial year 2023, a new version of the Management Board contract was agreed with Philip von Grolman based on the new 2022 Management Board compensation system with effect for the entire financial year 2023 on the basis of a resolution passed by the Supervisory Board on April 27, 2023. In 2023, the fixed compensation of Mr. von Grolman presented below in this report was therefore based on the new compensation system 2022.

3. General features of the compensation system for members of the Supervisory Board

The members of the Supervisory Board receive fixed compensation without performance-related components.

A new compensation system for the Supervisory Board was approved at the Annual General Meeting on May 11, 2021. The members of the Supervisory Board continued to receive purely fixed compensation . The members of the Supervisory Board then received a fixed annual compensation of € 35,000. The compensation of the Chairman of the Supervisory Board amounted to € 70,000 and that of the Deputy Chairman to € 45,000. This compensation already applied to the Supervisory Board for the entire 2021 financial year and for the 2022 financial year.

At the Annual General Meeting on June 21, 2023, the Supervisory Board compensation was adjusted by amending the Articles of Association. Since then, the members of the Supervisory Board have received fixed compensation payable at the end of the financial year. The Chairman of the Supervisory Board receives € 95,000 per year, each of his deputies € 67,500 per year and all other members of the Supervisory Board € 50,000 per year. In the event of changes to the Supervisory Board during the year, compensation is paid pro rata temporis, rounded up to full months. This regulation applies for the first time for the entire 2023 financial year. In addition, the members of the Supervisory Board are entitled to reimbursement of the necessary expenses incurred in the performance of their mandate plus any VAT payable on their expenses.

4. Compensation of the Management Board in 2023

The compensation of the Management Board consists of a non-performance-related fixed compensation and a variable compensation.

The compensation granted to the members of Delticom AG's Management Board in fiscal year 2023 is presented below. For this purpose, "granted" compensation is deemed to be compensation that actually accrued to the members of the Management Board in fiscal year 2023.

With regard to the variable compensation for Alexander Eichler and Thomas Loock, the payments made to Delticom AG's Management Board members in 2023 were still in line with the compensation system adopted in 2012. Philip von Grolman also received the variable components in accordance with the compensation system resolved in 2012 and in connection with the compensation system applicable to him from 2021 and Andreas Prüfer in accordance with the compensation system from 2022.

The compensation granted to the Management Board breaks down as follows within the meaning of § 162 AktG (in €):

Management Board member	Fixed compensation 2023				Variable compensation paid in 2023				Total compensation	Ratio of fixed to variable compensation
						Discretionary bonus				
	Basic compensation	Fringe benefits	Others	Total fixed compensation	Performance bonus	Bonus/Discretionary bonus	Granting of stock options	Total variable compensation		
Philip von Grolman	280,539.96	5,262.84	0.00	285,802.80	44,159.33	0.00	74,999.43	119,158.76	404,961.56	87:13
Andreas Prüfer	582,660.00	5,780.10	0.00	588,440.10	8,125.00	0.00	74,999.43	83,124.43	671,564.53	99:1
Thomas Loock (Austritt zum 10.05.2022)	0.00	0.00	0.00	0.00	19,962.52	0.00	0.00	19,962.52	19,962.52	0:100
Alexander Eichler (Austritt zum 30.06.2023)	109,999.98	2,637.48	225,000.00	337,637.46	15,000.00	0.00	0.00	15,000.00	352,637.46	95:5
Johannes Schmidt-Schultes (Eintritt zum 01.09.2022 - Austritt zum 31.03.2023)	80,925.00	4,410.24	143,862.90	229,198.14	15,000.00	0.00	0.00	15,000.00	244,198.14	93:7
	1,054,124.94	18,090.66	368862.90	1,441,078.50	102,246.85	0.00	149,998.86	252,245.71	1,693,324.21	82:18

4.1. Fixed compensation

The **fixed compensation** relates to both payments and expenses in the 2023 financial year, whereby the contractually agreed adjustment of the basic compensation by the inflation adjustment, which is based on the rate of change in the consumer price index for Germany in the past financial year compared to the respective previous year as published by the Federal Statistical Office, was taken into account for Philip von Grolman, Andreas Prüfer and Johannes Schmidt-Schultes. The ancillary costs include social security costs paid in 2023 and, in the case of Mr. Schmidt-Schultes, the costs of double housekeeping, which are taken into account at € 1,000.00 per month.

In addition to the fixed compensation accrued until March 31, 2023, Mr. Schmidt-Schultes only received a severance payment of € 143,862.90 due to the premature termination of his employment contract. He was not granted any share-based compensation.

With effect from June 30, 2023, Alexander Eichler withdrew from his office as a member of the Management Board of Delticom AG. In addition to the fixed compensation accrued until June 30, 2023, Mr. Eichler only received a severance payment of € 225,000.00 due to the premature termination of his employment contract. All stock options granted to Mr. Eichler expired upon his withdrawal.

4.2. Variable compensation

The variable compensation received by the Management Board members in accordance with the previous 2012 compensation agreement in 2023 is presented below.

The variable compensation is divided into a performance bonus and a discretionary bonus, which can be granted in cash or on the basis of stock options. The variable compensation relates to payments in 2023 based on developments in fiscal years 2020, 2021 and 2022.

In the case of the **performance bonus**, a component with a long-term incentive effect is granted to the members of the Management Board, for which the key performance indicators "Group revenues" (component 1) and "Group EBT (consolidated earnings before taxes)" (component 2) are to be used as performance criteria.

The first component is calculated as the product of a certain amount in €, the amount of which is determined individually for the members of the Management Board, and the quotient of the Group revenues in accordance with IAS 1.81 (a) of the past fiscal year ("Group revenues") and € 50 million ("component 1"):

$$\text{Amount in euros} \times \frac{\text{Group revenues according to IAS 1.81 (a)}}{\text{€ 50,0 million}}$$

The second component is calculated as the product of a certain amount in €, the level of which is determined individually for the members of the Management Board, and the quotient of the Group EBT in accordance with IAS 1.83 of the past fiscal year ("Group EBT") and € 2.5 million ("component 2"):

$$\text{Amount in euros} \times \frac{\text{Group EBT according to IAS 1.83}}{\text{€ 2,5 million}}$$

This results in the following initial values to be multiplied by the individual amounts in euros for the two components and the respective fiscal year:

in € thousand	2022	2021	2020
Group revenues	509,295	585,374	541,261
Group EBT	3,183	4,947	2,590

To align the compensation structure with long-term corporate development, payment is spread over time and the deferred compensation components are also subject to adjustment by means of a bonus/malus system geared to sustainability:

- 1/3 of the performance bonus is paid on the day after the Annual General Meeting of the fiscal year following fiscal year X, i.e. fiscal year X+1, without any adjustment of the amount.
- 1/3 of the performance bonus will be paid on the day after the Annual General Meeting of the fiscal year after next after fiscal year X, i.e. fiscal year X+2. This component is paid out after adjustment according to the following criteria based on the development of Group revenues and Group EBT:
  - The parts of components 1 and 2 attributable to this third are each multiplied by a factor of between 0.75 and 1.25. The factor for component 1 is 0.75.
  - The factor relating to component 1 is 0.75 if Group revenues in fiscal year X+1 are 87.5 % or less of consolidated sales in fiscal year X. The factor relating to component 2 is 0.75 if Group revenues in fiscal year X+1 are 87.5 % or less.
  - The factor relating to component 1 is between 0.75 and 1.25 if Group revenues in fiscal year X+1 are more than 87.5 % but less than 112.5 % of Group revenues in fiscal year X. The bonus or malus is equal to twice the percentage by which Group revenues in fiscal year X+1 exceeds or falls short of Group revenues in fiscal year X.
  - The factor for component 1 is 1.25 if the Group revenues in fiscal year X+1 is more than 112.5 % of the Group revenues in fiscal year X. The factor for component 2 is 1.25 if the Group revenues in fiscal year X+1 is more than 112.5 % of the Group revenues in fiscal year X.
  - The factor for component 2 is 0.75 if Group EBT in fiscal year X+1 is 75 % or less of Group EBT in fiscal year X.
  - The factor for component 2 is between 0.75 and 1.25 if the Group EBT in fiscal year X+1 is more than 75 % but less than 125 % of the Group EBT in fiscal year X. The bonus or malus is equal to the simple bonus or malus. The bonus or malus corresponds to the simple percentage by which the Group EBT in fiscal year X+1 is above or below the Group EBT in fiscal year X.
  - The factor relating to component 2 is 1.25 if the Group EBT in financial year X+1 is more than 125 % of the Group EBT in fiscal year X. The bonus or malus is equal to the simple percentage by which the Group EBT in fiscal year X is above or below the Group EBT in fiscal year X.
- The last third of the performance bonus will be paid on the day after the Annual General Meeting in fiscal year X+3. The calculation of the bonus or malus is based on the above principles, but with regard to component 1, the double percentage by which Group revenues in fiscal year X+2 exceed or fall short of Group revenues in fiscal year X and with regard to component 2, the single

percentage by which Group EBT in fiscal year X+2 exceeds or falls short of Group EBT in fiscal year X shall be used as a basis.

For the individual Management Board members, who received a performance bonus under the compensation model 2012, this results in the following starting amounts per component for the various years (in €), whereby these starting amounts were partially adjusted individually in previous years due to the respective entry dates:

Management Board member	Component	Individual amount in euros = factor	Product for payment in 2023 based on revenues, EBT 2022 = initial amount 2022	Product for payment in 2023 based on revenues, EBT change 2022 = initial amount 2021	Product for payment in 2023 based on revenues, EBT change 2022 = initial amount 2020
Philip von Grolman	Revenues	4,500.00	45,837.00	52,684.00	48,713.00
	Group EBT	4,500.00	5,730.00	8,904.00	4,662.00
Thomas Loock	Revenues	5,000.00	15,251.00	58,537.00	44,605.00
	Group EBT	6,000.00	4,712.00	11,872.00	32,242.00
Alexander Eichler	Revenues	625.00	6,366.00	7,317.00	4,335.00
	Group EBT	625.00	796.00	1,237.00	3,532.00

This results in the following base amounts for the various years, taking into account the one-third amount from the respective component (in €):

Management Board Member	Component	Individual amount in euros	Product for payment in 2023 based on revenues, EBT 2022 = initial amount 2022	Product for payment in 2023 based on revenues, EBT change 2022 = initial amount 2021	Product for payment in 2023 based on revenues, EBT change 2022 = initial amount 2020
Philip von Grolman	Revenues	4,500.00	15,279.00	17,561.00	16,238.00
	Group EBT	4,500.00	1,910.00	2,968.00	1,554.00
Thomas Loock	Revenues	5,000.00	5,084.00	19,512.00	14,868.00
	Group EBT	6,000.00	1,571.00	3,957.00	0.00
Alexander Eichler	Revenues	625.00	2,122.00	1,445.00	0.00
	Group EBT	625.00	265.00	1,177.00	0.00

In determining the amount to be paid out for the performance bonus of the respective Management Board member for fiscal year 2023, Group revenues and Group EBT for fiscal years 2020, 2021 and 2022 are ultimately to be used, taking into account the bonus/malus provision. These developed as follows:

in € thousand	2022	2021	2020
Group revenues	509,295	585,374	541,261
Group EBT	3,183	4,947	2,590
Development of revenues in 2021-22		87 %	94 %
Factor revenues	1/3	1/3, thereof 1,164	1/3, thereof 0,75
Development of Group EBT in 2021-22		64 %	123 %
Factor Group EBT	1/3	1.25	1/3, thereof 1,25

This results in compensation per Management Board member with regard to the performance bonus as follows:

in €	Multi-year variable compensation Performance bonus	Payment in 2023 based on revenues, EBT 2022 = first third from 2022	Payment in 2023 based on revenues, EBT change 2022 = second third 2021	Payment in 2023 based on revenues, EBT change 2022 = third third 2020	+ 1st third from 2022 entitlement + 2nd third from 2021 entitlement + 3rd third from 2020 entitlement
Philip von Grolman	Revenues	0.00	13,170.92	14,319.86	31,659.33
	Group EBT	0.00	2,226.05	1,942.50	
Thomas Loock*	Revenues	15,250.86	0.00	0.00	19,962.52
	Group EBT	4,711.66	0.00	0.00	
					51,621.85

*Full settlement of the performance bonus for 2021 and earlier

Philip von Grolman received a bonus payment totaling € 31,659.33 in 2023 on the basis of bonus agreements based on the compensation model 2012. He also received a bonus of € 12,000.00 based on the compensation model 2012.

Due to the withdrawal of Alexander Eichler, the one-third arrangement also ceased to apply in 2023. As part of the termination of the Executive Board contract, a compensation payment totaling € 15,000.00 was made for all bonus entitlements.

With effect from May 10, 2022, Thomas Loock resigned from his office as a member of the Management Board of Delticom AG. Due to Thomas Loock's withdrawal, the one-third bonus no longer applied in 2022 and also in 2023 and was paid out in full. In 2023, he received pro rata performance-related compensation totaling € 19,962.52 due to his withdrawal in May 2022.

With effect from March 31, 2023, Johannes Schmidt-Schultes resigned from his office as a member of the Management Board of Delticom AG. No short-term variable compensation is owed for 2023. For the calendar year 2022, the Management Board member receives a one-off final pro rata performance-based short-term variable compensation of € 15,000.00.

Andreas Prüfer received a bonus payment of € 8,125.00 in 2023 on the basis of the 2022 compensation model.

No variable compensation was reclaimed from the Management Board members by Delticom AG.

A **cap** on the total compensation applies to limit the effects of extraordinary positive developments. The maximum compensation may not exceed a certain predefined limit (€ 500,000 or € 1,000,000) for any financial year. If this were mathematically the case, the variable compensation is reduced pro rata up to this limit.

Compliance with the maximum compensation for 2023 under the compensation system resolved in 2021 and 2022 totaling € 500,000.00 and € 1,000,000.00 respectively (total of all compensation components paid by the company for a financial year) cannot yet be verified at present, as the variable compensation will not be paid out until 2024. The maximum compensation was complied with in each of the previous years. For the Management Board members Philip von Grolman and Andreas Prüfer in office as at December 31, 2023, the maximum compensation of € 1,000,000 applies for 2023 in accordance with the 2022 Management Board compensation system.

4.3. Comparative presentation

The compensation of the members of the Management Board of Delticom AG has developed as follows over the past years in relation to the performance criteria presented for the performance bonus or to the employees of the Delticom Group (in %):

Annual change	2021 zu 2022	2021 zu 2022	2020 zu 2021	2019 zu 2020	2018 zu 2019
Management Board member					
Philip von Grolman	-9.3	51.4	-2.7	-2.6	-1.9
Andreas Prüfer	38.2	-9.6	-19.6	16.3	-2.3
Thomas Loock	-91.8	-40.7	26.7	219.6	100.0
Alexander Eichler	6.6	100.4	39.0	100.0	-
Torsten Pötzsch	-100.0	221.5	100	-	-
Johannes Schmidt-Schultes	134.0	100	-	-	-
Harald Blania	-	-100.0	44.9	100.0	-
Member of the Supervisory Board					
Alexander Gebler	-91.4	68.0	100.0	0.0	-
Michael Thöne-Flöge	51.1	-100.0	225.0	0.0	0.0
Karl-Otto Lang	171.4	740.0	100.0	0.0	-
Andrea Hartmann-Piraudeau	100.0	-	-	-	0.0
Development of the company					
Net income of Delticom AG	4.1	-474.6	-20.2	106.4	-1356.8
Revenues	-18.7	-13.0	8.2	-13.5	-3.1
Group EBT	105.8	-35.7	91.0	106.3	-9737.1
Average salary of employees on a full-time basis					
Employees	3.3	9.4	2.1	3.3	-1.0

Thomas Loock was appointed to the Management Board of Delticom AG in 2019 and left the company in 2022. Harald Blania and Alexander Eichler were appointed to the Management Board in 2020, Torsten Pötzsch in 2021. Harald Blania and Torsten Pötzsch left Delticom AG in 2021 and 2022 respectively. Alexander Gebler and Karl-Otto Lang were elected to the Supervisory Board of Delticom AG in the 2020 financial year. Alexander Gebler resigned from the Supervisory Board in 2023.

All employees of Delticom AG, converted to full-time equivalents, are included as employees.

No compensation was promised or granted by a third party to any Management Board member with regard to his Management Board activities.

Thomas Loock receives pro rata performance-related compensation for the calendar year 2022, payable in May 2023. There are no further commitments to members of the Management Board in connection with the termination of their Management Board activities in 2023 either for former or active members of the Management Board of Delticom AG.

5. Compensation of the Supervisory Board in 2023

At the Annual General Meeting on June 21, 2023, amended provisions of Delticom AG's Articles of Association were adopted for the Supervisory Board and, in the course of this, a new compensation was resolved, according to which the members continue to receive a purely fixed compensation, payable after the end of the financial year. Payments were made in fiscal year 2023 for 2022.

In fiscal year 2023, the following amounts were granted to the members of the Supervisory Board:

- Alexander Gebler (Chairman - term of office until January 6, 2023) – € 5,833.34 for 2023 and € 70,000.00 for 2022
- Michael Thöne-Flöge (Vice Chairman) – € 45,000 for 2022
- Karl-Otto Lang (Member) – € 35,000.00 for 2022

Supervisory Board compensation for 2023 totaling € 212,500.00 was paid out at the beginning of 2024.

- Karl-Otto Lang (Chairman) - € 95,000.00 for 2023
- Michael Thöne-Flöge (Deputy Chairman) - € 67,500.00 for 2023
- Andrea Hartmann-Piraudeau - € 50,000.00 for 2023

6. Resolution by the Annual General Meeting

The current compensation system for the members of the Management Board and the Supervisory Board was approved at the Annual General Meetings on May 10, 2022 and June 21, 2023.

At the Annual General Meeting of Delticom AG on June 21, 2023, the compensation report for the 2022 financial year, which was prepared and audited in accordance with Section 162 of the German Stock Corporation Act (AktG), was approved by 91.1 %. For this reason, the structure of the compensation report was retained in its previous form.

The Annual General Meeting 2024 of Delticom AG will resolve a resolution on the approval of this compensation report for the fiscal year 2023, which has been prepared and audited in accordance with Section 162.

Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Group revenues (€ million)	475.69	509.29	585.37	541.26	625.75	645.72	667.70	606.60	559.79	501.70	505.54
Group EBITDA (€ million)	20.64	15.00	17.09	15.04	-6.64	9.00	9.30	15.10	14.28	15.29	22.18
EPS (€/share)	0.54	0.19	0.49	0.55	-3.27	-0.13	0.09	0.36	0.28	0.24	0.97
Number of shares outstanding (million)	14.83	14.83	14.83	12.46	12.46	12.46	12.46	12.46	11.95	11.95	11.86
Dividend per share (€/share)**	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.50	0.50	0.25	0.50
Number of employees	169	183	174	196	261	235	185	156	129	247	179
Number of partner garages (thousand)*	30.00	30.00	34.00	38.00	39.00	40.00	43.00	43.90	41.90	39.30	36.00
Number of shops*	355	351	359	410	519	469	453	387	245	163	137
Number of customers (customer base, thousand)*	19,021	18,284	17,432	15,945	14,940	13,601	12,230	10,879	9,583	8,319	7,314

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

13.05.2024	3-monthly notification
06.06.2024	Annual General Meeting
14.08.2024	6-monthly report
14.11.2024	9-monthly notification

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