Annual Report 2020

DELTICOM
Aktiengesellschaft

Profile

With its ReifenDirekt brand, Delticom AG is the leading company in Europe for 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 around 18,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 410 online shops and online distribution platforms in 74 countries, serving more than 15.9 million customers.

As part of the service, the ordered products can be sent to one of Delticom's approximately 38,000 workshop partners worldwide for assembly at the customer's request.

Based in Hanover, Germany, the company operates primarily in Europe and the USA 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 one of its most important assets.

In fiscal year 2020, Delticom AG generated revenues of around € 541 million. At the end of the last fiscal year, 177 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

		01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019	-/+ (%, %p)
Revenues	€ million	541.3	625.8	-13.5
Total income	€ million	574.2	663.3	-13.4
Gross margin[1]	%	22.7	21.6	+1.1
Gross profit[2]	€ million	155.9	172.7	-9.7
EBITDA	€ million	15.0	-6.6	+326.6
EBITDA margin	%	2.8	-1.1	3.8
EBIT	€ million	5.4	-42.1	-112.7
Net income	€ million	6.9	-40.8	+116.8
Earnings per share	€	0.55	-3.27	+116.8
Total assets	€ million	199.8	188.2	+6.1
Inventories	€ million	36.9	62.9	-41.4
Investments[3]	€ million	1.6	6.6	-76.0
Equity	€ million	14.8	8.3	+78.9
Equity ratio	%	7.4	4.4	+3.0
Return on equity	%	46.4	-492.9	+539.3
Liquidity position[4]	€ million	5.6	5.3	+5.5

(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 2020

Revenues

> € 541 million

2019: € 625,8 million

Positive EBITDA in the amount of

€ 15.0 million

2019: € -6,6 million

Positive EBIT in the amount of

€ 5.4 million

2019: € -42,1 million

Increase of EBIT margin to

1.0 %

2019: -6.7 %

Positive consolidated net income in the amount of

€ 6.9 million

€ 0,55 earnings per share

Content

Letter to Our Shareholders (*)

Dear shareholders, employees, customers and suppliers,

in the past fiscal year 2020, we focused on our strengths and systematically pushed ahead with the alignment to our core business, online tyre retailing in Europe. We succeeded in refocusing our activities in a difficult market environment, and the results have strengthened our stands with regard to the strategic path we have chosen. In an environment characterized by COVID-19, we also saw effects on our business, but were able to compensate for these through a clear, focused restructuring plan that was implemented excellently by our employees. Despite lower sales compared to the previous year, we succeeded in strengthening profitability.

At the beginning of 2020, the discontinuation of business units as part of the return to our core business still represented a significant expense within the organization. Already with a good second quarter and also in the subsequent quarters, we were able to demonstrate the success of our strategy with the published quarterly results. Despite lower revenues, with a clear focus on our margins accompanied by a stringent cost and working capital management, we have managed with joint forces to achieve a positive consolidated result within the Delticom Group as early as 2020 - one year earlier than planned. There were some special effects in the transition year 2020, which we would like to briefly discuss. Overall, our results were burdened by the costs of closing non-core business areas, mainly in the first quarter. During the year, we then decided to close our online used car dealership in France as well, which took place in the third quarter. The necessary realignment of our organization resulted in one-time restructuring costs of € 6.7 million. With the focus on liquidity, earnings, and thus strengthening equity, we were able to generate a non-recurring effect of € 9.5 million relevant to earnings in the context of project developments. Despite our clear focus on the online tyre business in Europe, we are taking advantage of such opportunities as they arise to strengthen and recover our company.

In the past fiscal year, the market environment in the core business continued to be characterized by consolidation. In addition, the Corona pandemic and the associated restrictions for consumers due to lockdowns did not leave the European replacement tyre market unscathed. In Germany, sales of replacement passenger car tyres are down 10.4 % on the previous year overall, according to industry associations. At the pan-European level, the decline in sales is even more pronounced at 12.1 %. In absolute terms, this corresponds to over 26 million fewer passenger car, 4×4/SUV/offroad, and truck tyres sold by retailers to European consumers in 2020.

We are convinced that, with our product and service portfolio and our market presence, we are still very well placed to further strengthen and expand our position as the European market leader in the online tyre business. The corona pandemic has further driven and accelerated the digitalization trend. Online purchasing offered many consumers worldwide and across all sectors the opportunity to meet their needs for large parts of the year despite temporary retail closures. The pandemic-related strengthening of the Internet as a shopping channel and the reduction of fear of digital technologies on the part of many consumers will not prove to be one-off effects, but rather a lasting development trend. For this reason, we expect the willingness to buy tyres online to increase further in the coming years.

In order to position Delticom for the future again, and to exploit the market potential in our core business as best as possible over the next few years with a high level of innovation, we optimized our organizational structure last year. This new structure and the associated change in the allocation of business within the Managing Board prompted Delticom AG's Supervisory Board to expand the Managing Board by Alexander Eichler last year and by Torsten Pötzsch at the start of the current year. With these two additions, Delticom AG's management has been strengthened in key business areas by experienced heads from the E-Commerce environment.

Already in the past financial year, our central objective was to achieve a significant improvement in profitability. For the year as a whole, we generated sales of € 541.3 million (previous year: € 625.8 million). An amount of € 30.0 million of the lower sales is attributable to the discontinuation of non-core operations. Adjusted for this effect, there was a decrease of € 54.5 million (-9.2 %). This is due, among other things, to COVID 19 effects, particularly in Southern Europe, and to our strategic focus on profitability. As a result, we fell slightly short by 1.6 % of our forecast for sales at the lower end of the range of € 550 million to € 570 million stated at the beginning of 2020.

Despite slightly lower sales compared to the forecast, our EBITDA guidance has been confirmed. At the beginning of December, we had again revised our estimate upwards and indicated a range of € 14 to 17 million. At € 15.0 million, we clearly achieved this targeted corridor. Finally, restructuring costs of € 6.7 million were slightly lower than the anticiptated amount of € 7 million. The positive earnings development shows that our consistent focus on profitability is beginning to bear fruit.

Consolidated net profit amounted to € 6.9 million, or € 0.55 per share. Compared to the previous year, with a loss of € 40.8 million, which resulted primarily from special write-downs in connection with the closure of business units, we were able to turn our consolidated net profit for 2020 positive for the year as a whole. The capitalization of deferred taxes is reflected in the balance sheet in the amount of € 5.2 million. The renewed year-on-year reduction in inventories by € 26.1 million (from € 62.9 million to € 36.9 million) is attributable to active working capital management. However, the application of the IFRS 16 standard with regard to long-term rental obligations offset this improvement in the balance sheet by almost the same amount of € 26.1 million. The rental obligations are incurred in connection with the commissioning of a warehouse location.

Despite the positive business development, we will not distribute a dividend for the past fiscal year. This decision is accompanied by the clear objective of strengthening Delticom AG's liquidity, earnings power and equity. The decision not to distribute a dividend is linked to the perspective goal of allowing shareholders to participate in the company's success again in the future. The positive results of 2020 were an important and successful step in this direction.

For the current fiscal year 2021, the Delticom Group expects revenues of between € 550 million and 590 million. EBITDA is forecasted in a range of € 16 to 20 million. The consistent pursuit of our margin and cost targets will be decisive for the earnings development in 2021. If opportunities to increase earnings also arise from project developments this year, we will weigh them up and realize them as best we can in line with our target of increasing profitability. In 2021, we also anticipate special charges in the form of restructuring costs of around €4 million. In the forecast for the current year, we have included our experience with COVID-19 and other possible effects impacting our business operations. The success of the past fiscal year and our clear focus on core activities make us confident of achieving the targets set for 2021. As the European market leader in online tyre retailing, we are able to respond quickly, flexibly, and adaptively to the different situations in the individual countries and changing market conditions. In addition to continuing on our successful path, we continue to focus on increasing liquidity and, in particular, strengthening our equity base. This requires the conclusion of successful follow-up financing for the years from 2022. We are currently working on a corresponding financing solution in close exchange with banks and potential capital providers.

We would like to thank our employees, who, with their high motivation and great commitment, are making a significant contribution to bringing the Delticom Group back on track for success as part of the lane change program.

As in the previous year, we would like to thank you, our shareholders, for the trust you have placed in us in 2020 and thus for supporting us on this journey. We also welcome the new shareholders who have joined us and look forward to the journey together into a future that is as exciting as it is promising.

from left: Andreas Prüfer, Alexander Eichler, Philip von Grolman, Thomas Loock, Torsten Pötzsch, Harald Blania

Hanover, 23rd March 2021

Andreas Prüfer Alexander Eichler Philip v. Grolman Thomas Loock Torsten Pötzsch Harald Blania

** For reasons of better readability, we use only the grammatical masculine in this Annual Report. Nevertheless, this refers to all people regardless of their gender or gender identity.*

Report of the Supervisory Board

Dear Shareholders,

In the 2020 financial year, the Supervisory Board performed the duties incumbent upon it under the law and the Articles of Association with particular intensity - due to the challenges facing the Company - and made the related decisions. The 2020 financial year was characterized by a continued difficult business environment, measures to secure medium-term liquidity and the continuation of a turnaround program to return to profitability on a sustainable basis. In view of these challenges, the Supervisory Board voted and passed resolutions more frequently than usual in 2020. For its analyses, it was able to make full use of the company's internal control system and the reports of the respective functionaries.

We regularly and extensively dealt with the financial, asset and earnings position and the risk management of our company. We obtained reports on all significant factors of influence for the business and the main business transactions. We received monthly written reports from the Executive Board with the scope and content we requested. In addition, 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 regular and weekly telephone calls and meetings between individual members of the Management Board and individual members of the Supervisory Board. In particular, we were always informed promptly and in detail by the Management Board about significant developments in discussions with the lending banks and the turnaround concept.

In justified individual cases, the Supervisory Board called in external experts for advice. We were also always on hand to advise the members of the Board of Management outside the meetings. Urgent decisions were made by written procedure. All resolutions were passed unanimously in the period under review. No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board in the fiscal year.

During the reporting period, Mr Alexander Gebler, Mr Rainer Binder, Mr Michael Thöne-Flöge, Mr Alan Revie and Mr Karl-Otto Lang were members of the Supervisory Board. Mr Rainer Binder was Chairman of the Supervisory Board until 29.02.2020, Mr Alexander Gebler took over the position as of 09.03.2020. Mr Michael ThöneFlöge is Vice Chairman as well as financial expert in the sense of Section § 100 Abs. 5 of the German Stock Corporation Act (AktG). Also, the members of the Supervisory Board as a whole are familiar with the sector in which the company operates. The Supervisory Board has not established any committees in the sense of Section § 100 Abs. 3 of the AktG (German Public Limited Companies Act), because this was considered unnecessary in light of only three Members.

Main topics of Supervisory Board consultation

The Supervisory Board's deliberations focused on the continuation of the insourcing of the company's accounting, the strategic alignment of the company, securing medium-term liquidity, the effects of the ongoing Corona pandemic, and the new appointments of a COO and CSO at the Executive Board level. In view of an increasingly difficult business environment, the Board of Management also continued to work with specialized consultants on the comprehensive turnaround concept for a sustainable return to profitability, increasing profitability and focusing on the core business of "Tires Europe", as well as the associated sustainable implementation measures. Here, too, we have worked closely with the Board of Management and fully support the measures envisaged in the turnaround concept. Among other things, the discontinuation of non-profitable operations was resolved and implemented with the approval of the Supervisory Board. This related in particular to trading in automotive spare parts and lubricants and to the eFood business portfolio. The target is clear: its core business, Delticom should generate positive operating EBIT again as early as 2020.

Meetings and written resolutions of the Supervisory Board

In order to sufficiently due justice to the scope of the issues at hand, in 2020 the Supervisory Board held an extraordinary constituent meeting on March 9, 2020, further extraordinary meetings on February 3, 2020, March 15, 2020, June 8, 2020, July 14, 2020, August 17, 2020 and November 25, 2020, in addition to the four ordinary meetings, as well as numerous weekly conference calls and meetings of the Supervisory Board members with the Chief Financial Officer, the Chief Performance Manager and other external advisors in exercise of its information and audit rights. The aim of these exchanges was to provide ongoing monitoring and information on the Company's liquidity development and its action plans with regard to the turnaround concept.

At our first ordinary meeting on March 24, 2020 (balance sheet meeting), the auditor reported to the Supervisory Board on the key findings of its audit of the 2019 annual financial statements and was available to answer questions from the Supervisory Board. At this meeting, the Supervisory Board dealt with the annual financial statements and management report of Delticom AG as well as the consolidated financial statements and group management report for fiscal year 2019 and approved the annual financial statements and consolidated financial statements. At this meeting, we discussed the possible consequences and effects of the Covid pandemic on the company and the associated possible scenarios for liquidity development. Also discussed were the plans and considerations of the Supervisory Board and the Executive Board for the initially planned Annual General Meeting on May 5, 2020.

At the second ordinary meeting held after the company's Annual General Meeting on July 7, 2020, the Executive Board informed the Supervisory Board about the Group's business performance and measures to increase efficiency in marketing, pricing and warehouse logistics. At this meeting, the Supervisory Board also discussed with the Executive Board the allocation of responsibilities and the organizational structure of the company most recently adopted at the end of June 2020. In this context, the Executive Board's schedule of responsibilities was also adjusted.

At the third ordinary meeting on October 15, 2020, the Management Board reported comprehensively on the status of the turnaround process and the ongoing M&A activities, on the business performance, on its further planning assessment, its outlook for the annual sales to be realized, and the current market assessment. Furthermore, the Supervisory Board dealt in detail with the annual planning for 2020 and the long-term planning and approved the planning and the investment plans for the 2020 financial year. We also discussed the compensation system for the members of the Management Board - based on the report submitted by external consultants Struktur Management Partner GmbH on the appropriateness of the current compensation - and postponed the resolution on this until the beginning of 2021.

At the last ordinary meeting on December 01, 2020, the Executive Board reported to us on the course of business. We were provided with a general market overview and an assessment of the respective Management Board divisions (including Sales eCommerce, Warehouse/Logistics, Finance). We also discussed and approved the Managing Board's medium-term and investment planning for Delticom AG. At the same meeting, we took note of information on the status of the preparation of a risk report, as well as the fact that an external consulting firm has been commissioned to review the existing risk management system (RMS) and make adjustments in line with legal requirements. A presentation of the final risk report was postponed until early 2021. At the same meeting , the appointment of a new CSO with effect from January 1, 2021 was announced, and ongoing appointments of two Executive Board members were also extended. Furthermore, the Executive Board was presented with the current status in the areas of compliance and data protection. The internal Compliance Management System (CMS) was named by the Supervisory Board as one of the main topics for the current annual audit and a separate assessment by the auditor was commissioned, also the results of the Supervisory Board's efficiency review were communicated.

In addition, 5 resolutions were adopted by written procedure.

These related to:

- Consent to the future conclusion of a consultancy agreement, the scope of which includes free consultancy services provided by Mr. Rainer Binder to the Company (Jan. 13, 2020)
- Consent to the commissioning of a recruitment agency for the purpose of filling the position of CSO/COO (Jan. 20, 2020)
- the approval of the extension of the appointment of Mr. Thomas Loock, CFO (Feb. 28, 2020)
- a clarifying statement on the reading and application of the contractually stipulated calculation formula of the Executive Board compensation system (April 9, 2020)
- Approval of the commissioning of PricewaterhouseCoopers GmbH Wirtschafts-prüfungsgesell-schaft, Hanover, with the audit review of the 2020 half-year financial statements of Delticom AG (12.08.2020)

Corporate Governance

On March 31, 2020, together with the Managing Board, we issued a declaration of conformity with the recommendations of the Government Commission for the German Corporate Governance Code within the meaning of Section 161 of the *AktG* and made this declaration permanently available on Delticom AG's website (www.delti.com/CG). The declaration of conformity is updated annually after the Supervisory Board's balance sheet meeting, otherwise as required. We approved this update on March 31, 2020 (see above).

Audit of annual and consolidated financial statements

In the presence of the auditor, the Supervisory Board dealt intensively with the annual financial statement documents and audit reports for the 2020 financial year, 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), both as at 31.12.2020, as well as the management report for the Company and the Group and the dependent company report for the 2020 financial year. representatives of the auditor reported on the main results of the audits and were available to the Supervisory Board for additional information.

The auditor's reports, the annual financial statements prepared by the Managing Board, the dependent company report and the management report for Delticom AG and the Group for fiscal year 2020 were submitted to us in good time, thus providing us with sufficient opportunity to review them. The auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, had previously audited the financial statements. There are no doubts as to the independence of the auditor.

In the opinion of the auditor, the annual financial statements and the consolidated financial statements for the 2020 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 regulations; the audit of the dependent company report for the 2019 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 report on the dependent company report reads as follows: "Having duly examined and assessed the report in accordance with professional standards, we confirm that the factual information contained in the report is correct and that the consideration paid by the Company for the transactions listed in the report was not inappropriately high or that disadvantages were compensated."

In addition, the auditors determined in the course of their assessment of the risk management system that the Management Board had taken the measures required by Section 91 (2) of the German Stock Corporation Act (*AktG*) to identify risks that could jeopardise the continued existence of the company at an early stage.

After our own examination of the annual financial statements, the consolidated financial statements, the management report, the Group management report and the dependent company report, each for the 2020 financial year, we fully concurred with the auditor's report. On 23.03.2021, the Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2020 financial year. The annual financial statements of Delticom AG are thus adopted.

Personnel changes in the Supervisory Board and Management Board

There were two personnel changes on the Supervisory Board in 2020: As of February 29, 2020, Mr. Rainer Binder, until then Chairman of the Supervisory Board, resigned from his position as Chairman and member of the Supervisory Board for personal reasons. Mr. Binder is a co-founder and indirect major shareholder of Delticom AG. He continued to be available to the company as an advisor. The Supervisory Board would like to thank Mr. Binder for the constructive contribution he made to the work of the Supervisory Board. The Hanover Local Court appointed Mr. Alexander Gebler as his successor on 05.03.2020. On July 7, 2020, the Company's Annual General Meeting elected Mr. Alexander Gebler to the Supervisory Board for the period from the end of this Annual General Meeting until the end of the Annual General Meeting that resolves on his discharge for the fourth fiscal year after the beginning of his term of office, not including the fiscal year in which his term of office begins.

Mr. Alan Revie has also resigned as a member of the Supervisory Board with effect from February 29, 2020, as he wishes to end his professional activities for reasons of age. The Supervisory Board would also like to thank Mr. Revie for his many years of service on the Supervisory Board and the good and successful cooperation. The Hanover Local Court appointed Mr. Karl-Otto Lang as his successor on March 05, 2020. On July 7, 2020, the Company's Annual General Meeting elected Mr. Karl-Otto Lang to the Supervisory Board for the period from the end of this Annual General Meeting until the end of the Annual General Meeting resolving on his discharge for the fourth fiscal year after the beginning of his term of office, not including the fiscal year in which his term of office begins.

In the 2020 reporting year, the Supervisory Board also approved important personnel decisions at Executive Board level and extended current mandates.

On February 28, 2020 the mandate of CFO Thomas Loock was extended prematurely until the end of August 14, 2025.

On May 13, 2020, the Supervisory Board appointed Mr. Alexander Eichler as a member of the Executive Board/Chief Operating Officer of the Company with effect from June 1, 2020 until the end of May 30, 2021 and extended the appointment ahead of schedule with effect from June 1, 2021 until the end of May 31, 2024 by resolution of December 1, 2020.

The resignation of the long-standing Executive Board member, Ms. Susann Dörsel-Müller, was approved by resolution of the Supervisory Board of the Company on June 08, 2020. The Supervisory Board would like to thank Ms. Dörsel-Müller for her many years of service to the Company and her significant contribution to the successful development of the e-commerce business and the establishment of the Company as the European market leader in its sector.

Likewise, on July 14, 2020, the mandate of the long-standing member of the Management Board, Philip von Grolman, was prematurely extended with effect from August 9, 2020 until the end of December 31, 2021.

On August 14, 2020, the Supervisory Board appointed Dr. Harald Blania as a member of the Executive Board/Chief Performance Manager of the Company with effect from August 14, 2020, initially until the end of February 28, 2021, and with an extension resolution on February 3, 2021, until the end of March 31, 2021. In the opinion of the Supervisory Board, Dr. Blania has done an excellent job as Chief Performance Manager (CPM) of the Company since January 2020, in particular with regard to managing the liquidity crisis and the turnaround process.

On November 25, 2020, the Supervisory Board appointed Mr. Torsten Pötzsch as a member of the Executive Board/Chief Sales Officer of the Company with effect from January 1, 2021 until the end of December 31, 2021.

On December 01, 2020, the Supervisory Board prematurely extended the appointment of Dr. Andreas Prüfer as a member of the Board of Management with effect from January 01, 2021 until the end of December 31, 2021.

The Supervisory Board would like to thank the Management Board and all employees for their excellent work in the past year. In a difficult market environment, they have bravely taken on the challenges of increasing the company's profitability and guiding Delticom AG to sustained profitability. We are confident that we will master this together.

Hanover, 23.03.2021

Alexander Gebler

(Chairman of the Supervisory Board)

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2020 at € 5.96.

Development of the stock markets

2020 stock market

Despite the Corona crisis, the German stock market closed 2020 with an overall positive performance. After the rapid spread of the COVID-19 pandemic led to worldwide public and economic lockdowns in the first quarter, which caused, among other things, significantly reduced corporate profits and a slump in the oil price, the global capital market plunged into a crisis in the spring of 2020. After the DAX lost a maximum of 36 % compared to the closing price of the previous year, interim easing of national lockdowns, expansive monetary and fiscal policies worldwide, the prospect of Corona vaccines, the Brexit agreement and Joe Biden's election victory in the USA, among other things, led to rising optimism on the stock markets as the year progressed. As a result, many indices reached new highs and the German DAX (+3.5 %), MDAX (+8.8 %), SDAX (+18.0 %) and TecDAX (+6.6 %) indices also closed 2020 on a significantly positive note compared to their year-end levels on 30 December 2019. The DAX started the year at 13,386 points. The DAX reached its high of 13,790 points on 28.12.2020. On 18.03.2020 it marked a low at 8,442 points. It closed the year at 13,719 points, an overall rise of 333 points or 2.5 %.

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 2020 over the course of the year.

DEX performance

After beginning the year at € 4.56, DEX reached an annual low on 05.08.2020 at € 2.10. The shares' annual high was recorded on 14.12.2020 at € 6.20. DEX closed the year on € 5.96. In the course of 2020 the market capitalisation of DEX increased from € 56.7 million to € 74.3 million.

Share performance 2020

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 € 0.55 (2019: € –3.27). Diluted earnings per share are € 0.55 (previous year: € –3.27).

The calculation of the earnings per share was based on net income after taxes totalling € 6,870,032.55 (previous year: € –40,780,477.72) and the weighted average number of shares outstanding during the fiscal year totalling 12,463,331 shares (previous year: 12,463,331 shares).

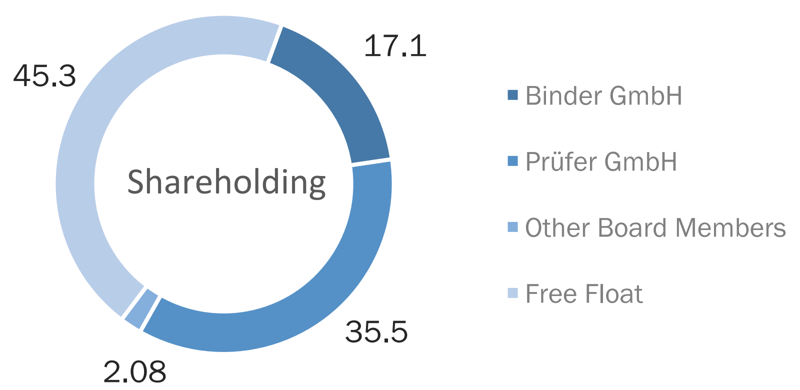
Despite last year's positive earnings growth, no dividend will be paid for fiscal year 2020. This decision is accompanied by the clear objective of strengthening Delticom AG's liquidity, earnings power and equity.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2020.

Shareholder structure

Shareholding in % of the 12,463,331 shares outstanding, as of 31.12.2020



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2020, Andreas Prüfer as Board Member and Rainer Binder as Chairman of the Supervisory Board (until 29.02.2020) held more than 50 % of the outstanding shares.

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

Coverage

In total 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 11.03.2021):

- Daniel Kukalj, Quirin Privatbank (Buy)
- Jürgen Pieper, Bankhaus Metzler (Buy)

Investor relations activities

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

In 2020, the Management Board presented business developments and strategy of the company during the yearly analyst conference on the occasion of the German Equity Forum, at the Hamburg Investor's Day as well as in the course of the capital market conference Family Office Day and a virtual roadshow. Furthermore, we had many one-on-one talks with investors.

The internet is an important part of financial communications. On [?] we offer annual reports, quarterly corporate news as well as investor and analyst presentation for download.

The investor relations department gladly answers any further questions:

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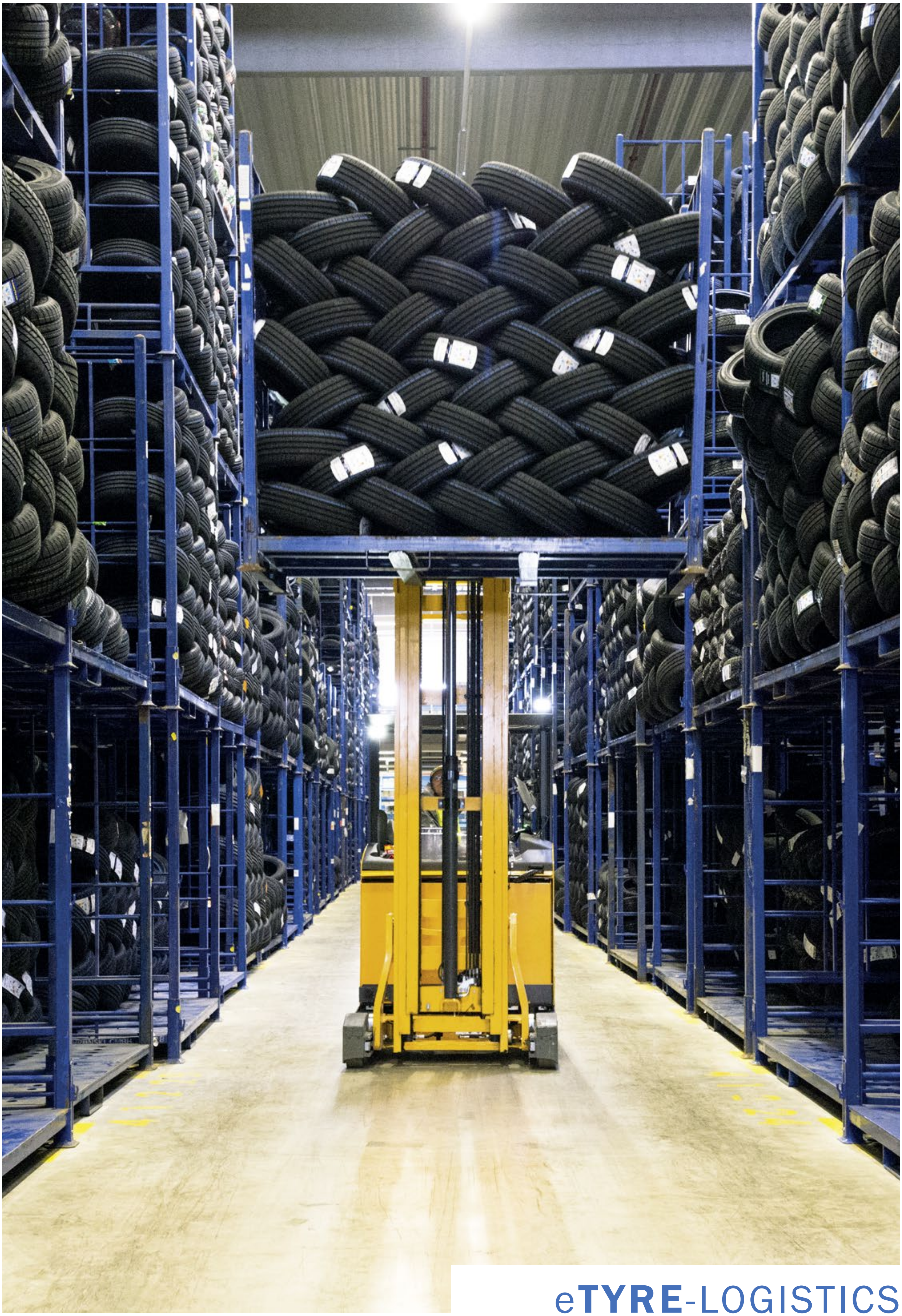
Phone: +49 511 93634-8903
E-Mail: melanie.becker@delti.com

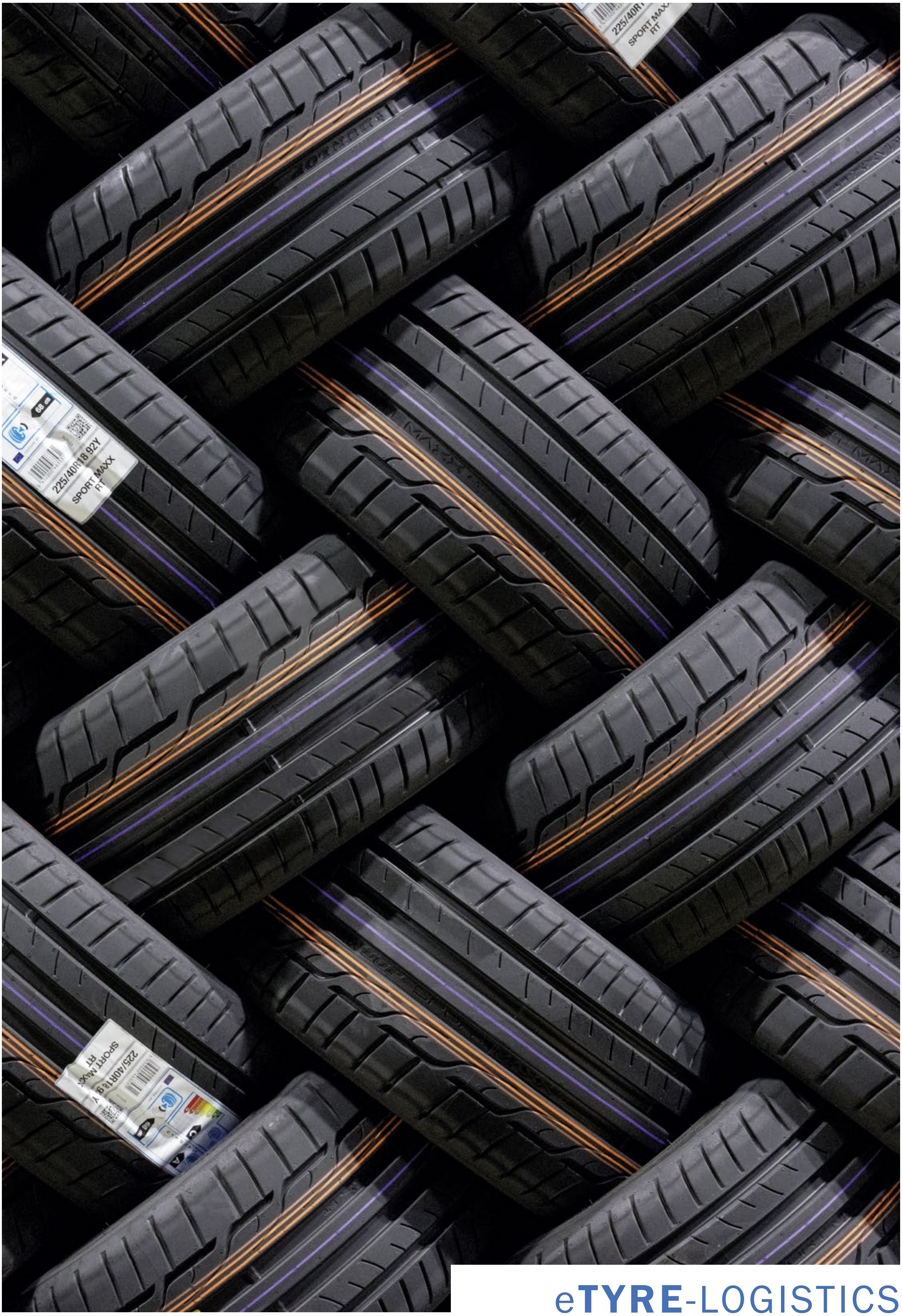
Stock key information

		01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Number of shares	shares	12,463,331	12,463,331
Share price on first trading day[1]	€	4.56	7.42
Share price on last trading day of the period[1]	€	5.96	4.55
Share performance[1]	%	+30,7	-38.7
Share price high/low[1]	€	6,2 / 2,1	7,62 / 2,58
Market capitalisation[2]	€ million	74.3	56.7
Average trading volume per day (XETRA)	shares	12,412	8,896
EPS (undiluted)	€	0.55	-3.27
EPS (diluted)	€	0.55	-3.27

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



eTYRE-LOGISTICS



eTYRE-LOGISTICS

eTYRE-LOGISTICS

Combined Management Report of Delticom AG

Content

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 410 online shops and online distribution platforms in 74 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.

Refocusing on the core business

Against the background of a tense earnings and liquidity situation, Delticom AG has initiated a restructuring process in the middle of 2019, which resulted in a restructuring agreement with the financing banks in December of the same year.

At the heart of the restructuring concept is the refocusing on the core business – the online trade with tyres and complete wheels in Europe. As a consequence, it was decided in 2019 to discontinue unprofitable business areas and to initiate appropriate closure measures (hereinafter called deinvestment). The operating business of All you need GmbH was already discontinued at the end of 2019. The business of Gourmondo Food GmbH, as well as the online trade in automotive spare parts, has been completely discontinued by the end of the first quarter of 2020. At the end of the past fiscal year, online trading in used vehicles in France was also terminated. With this restructuring process, the company's aim is to put Delticom back on a sustainably profitable growth path. The measures taken across all business units to reduce costs, optimize processes and increase efficiency had a sustained impact in the past fiscal year.

The discontinuation of unprofitable business units in connection with the restructuring and refocusing on the core business led to a decraese in revenues of around € 30 million in 2020 compared to the previous year. In addition, the full-year result was burdened by restructuring costs in the amount of € 6.7 million (2019: € 3.5 million).

Organisation

During the period under review on average 196 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 12 domestic and 9 foreign subsidiaries are included in the consolidated financial statements as of 31.12.2020 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*.

Delticom AG merged Mobile Mech GmbH, Deltiparts GmbH and DeltiStorage GmbH into Delticom AG in fiscal year 2020.

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 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 240 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 1.8 % year-on-year, which represents total growth of around 4 million passenger vehicles. In contrast to the previous year, the passenger car fleet for the United Kingdom will no longer be managed within the European Union following its withdrawal.

The average age of vehicles in Europe is just under 11 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. A trend towards all-season tyres is discernible due to the continuously changing conditions.

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 case of using non-permitted tyres, the vehicle owner will now be held responsible in addition to the driver if he or she permits or even instructs that the vehicle is driven without/with non-permitted winter tyres in snow or black ice conditions.

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

EU tyre labelling

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. Both in 2019 and at the beginning of the past year, various providers in Europe closed their online shops.

Thanks to its multi-shop approach, Delticom can meet the individual requirements of different buyer groups in the best possible way, and can 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 74 countries.

Streamlined value chain

We focus on online trading and maintain a tightly-knit network of around 38,000 professional fitting partners who stand ready to change our customers' tyres on request.

A streamlined and scalable value chain has been created by largely automated business processes. Our 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 37 % 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 2020.

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 more than 38,000 service partners that take customer requirements in terms of tyre changes into full consideration.

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

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, around 16 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 around 16 million customers have made purchases in our online shops (previous year: 14.9 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: More than 600 tyre brands and around 18,000 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 global fitting partner network and hotlines catering for the different languages.

The group offers its product range in 74 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, focusing mainly on the USA.

Employees

177 employees

As of 31.12.2020, the Delticom group had a total of 177 employees (including trainees). The decrease in the number of employees compared to the previous year (2019: 242) is the result of the discontinuation of businesses, which were gradually accompanied by a corresponding reduction in staff within the Delticom group. For the year as a whole, the average number of 196 employees worked for the company (previous year: 261). 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 5 young people completed their apprenticeships in our company in the 2020 financial year. A total of 3 trainees were employed as of the end of 2020 (previous year: 8).

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."

Compensation System

The Supervisory Board is responsible for determining the structure of the compensation system as well as the compensation of the individual members of the Management Board. The Supervisory Board reviews the appropriateness of the compensation system on a regular basis. In its meeting on 20.03.2012, the Supervisory Board of Delticom decided to adopt a system for compensation of the members of the Management Board of Delticom AG, one which satisfies the requirements of the Act on the Appropriateness of Management Board Compensation (VorstAG). The Annual General Meeting on 30.04.2012 approved this new compensation system. The Management Board’s remuneration comprises three components:

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

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

The performance-related salary components for the members of the Managing Board are based on the Delticom Group's revenues and operating profit. In order to align the remuneration structure with the sustainable development of the company, payment is spread over a longer period of time. These remuneration components are subject to a bonus/malus system geared to sustainability. As in the previous year, none of the members of the board were granted advances on their salaries or given loans during 2020.

Stock options

Taking into account the requirements contained in the resolution of the company's Annual General Meeting on 29.04.2014 regarding the main characteristics of the Stock Option Plan 2014, the company's Supervisory Board resolved on 28.12.2016 to invite the members of the company's Management Board to subscribe up to 135.000 no-par value shares in multiple tranches. On 05.01.2017, the Supervisory Board of Delticom AG resolved to issue the first tranche of the option rights for the subscription of new no-par value registered shares in the company equally among the members of the company's Management Board Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer at that time.

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

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

The vesting period for all stock options is four years beginning on the respective issue date. In addition, exercise is only possible when a so-called "performance target" is reached. The stock options are therefore not yet exercisable at present. The option rights each have a maximum term of ten years from the date on which the respective option right arises.

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

The General Meeting on August 12, 2019 authorized the Supervisory Board to grant option rights to subscribe a total of up to 150,000 new, no-par value registered shares of the company to members of Delticom AG's Managing Board up to August 11, 2024, on one or several occasions or - to the extent that issued option rights expire or otherwise expire - repeatedly (Stock Option Plan I/2019). The conditions correspond to those of the 2014 stock option plan. No stock options were issued to members of the Managing Board in fiscal year 2020.

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

Corporate Governance Statement

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

Company Management and Strategy

Delticom Group is one of the leading e-commerce companies in Europe in its market. Our customers benefit from a broad range of products and services at optimum prices. The focus of our distribution operations is the online sale of tyres and complete wheels. The company solely sells online. We deliver goods from our own inventories and third party tyre warehouses. Revenues and EBITDA are key management indicators.

Management by Objectives

Financial objectives

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

- Revenues and revenue growth are reported for the Group as a whole. During the year, current sales and revenues are compared against the short term and medium term targets.
- Divisional managers and shop managers steer their business according to unit sales, revenues and costs directly attributable to sales, like transportation costs, stocking costs and marketing costs. Target agreements are also based on quarterly and yearly contribution margins.

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

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 2020 the number of 1,005 thousand new customers was lower than in 2019 (1,339 thousand). Nevertheless, the company has exceeded its target formulated at the beginning of the year of convincing more than 1 million new customers of its products and value-for-money offerings in the year under review. In addition, customers who come back contribute to the success of the business. In the past year 570 thousand of those customers (2019: 701 thousand) made repeat purchases at Delticom. Since the company was founded more than 15.9 million customers have made purchases in our online shops.

Ability to deliver

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

Order processing

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

Efficient warehouse handling

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

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

Strategy

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

Sustainable and profitable growth

The market volume in the European replacement tyre trade amounts to more than € 10 billion annually, the online share is currently around 13 %. Delticom is the clear market leader with online revenues of more than half a billion € per year in its core 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 remain as independent as possible from external capital providers in the future we have established a corporate treasury function, tasked with the day-to-day liquidity management. The treasury department uses a comprehensive set of instruments for liquidity management.

Reliable partners

Improving our already good relationships to our partners is important to us. Over the past years dependable business ties have been established with manufacturers and wholesalers both in Germany and abroad. Reliable, longstanding parcel services deliver the goods in a timely and cost effective manner. Delticom's customers can access a network of 38,000 of fitting partners who stand ready to mount the tyres. Hotline services and parts of order processing have been outsourced to operation centres.

Research and Development

Proprietary software

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

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

Report on economic position

Restructuring

Against the backdrop of a strained earnings and liquidity situation, Delticom initiated a restructuring process in mid-2019, which culminated in a restructuring agreement with the financiers in December of the same year. The restructuring concept focused on refocusing on the core business of tyres in Europe. The goal of a sustainable increase in profitability within the Delticom Group was accompanied by the decision to close unprofitable divisions. All you need GmbH was already closed in the 2019 financial year. Furthermore, the value adjustments required in connection with the closure and discontinuation of activities outside the core business had already been made as part of the 2019 consolidated financial statements. In March 2020, following the sale of the remaining inventories, both the online trade in automotive spare parts and gourmet foods were discontinued. At the end of the past financial year, online trading in used cars in France was also discontinued. The company thus largely discontinued its non-core activities outside the tyre business in the past financial year. We will continue to pursue our business in the USA in the future. With the investments made over the past few years, we have succeeded in making our business in the USA profitable. The regular exchange between the business managers in the USA and Europe, primarily in the areas of marketing and sales, is helpful for both sides and creates corresponding synergies. The continuation of the US business will not have a negative impact on Delticom Group's earnings.

General conditions in 2020

The global economy was significantly impacted by COVID-19 in 2020. Many countries had to impose comprehensive measures and restrictions to contain the infection, especially from March onwards, in order to relieve the burden on local health systems. The accompanying restrictions resulted in a drastic slump in global economic activity. In the third quarter, against the backdrop of the gradual easing, the global economy was able to recover a good part of the corona-related declines in production levels suffered in the first half of 2020. However, particularly in the advanced economies, in view of a second wave of infection, more comprehensive measures to restrict social and economic activity were again adopted and promptly implemented from autumn onwards, which again dampened the economic recovery in the final quarter. Accordingly, the experts of the Kiel Institute for the World Economy (IfW) expect a decline in global gross domestic product of 3.8 % for the past year.

Macroeconomic development

Europe

The Corona pandemic also shaped economic events in the euro area in the past year. The containment measures of the member states led to a deep recession in the first half of 2020. Depending on the respective infection events, the significance of the economic sectors strongly affected by the crisis and the integration of the respective national economies into the global value chains, the economic development in the individual member states was uneven. With declining infection figures and the accompanying gradual easing, an economic recovery began in the summer, which was reflected in a significant increase in gross domestic product in the third quarter. In late summer, however, infection figures began to rise again significantly in the currency area. In many places, this resulted in a renewed tightening of measures to restrict social contacts. In its December forecast for the euro area, the IfW expects gross domestic product to decline by 7.2 % in the past year.

Germany

The Corona crisis also left its mark on domestic economic activity in the past year. After a massive slump in economic activity in March and April, there was a strong recovery in the wake of the easing of the pandemic situation. In November, however, in view of the accelerated increase in the number of infections, large parts of the hospitality industry and the contact-intensive entertainment sectors were closed. From mid-December onwards, the shutdown measures were tightened again due to persistently high infection rates and, with the exception of the vital sectors, all stationary retail outlets and contact-intensive service industries were closed. This did not remain without consequence for the domestic labour market. Thus, the IfW expects unemployment to rise by around 450,000 people in 2020. Overall, in their December forecast for the past year, the experts anticipate a decline in German gross domestic product of 5.2 %.

Sectoral developments

E-Commerce

According to the Global Digital Report 2021, around 60% of the world's population already uses the Internet. However, Internet penetration and thus the number of online buyers is still very uneven worldwide and in Europe - Delticom's core market. In Northern Europe, Internet penetration is currently at 95 %, in Western Europe at 93 %. While 83 % of Internet users in Western Europe have already made purchases online, the figure in Northern Europe is 79 %. In Central Europe, penetration is also already comparatively high at 85 % and an e-shopper share of 69 %. Southern and Eastern Europe are still lagging behind in terms of Internet penetration and online shopping (e-shoppers): while Southern Europe has 82 % and 55 % (e-shoppers), Eastern Europe currently brings up the rear with 76 % and 36 % (e-shoppers).

The Internet as a sales channel is enjoying steadily growing popularity. Experts estimate that European e-commerce generated revenues of € 717 billion in the past financial year. This corresponds to an increase of 12.7 %. In Germany, too, online retailing has further gained in importance against the backdrop of the Corona pandemic. According to the German E-Commerce and Mail Order Association (bevh), more than one in eight euros of household spending in Germany was spent on e-commerce goods in 2020. The domestic industry was able to increase revenues by 14.6 % to € 83.3 billion in the past fiscal year. This is 3.3 percentage points higher than the growth average of 11.3 % in the previous three years. In a recent e-commerce consumer study commissioned by the bevh, four out of ten online customers also stated that they now buy from distance retailers more than once a week. Almost three out of four online shoppers want to order more or just as much online in the future. A year ago, only just over one in two customers expressed this intention.

Replacement tyre business

The Corona pandemic and the associated restriction of mobility did not remain without consequences for the demand for replacement tyres last year. According to the German Rubber Industry Association (WdK) and the European Tyre and Rubber Manufacturers' Association (ETRMA), 10.4 % fewer replacement tyres were sold to consumers in Germany last year. Looking at the European replacement tyre market, the ETRMA figures also show a downward trend in sales. In the largest sub-segment by volume, 12.1 % less consumer tyres (passenger, SUV and light truck tyres) were sold over the year as a whole. In absolute terms, this corresponds to a decline of more than 26 million units.

Summer tyre sales

Due to cold temperatures in the last decade of March, the start of the summer season in the classic replacement countries was delayed by a few weeks and thus into the second quarter. In addition, the shutdown decisions of various European countries led to weaker demand for replacement tyres. Although workshops and tyre dealers in this country were also open during the first lockdown, demand for passenger car summer tyres was 23.3 % lower in the first half of 2020 than in the previous year. Even in the following months, it was not possible to make up for the significant decline in sales. According to estimates by market experts, sales of summer tyres in the German tyre trade for the year as a whole are 10.9 % below the previous year. The trend towards all-season tyres continued last year. Against the background of an increase in sales of around 13 %, the cumulative demand for summer and all-season tyres was 7.3 % lower than in 2019.

Winter tyre business

With the colder temperatures at the end of September, the winter tyre season gained momentum. However, the weather remained unusually mild and dry in many places until well into November. Only at the beginning of the last decade of November did ex-hurricane "Eta" bring about a change in the weather situation and put an end to the mild temperatures, which finally resulted in a corresponding seasonal peak. The significant increase in the number of infections from autumn onwards led to a gradual tightening of the Corona measures in Germany in the course of the fourth quarter. The German Rubber Industry Association (Wirtschaftsverband der deutschen Kautschukindustrie, WdK) and the manufacturers' association ETRMA estimate that the German tyre trade sold a total of 14.6 % fewer winter tyres to consumers last year.

Business performance and earnings situation

Restructuring

The focus of the business orientation last year was on increasing profitability in the core business Tyres Europe in order to sustainably secure the long-term success of the company. At the end of the 2019 financial year, it was already decided to discontinue the unprofitable business areas within the Delticom Group and, as a first step, the operating business of All you need GmbH was stopped. Following the sale of inventories, both the online trade in automotive spare parts and the business of Gourmondo Food GmbH were also discontinued in March 2020. With the discontinuation of online used car sales in France at the end of the past financial year, the company has now withdrawn from almost all peripheral activities outside its core business. We will continue to operate our business in the USA in the future. As the business in the United States is operating profitably, the continuation of the US business will not have a negative impact on Delticom Group's earnings.

Revenues

Group

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

Over the course of 2020, Delticom group generated revenues of € 541.3 million, a decrease of 13.5 % from prior-year's € 625.8 million. The discontinuation of unprofitable business areas led to a decline in revenues of around € 30 million compared to the previous year. Revenues in the core business in the past financial year is 9 % behind the previous year. The pandemic-related restrictions at the relevant times of the season in the European core markets in both the summer and winter business and the overall reduced mobility led to a significant decline in demand for replacement tyres in Europe last year. Our business performance is not completely independent of the underlying market development. Notwithstanding this, we assume that those tyre buyers who were unable to postpone the purchase of replacement tyres last year increasingly took advantage of online tyre purchasing. Accordingly, it is not possible to look at the corona effect in sales in isolation. Our focus on profitability last year was accompanied by the objective of generating sufficiently profitable revenues.

Regional split

The group offers its product range in 74 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 387.9 million (2019:

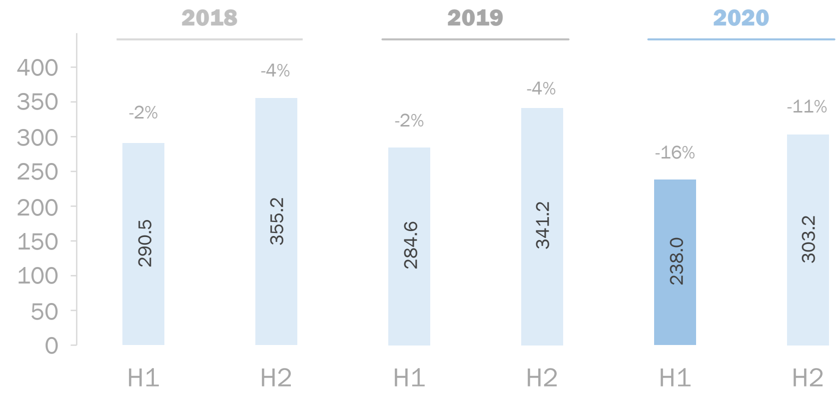
€ 463.0 million, –16.2 %). The revenues decline due to the closure of unprofitable business areas has a corresponding effect here. Operations in Europe are not restricted to EU member states but also include European non-EU countries and the USA. Across all countries outside the EU the revenue contribution for 2020 was € 153.4 million (2019: € 162.7 million, –5.7 %).

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, Delticom Group recorded total revenues of € 93.0 million (Q1 2019: € 122.2 million, –23.9 %). In Q1 2020, weather-related shifting effects in particular had an impact on sales in the core business. A mild winter compared to the previous year and correspondingly lower demand for winter tyres at the beginning of the year were followed by cold temperatures in the last decade of March, which delayed the start of the summer season in the classic conversion countries by a few weeks and thus into the second quarter. The lockdown decisions of many European countries and the resulting restrictions on mobility and car use did not remain without consequences for European replacement tyre demand in the second quarter. Second quarter revenues of € 145.0 million were 10.7 % lower than the same period last year (Q2 2019: € 162.4 million). For the six-month period, the company generated revenues of € 238.0 million, a decrease of 16.4 % (H1 2019: € 284.6 million). The closure of non-profitable business units resulted in a decline in revenues of € 15 million during the first half of the year.

2nd half year

In line with the gradual easing of the individual member states, the European replacement tyre market in Europe benefited from a certain catch-up effect in the third quarter. Delticom Group generated revenues of € 117.3 million in Q3 2020 (Q3 2019: € 135.8 million, –13.6 %). In line with the weather and market conditions in relation to the winter tyre business outlined in the section "Sectoral developments", winter tyre sales only reached their seasonal peak in November. Revenues in the final quarter amounted to € 186.0 million, a decrease of 9.5 % compared to the same period of the previous year (Q4 2019: € 205.4 million). At € 303.2 million, H2 2020 revenues came in 11.1 % lower (H2 2019: € 341.2 million). The decline in revenues resulting from the discontinuation of business also amounts to around € 15 million in the second half of the year.

Key expense positions

Cost of goods sold

The largest expense item is cost of goods sold (COGS), in which the purchase prices for the goods sold are recorded. The decrease in the reporting period by 14.7 % from € 490.6 million to € 418.3 million is mainly due to the decline in revenues and the measures taken to increase profitability in the core business. The cost of materials ratio (ratio of cost of materials to revenues) decreased year-on-year in line with the target of margin improvement from 78.4 % to 77.3 %.

Personnel expenses

On 31.12.2020, the group had a total of 177 employees (including trainees). In the reporting period on average 196 staff members were employed at Delticom group (previous year: 261). Personnel expenses amounted to € 14.3 million (2019: € 19.9 million, –28.4 %). The discontinuation of non-core businesses since the end of the 2019 financial year was gradually accompanied by a corresponding reduction in staff within the Delticom Group.

The personnel expenses ratio (staff expenditures as percentage of revenues) amounted to 2.6 % in the past financial year (2019: 3.2 %).

Other operating expenses

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Due to the decline in sales volumes and the measures implemented last year to further improve cost efficiency in the area of transport logistics, transport costs in the reporting period were with € 50.1 million 19.3 % lower than in the same period of the previous year (2019: € 62.2 million).

Rents and overheads

Rents and overheads decreased by 43.3 % in 2020, from € 3.9 million to € 2.2 million. These are primarily operating expenses. The year-on-year decline is mainly due to the closure of unprofitable business areas and the associated renting out of used office space at the respective locations.

Direct warehousing costs

Stocking costs decreased in the reporting period from € 11.0 million to € € 8.7 million (–20.5 %).The decline is due to efficiency improvements in the area of warehouse logistics in our central warehouses and the consolidation of smaller warehouse locations. The ratio of stocking costs against revenues of 1.6 % was below the previous year's level (2019: 1.8 %).

Marketing costs

Marketing expenses in the reporting period amounted to € 18.9 million, after € 28.6 million in the previous year. The significant decline of 34.0 % is the result of comprehensive cost-cutting measures. The efficiency and contribution to earnings of the various marketing channels within the Delticom Group are closely monitored by means of a marketing controlling system newly set up last year, in order to allocate the measures in line with the sales and profitability targets. The marketing expense ratio is 3.5 % of revenues (2019: 4.6 %).

Financial and Legal

Finance and legal expenses amounted to € 12.2 millionin the reporting period, following € 9.3 million in the previous year (+31.4 %). The significant increase is mainly due to legal and consulting costs totalling € 6.7 million in connection with the restructuring of the company. In 2019, legal and consulting costs of € 3.5 million were already incurred from the middle of the year and thus from the beginning of the restructuring course.

Bad debt losses

Bad debt losses amounted to € 4.7 million in the reporting period, compared to € 4.1 million in 2019. The increase of 13.9 % is mainly due to streamlined processes in the area of receivables management and a corona-related general increase in non-payment risk.

Depreciation

Depreciation on property, plant and equipment decreased in the year under review to € 2.1 million (2019: € 11.5 million). In the 2019 annual financial statements, impairments of € 7.9 million had to be recognised in connection with the deinvestment concept.

The amortisation of intangible assets amounted to € 2.2 million (2019: € 19.1 million). The decision to close unprofitable business units in 2019 as part of the restructuring concept resulted the same year in impairment losses of € 14.2 million on the corresponding assets of these business units in preparation for the discontinuation of operations.

Due to the capitalization of the long-term lease for the warehouse location in the border triangle, depreciation and amortization for rights of use according to IFRS 16 increased from € 4.8 million in the previous year to € 5.4 million.

Overall, depreciation and amortisation decreased by 72.7 % from € 35.4 million to € 9.7 million in the reporting period. No material impairment losses were recognized in the fiscal year under review.

Earnings position

Gross margin

The gross margin (trading margin excluding other operating income) came in at 22.7 %, compared with 21.6 % the previous year. In line with its objective to sustainably increase profitability in its core business, the company succeeded in increasing its gross margin in a difficult market environment influenced by Corona.

Other operating income

Other operating income decreased in 2020 by 12.4 % to € 33.0 million (2019: € 37.6 million). In the course of the past financial year, the opportunity arose to realise a profit contribution from project development, which was realised at the end of the reporting year. This contribution to earnings amounts to € 9.5 million. In the previous year, income of € 14.0 million was generated from the participation in an ongoing logistics/property project. The year-on-year decline in other operating income is therefore not attributable to the operating business, in which marketing subsidies, proceeds from transport losses and other income are regularly recognized. In addition, other operating income includes gains from exchange rate differences in the amount of € 3.7 million (2019: € 3.4 million). FX losses have been accounted for as line item in the other operating expenses (2020: € 5.4 million, 2019: € 6.5 million). In the reporting period the balance of FX income and losses totalled € –1.6 million (2019: € –3.1 million).

Gross profit

In the reporting period, gross profit decreased by 9.7 % from € 172.7 million to € 155.9 million compared to the previous year due to the declining revenues development. Gross profit in relation to total income of € 574.2 million (2019: € 663.4 million) amounted to 27.1 % (2019: 26.0 %).

EBITDA

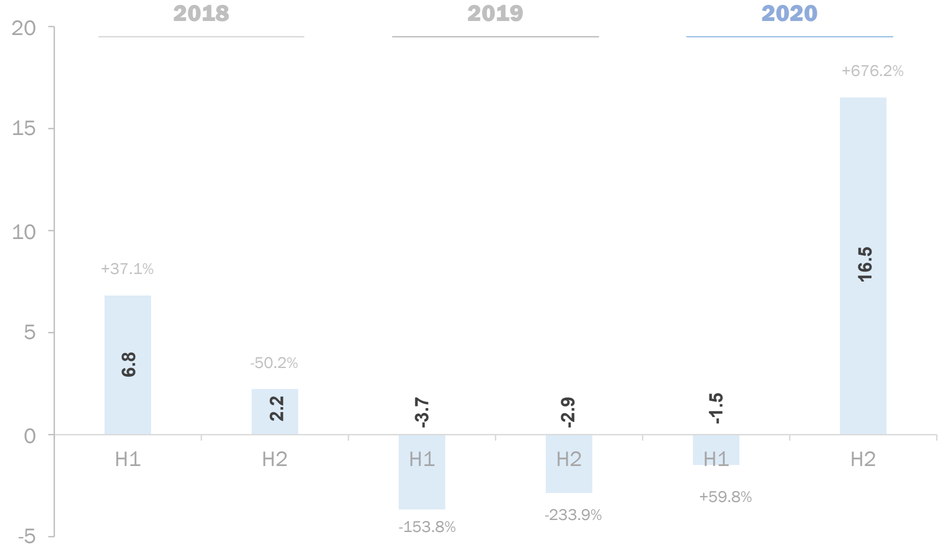
EBITDA for the reporting period increased by 326.6 % from € –6.6 million to € 15.0 million. The EBITDA margin for the fiscal year stood at 2.8 % (2019: –1.1 %). The significant increase in the operating result before depreciation and amortisation in the last year goes hand in hand with the consistent cost management, the focus on the core business and the measures taken there to increase margins and efficiency. The realized contribution to earnings from project developments in the amount of € 9.5 million compensated for both the extraordinary charges from restructuring in the amount of € 6.7 million and the negative EBITDA contributions of the business units closed in the course of the year in the total amount of € 0.5 million that had still accrued up to the discontinuation of operations.

Despite a decline in turnover and extraordinary restructuring charges of € 2.2 million in the first quarter, an improvement in EBITDA was already achieved in the first three months of the past financial year (Q1 2020: € –5.3 million, Q1 2019: € –5.6 million). From the second quarter onwards, both the focus on the core business and the measures to increase profitability had a stronger impact, resulting in a significant improvement in EBITDA (Q2 2020: € 3.8 million, Q2 2019: € 1.9 million, +99.4 %). At half-year level, restructuring costs totalling € 3.9 million had a negative impact on earnings. However, EBITDA generated in H1 2020 stood at € -1.5 million, 59.8 % higher than in the same period of the previous year (H1 2019: € –3.7 million). The EBITDA margin for H1 20 totalled –0.6 % (H1 19: –1.3 %).

In the second half of the year, the future concept and the associated restructuring projects within the Delticom Group were consistently pursued with the result of a further improvement in quarterly EBITDA (Q3 2020: € 3.2 million, Q3 2019: € –4.0 million, +180.3 %). The business in the final quarter did not benefit from higher demand due to the weather. The lockdown decisions of many European countries from autumn onwards also did not remain without consequences for replacement tyre demand. Despite difficult general conditions, EBITDA in the final quarter of € 13.3 million was also significantly higher than in the same quarter of the previous year (Q4 2019: € 1.1 million), in which EBITDA had been significantly burdened by one-off expenses in the amount of € 13.2 million from impairments and € 2.7 million restructuring costs. In H2 2020, EBITDA of € 16.5 million was achieved in total, after € –2.9 million in H2 19 (+676.2 %). Restructuring costs totalling € 2.8 million also burdened the result in the second half of the past fiscal year. The EBITDA margin achieved in H2 2020 was 5.4 %, compared to —0.8 % in the same period of the previous year.

EBITDA

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



EBIT

The EBIT achieved in 2020 amounted to € 5.4 million, after € –42.1 million in the previous year. This corresponds to an EBIT margin of 1.0 % (2019: –6.7 %). In addition to the factors already described as having had a negative impact on earnings in the 2019 financial year, impairments on non-current assets of € 22.1 million were also necessary in connection with the deinvestment concept in the 2019 annual closing. The company has thus largely brought forward the factors affecting earnings from the closure of unprofitable business areas to the 2019 group financial statements. Accordingly, no significant impairments were necessary in the 2020 financial year in connection with the closure of the various business units. With regard to the discontinuation of the used car dealership in France at the end of the year, only intangible assets amounting to € 277 thousand were derecognized. Furthermore, the inventories of the French company were written down by € 148 thousand.The extraordinary factors of restructuring and refocusing, which had a negative impact on earnings last year, were fully compensated for by the extraordinary contribution to earnings from project developments. As a result, the improvement in EBIT last year is largely attributable to the positive development of costs and margins in the core business.

Financial income

Financial income for the reporting period amounted to € 87 thousand (2019: € 86 thousand). Financial expenses raised to € 2.9 million (2019: € 1.5 million). The significant increase is primarily due to the restructuring interest rate, which has been applied to both the credit lines and the existing medium-term loans since the beginning of the restructuring period in mid-2019. The financial result amounted to € –2.8 million (2019: € –1.5 million).

Income taxes

Due to the positive pre-tax earnings (EBT) of € 2.6 million, there is a current expense of € 0.9 million in the item "Taxes on income". The income in 2020 mainly results from the capitalization of deferred taxes on loss carryforwards in the amount of € 5.2 million, which Delticom can use in the future. This results in total tax income of € 4.3 million for 2020. In 2019, the tax income amounted to € 2.7 million.

Net income and dividend

The consolidated net income of € 6.9 million (respectively € 0.55 per share) is significantly higher than in the previous year (2019: € –40.8 million or € –3.27 per share). Delticom AG's earnings relevant for the dividend distribution are also positive at € 3.1 million or € 0.25 per share (2019: € –49.0 million or € –3.93 per share). The group thus succeeded in returning to a positive consolidated result one year earlier than planned in the restructuring plan, despite the difficult market environment caused by Corona. With the measures taken to increase profitability, the company paved the way last year for sustainable profitable growth in its core European tyre business.

Despite the positive earnings performance last year, no dividend will be paid for the 2020 financial year. This decision is accompanied by the clear objective of strengthening Delticom AG's liquidity and earnings power as well as its equity.

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

	2020	%	+%	2019	%	+%	2018	%
Revenues	**541,261**	**100.0**	**-13.5**	**625,755**	**100.0**	**-3.1**	**645,724**	**100.0**
Other operating income	32,956	6.1	-12.4	37,610	6.0	-1.2	38,064	5.9
Total operating income	574,217	106.1	-13.4	663,364	106.0	-3.0	683,788	105.9
Cost of goods sold	-418,329	-77.3	-14.7	-490,643	-78.4	-2.9	-505,100	-78.2
Gross profit	**155,888**	**28.8**	**-9.7**	**172,722**	**27.6**	**-3.3**	**178,688**	**27.7**
Personnel expenses	-14,266	-2.6	-28.4	-19,936	-3.2	25.4	-15,893	-2.5
Other operating expenses	-126,584	-23.4	-20.6	-159,423	-25.5	3.6	-153,829	-23.8
EBITDA	**15,039**	**2.8**	**-326.6**	**-6,637**	**-1.1**	**-174.0**	**8,965**	**1.4**
Depreciation	-9,682	-1.8	-72.7	-35,417	-5.7	350.0	-7,871	-1.2
EBIT	**5,357**	**1.0**	**-112.7**	**-42,054**	**-6.7**	**-3944.3**	**1,094**	**0.2**
Net financial result	-2,767	-0.5	89.5	-1,460	-0.2	118.7	-668	-0.1
EBT	**2,590**	**0.5**	**-106.0**	**-43,514**	**-7.0**	**-10306.5**	**426**	**0.1**
Income taxes	4,280	0.8	56.6	2,734	0.4	-230.0	-2,102	-0.3
Consolidated net income	**6,870**	**1.3**	**-116.8**	**-40,780**	**-6.5**	**2333.4**	**-1,676**	**-0.3**

Overall statement on the earnings position

The market environment in our core business Tyres Europe has been characterized by an ongoing consolidation process in recent years. The associated pressure on margins was not without consequences for many market players. Acquisitions and insolvencies have characterized the European replacement tyre business in recent years. Despite our position as market leader in the European online tyre retail, we were unable to fully escape this trend. Negative earnings contributions from activities outside our core business have had an additional negative impact on earnings at Group level in recent years. Due to a strained earnings and liquidity situation, we initiated the restructuring course in mid-2019. The focus of the concept for the future is on returning to our core business, accompanied by an improvement in the margin and cost situation to sustainably increase profitability. By consistently pursuing our action plans, we succeeded in realigning the Delticom group's core operating business to profitability in a market environment that was difficult due to corona, thus creating the basis for sustainable profitable growth.

Our focus on profitable sales, a sharp drop in demand for replacement tyres in Europe due to Corona and the loss of sales in connection with the discontinuation of unprofitable operations amounting to around € 30 million led to a 13.5 % decline in revenues to € 541.3 million in the past fiscal year (2019: € 625.8 million). The refocusing on the core business accompanied by efficiency increases, margin improvements and cost optimization led to a significant improvement in EBITDA (2020: € 15.0 million, 2019: € –6.6 million, +326.6 %). Net income totalled € 6.9 million, compared with a loss of € 40.8 million in the previous year. Restructuring costs, negative effects from losses of individual subsidiaries and impairment losses in connection with the deinvestment concept have had a significant impact on the company's earnings in 2019. With the achievement of a positive consolidated group result already in the past fiscal year, the company is one year ahead of the restructuring plan in terms of timing. The positive contribution to earnings from project developments fully compensated for the extraordinary restructuring charges. The significant improvement in profitability in the past fiscal year is therefore mainly attributable to our core operating business. With the cost reduction and efficiency enhancement measures achieved last year, we have laid the foundations for returning the company to a sustainably profitable growth course. In a difficult market environment, we systematically implemented our action plans and thus advanced the turnaround faster than originally planned. We seized the opportunity to realize an extraordinary contribution to earnings in order to offset the exceptional charges resulting from the restructuring. The earnings situation is significantly better than we had anticipated at the beginning of the year. Despite the decline in sales, we are satisfied with what we have achieved. In the current year, we will continue to systematically pursue our goal of further improving profitability in the group.

Financial and assets position

The refocusing on the core business, together with the discontinuation of non-profitable business areas and stringent working capital management, led to a significant improvement in profitability in the past fiscal year and to a strengthening of the Delticom group's financial position and net assets as of the balance sheet date 31.12.2020.

Investments

Property, plant and equipment

The investments made in property, plant and equipment in 2020 totalling € 1.1 million (2019: € 4.5 million) mainly relate to replacement and equipment investments in our warehouses.

Intangible Assets

Delticom also invested € 0.5 million in intangible assets (2019: € 2.1 million). The investments made in 2020 largely relate to software.

The total of the investments made in 2020 in the amount of € 1.6 million is thus significantly lower than the previous year's value of € 6.6 million.

Rights of use – IFRS 16

The rights of use from leasing agreements to be accounted for in accordance with IFRS 16 amounted to € 50.4 million on the balance sheet date (31.12.2019: € 24.3 million). The significant increase compared with the previous year is due to the rental of the new warehouse location in the border triangle between Germany, France and Switzerland. Scheduled amortization of rights of use amounting to € 5.4 million was recognized in the reporting period.

Working Capital

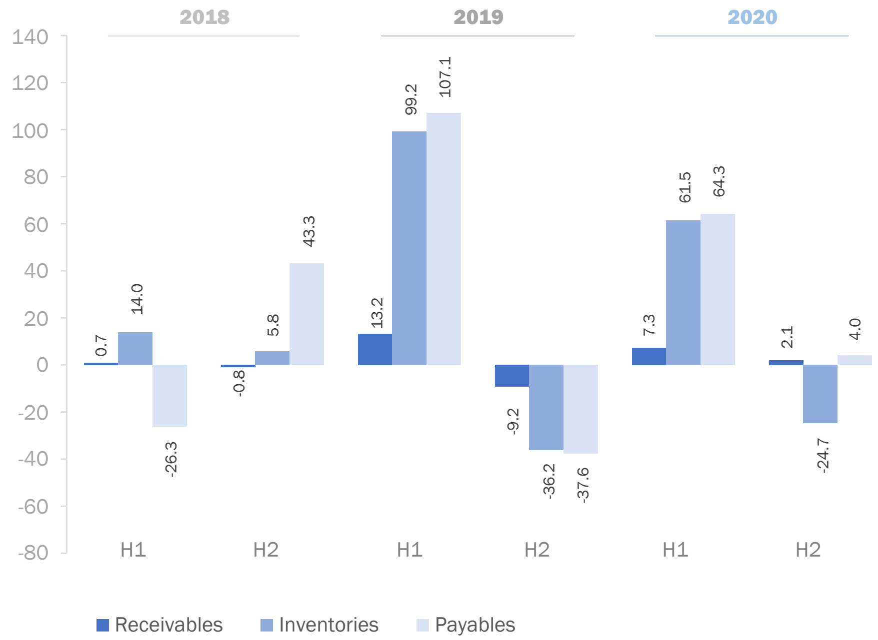
Working Capital

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 € 19.6 million over the course of the year (31.12.2020: € –22.1 million, 31.12.2019: € –2.5 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 - increased from € 4.0 million as of 31.12.2019 to € 9.4 million as of 31.12.2020. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) with 4.5 was lower compared to the previous year (2019: 5.9).

The accounts receivable stood at € 19.1 million on the reporting date (31.12.2019: € 10.5 million). Due to the weather, a higher proportion of winter business was shifted to December compared with the previous year. However, advance payments received from customers were lower at the end of the year at € 5.7 million (31.12.2019: € 6.2 million), as an additional working day was available compared with the previous year to deliver customer orders already paid for before the turn of the year. The liability position of customer credits on the reporting date stood at € 4.0 million (31.12.2019: € 0.3 million). Due to the shift in sales described above, more canceled orders than in the previous year had not yet been repaid to customers at the end of the year.

Inventories

The largest item in current assets is inventories. Against the backdrop of active working capital management, inventories were reduced by € 26.1 million to € 36.9 million over the course of the year (31.12.2019: € 62.9 million).

Due to lower inventory levels during the year and the decline in revenues, average Days Inventory Outstanding for 2020 (DIO, average inventory level divided by average cost of sales) decreased over the course of the past financial year, from 60.2 days in 2019 to 43.7 days in 2020.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. For the purpose of analysis we reduce these payables by the amount credited to suppliers (included in the balance sheet line item other assets). This balance of accounts payable reduced by credit with suppliers was with € 68.3 million slightly lower than the previous year (31.12.2019: € 69.4 million).

Cash flow

Operating cash flow

The cash flow from operating activities was positive and at € 35.9 million significantly higher than in the previous year (2019: € –22.5 million). This development is mainly due to the significant year-on-year increase in EBIT and the development of working capital.

Investing activities

Payments for investments into property, plant and equipment have been € 1.1 million (2019: € 4.5 million). In the reporting period, Delticom also invested € 0.5 million in intangible assets (2019: € 2.1 million). As a result, the cash flow from investment activities totalled € –1.6 million (previous year: € –4.1 million).

Financing activities

In the period under review, the Delticom group recorded cash flow from financing activities totalling € –34.0 million (2019: € 28.5 million). In the course of the year, the company significantly reduced its utilization of credit lines and repaid lease liabilities including rental lease of € 6.6 million in total.

Liquidity according cash flow

The starting point is the liquidity position as of 31.12.2019 amounting to € 5.3 million. The balance of effective changes in cash funds during the reporting period totalled € 0.3 million. On 31.12.2020 liquidity totalled € 5.6 million. The group's net cash position (liquidity less liabilities from current accounts) amounted to € –38.9 million on the balance sheet date. The starting point is the net liquidity less current financial liabilities at the beginning of the year in the amount of € –59.0 million plus the change in cash and cash equivalents by € 0.3 million and the decrease in current financial liabilities by € 19.9 million compared with the prior year balance sheet date. With regard to the reasons for this development, we refer to the explanations in the section *"Balance sheet structure - Current liabilities"*.

Free cash flow

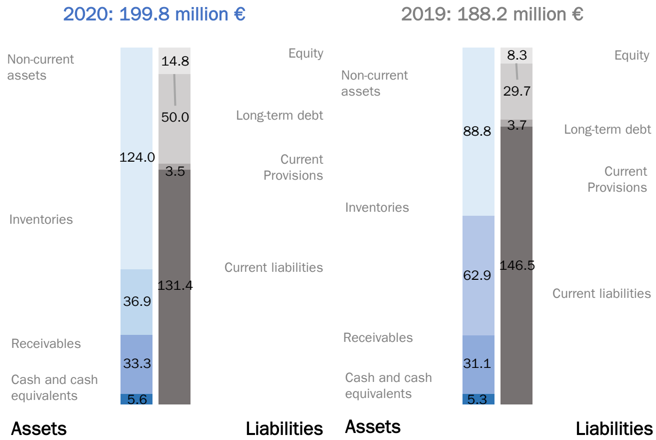
The free cash flow (operating cash flow less cash flow from investing activities) increased from € –26.5 million to € 34.3 million.

Balance sheet structure

As of 31.12.2020 the balance sheet total amounted to € 199.8 million (31.12.2019: € 188.2 million, +6.1 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged Balance Sheet

in thousand €

	31.12.2020	%	+%	31.12.2019	%	30.06.2019	%
Assets							
Non-current assets	124,009	62.1	39.6	88,800	47.2	111,920	43.4
Fixed assets	99,388	49.8	30.2	76,364	40.6	103,693	40.2
Other non-current assets	24,620	12.3	98.0	12,436	6.6	8,227	3.2
Current assets	75,758	37.9	-23.8	99,412	52.8	146,168	56.6
Inventories	36,865	18.5	-41.4	62,950	33.4	99,169	38.4
Receivables	33,258	16.6	6.9	31,123	16.5	43,200	16.7
Liquidity	5,635	2.8	5.5	5,339	2.8	3,799	1.5
Assets	**199,767**	**100.0**	**6.1**	**188,212**	**100.0**	**258,088**	**100.0**
Equity and Liabilities							
Long-term funds	64,816	32.4	70.5	38,021	20.2	67,214	26.0
Equity	14,801	7.4	78.9	8,274	4.4	41,013	15.9
Long-term debt	50,015	25.0	68.1	29,748	15.8	26,200	10.2
Provisions	118	0.1	-69.3	384	0.2	308	0.1
Liabilities	49,611	24.8	70.9	29,030	15.4	25,559	9.9
OtherNonCurrentLiabilities	286	0.1	-14.4	334	0.2	334	0.1
Short-term debt	134,951	67.6	-10.1	150,190	79.8	190,874	74.0
Provisions	3,544	1.8	-4.1	3,694	2.0	822	0.3
Liabilities	131,407	65.8	-10.3	146,496	77.8	190,052	73.6
Equity and Liabilities	**199,767**	**100.0**	**6.1**	**188,212**	**100.0**	**258,088**	**100.0**

Non-current assets

On the assets side, non-current assets increased from € 88.8 million million to € 124.0 million (ex IFRS 16: € 60.5 million). The increase in intangible assets from € 65.9 million to € 90.1 million is mainly due to the capitalization of the rights of use for the newly leased warehouse location in the border triangle.

Property, plant and equipment was depreciated as scheduled and decreased from € 10.4 million by € 1.2 million to € 9.3 million.

Other non-current assets rose by € 11.8 million to € 24.6 million (31.12.2019: € 12.4 million). Deferred tax assets from loss carryforwards increased by € 4.5 million in a closing date comparison. Non-current receivables in connection with project developments amounted to € 11.3 million (31.12.2019: € 4 million).

Inventories The largest item in current assets is inventories. They decreased by € 26.1 million in the reporting period and amounted to only € 36.9 million (previous year: € 62.9 million) at the balance sheet date 31.12.2020. The reasons for the decrease of 41.4 % are presented in detail under Financial Position - Working Capital.

Receivables Trade receivables amounted to € 19.1 million at the end of the year and were thus € 8.6 million or 81.2 % higher than in the previous year (31.12.2019: € 10.5 million). Due to weather conditions, a higher proportion of winter business was shifted to December in the past financial year compared with 2019. Within other current assets of € 14.1 million (2019: € 20.6 million), tax refund claims decreased by 30.4 % from € 4.5 million to € 3.1 million. The decrease in other current receivables from € 15.1 million as of 31.12.2019 to € 10.0 million resulted primarily from receivables in connection with a logistics/property project that were realized in cash in 2020. Current receivables as of the reporting date include an amount of € 5.2 million from project developments, which will become cash-effective in 2021. The total receivables including income tax receivables decreased from € 31.1 million as of 31.12.2019 to € 33.2 million.

Liquidity position Cash and cash equivalents registered net inflows of € 0.3 million. On 31.12.2020 liquidity totalled € 5.6 million (prior year: € 5.3 million). Despite the significant reduction in credit line utilization compared with the previous year, debt remained virtually unchanged at € 185.0 million (2019: € 179.9 million). This results from the capitalization of rights of use in connection with the new warehouse location in the border triangle.

The current assets amounted to € 75.8 million (31.12.2019: € 99.4 million) on the balance sheet date. The decrease by € 23.7 million is primarily due to the reduction in inventories in a closing date comparison.

Current liabilities On the liabilities side of the balance sheet, the short-term credit instruments decreased by € 15.2 million or 10.1 % to € 135.0 million (31.12.2019: € 150.2 million). The reduction is mainly due to the lower utilization of credit lines in a year-on-year comparison.

As part of the € 131.4 million in short-term liabilities as of 31.12.2020, € 68.8 million (31.12.2019: € 69.4 million) were recorded as accounts payable, corresponding to a share of 34.5 % of balance sheet total.

Current liabilities to banks amounted to € 44.5 million at the balance sheet date, a decrease of € 19.9 million compared with the previous year (2019: € 64.3 million). This development is primarily the result of the reduced utilization of credit lines in the reporting date comparison. Residual debt from amortizing loans amounting to € 5.4 million was reclassified from non-current to current financial debt due to a remaining term of less than one year.

In the other current liabilities of € 18.1 million (previous year: € 12.7 million) € 5.7 million are attributable to payments received on account of orders (previous year: € 6.2 million) and € 4.0 million to customer credits (previous year: € 0.3 million).

Long-term liabilities

Non-current liabilities of € 50.0 million (previous year: € 29.7 million) include non-current interest-bearing liabilities of € 49.6 million (31.12.2019: € 28.8 million). The increase of € 20.8 million is mainly associated with the capitalization of the rights of use from the rental lease obligation in connection with the new warehouse location. Non-current liabilities also include non-current provisions of € 0.1 million (31.12.2019: € 0.4 million), other non-current liabilities of € 0.3 million (31.12.2019: € 0.3 million) and deferred tax liabilities of € 0.0 million (31.12.2019: € 0.3 million).

The sum total of non-current and current financial liabilities amounted to € 94.1 million on the reporting date, reflecting an increase of € 1.0 million in a balance sheet date comparison (31.12.2019: € 93.1 million). The share of interest-bearing financial liabilities of the balance sheet total at the reporting date was 47.1 % (31.12.2019: 49.5 %).

Equity and equity ratio

On the liabilities side of the balance sheet the equity position went up by € 6.5 million or 78.9 % from € 8.3 million to € 14.8 million. The increase is mainly attributable to the positive consolidated net income realized in the past fiscal year in the amount of € 6.9 million. As a result, the structure of the liabilities and shareholders' equity shows an inrease in the equity ratio, from 4.4 % to 7.4 %. As of 31.12.2020 the coverage ratio of property, plant and equipment, intangible assets, rights of use, financial assets and inventories totalling € 136.3 million to long-term funding was 47.6 % (prior year: 27.3 %).

Overall statement on the financial and assets position

Sustainable balance sheet

The refocusing on the core business of "Tyres Europe" in conjunction with the discontinuation of non-profitable business areas resulted in the planned strengthening of the financial and asset position in the past fiscal year. By means of targeted working capital management, we succeeded in improving our internal financing strength. At € 34.3 million, the free cash flow generated last year was well above the restructuring plan. Our extensive measures to sustainably increase efficiency, reduce costs and improve profitability resulted in positive consolidated earnings and a corresponding strengthening of equity one year earlier than planned. Although the Delticom Group's equity is still comparatively low, we are nevertheless satisfied with the results already achieved last year to strengthen our financial and asset position.

In the current year we will continue to focus on further improving our financial and earnings strength in order to lay the foundations for sustainable profitable growth. Financing is secured until the end of 2021 and we are already working on the necessary financing components with a view to follow-up financing from 2022. Liquidity is subject to significant fluctuations during the year due to seasonality and the payment terms customary in the tyre trade. Our goal is to further reduce the financing requirements during the year via credit lines. The company continues to receive payment terms in line with the market from its suppliers and can draw on unchanged credit lines during the year to finance parts of its inventories.

Financial Statements of Delticom AG

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

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

The separate annual financial statements of Delticom AG are prepared according to the provisions of the German Commercial Code (HGB), taking into account the supplementary regulations of the German Stock Corporation Act (AktG), and are published in the German Federal Gazette (Bundesanzeiger). The consolidated financial statements follow the International Financial Reporting Standards (IFRS), as they are authorised in the EU.

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

Delticom AG did not hold or acquire any of its own shares in the fiscal year under review. With regard to the Managing Board's authority to buy back shares and use own shares, we refer to the information in the notes to the separate financial statements of Delticom AG for the fiscal year 2020.

Results of operations of Delticom AG

Revenues

In the 2020 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 € 180.9 million (2019: € 231.3 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 € 180.9 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 631.8 million (2019: € 737.8 million). Due to lower demand from Pnebo GmbH, weaker overall European demand for replacement tyres as a result of Corona, and our focus on margins, revenues were significantly lower year-on-year. The sales generated in the 2020 financial year include proceeds from project developments amounting to € 9.5 million. Adjusted revenues amounted to € 450.9 million (2019: € 506.5 million, –11.1 %).

Other operating income

Other operating income registered a sharp decrease of 74.5 % in the period under review to € 5.8 million (2019: € 22.9 million). In the previous year, income from an ongoing logistics/property project in the amount of € 14.0 million was generated and the passive adjustment item for All you need GmbH in the amount of € 4.8 million was reversed. Gains from currency exchange rate differences amounted to € 3.1 million in 2020 (2019: € 2.5 million). Delticom reports currency losses within other operating expenses (2020: € 3.6 million, 2019: € 5.5 million). The net balance of currency gains and currency losses stood at € –0.5 million in the period under review (2019: € –3.0 million). In the previous year, there was a total of € 0.8 million in income from asset disposals, half of which was attributable to intangible assets and half to property, plant and equipment.

Key expense positions

Revenues related to the sale of merchandise from Delticom to Pnebo in an amount of € 180.9 million (2019: € 231.3 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 € 326.7 million in the period under review (2019: € 371.2 million, –12.0 %). Compared to the previous year, the cost of materials ratio decreased from 73.3 % to 72.5 % in line with the target of margin improvement.

Personnel expenses

The company employed an average of 140 staff in the period under review (2019: 156). Personnel expenses decreased by 5.8 % to € 10.3 million (2019: € 10.9 million). The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 2.3 % in the period under review (2019: 2.2 %).

Other operating expenses

Transportation costs

Transportation costs comprise the largest individual item within other operating expenses. The 22.5 % decrease in transportation costs from € 53.7 million to € 41.6 million results from the decrease in revenues and the measures implemented last year to further improve cost efficiency in the field of transport logistics. The transportation costs' share of adjusted revenues amounted to 9.2 % (2019: 10.6 %).

Warehousing costs

Expenses for warehousing decreased by 19.8 % in the period under review, from € 8.3 million in the previous year to € 6.6 million. The ratio of warehousing costs to adjusted revenues was 1.5 % (2019: 1.6 %).

Marketing

Marketing costs amounted to € 12.4 million in the reporting period, compared to € 22.6 million in 2019. This corresponds to a ratio of 2.8 % in relation to adjusted revenues (2019: 4.5 %).

Depreciation

Depreciation and amortization of intangible assets and property, plant and equipment decreased by 14.0 % in the period under review from € 3.5 million to € 3.0 million.

Assumption of losses & depreciation of financial assets

The amount of loss absorption from subsidiaries was € 4.2 million (2019: € 44.3 million). Write-downs on financial assets amounted to € 0.3 million (previous year: € 20.8 million).

Earnings position

Gross margin

The gross margin (trading margin, excluding other operating income) amounted to 27.5 % in the financial year elapsed, compared with 26.7 % in the prior year period.

Gross profit

Gross profit decreased by 17.9 % in the period under review, from € 158.2 million in the comparable prior-year period to € 130.0 million. Gross profit in relation to adjusted total operating income of € 456.7 million (2019: € 529.5 million) amounted to 28.5 % (2019: 29.9 %).

EBITDA

Earnings before taxes, net interest, income from investments and depreciation decreased by 40.4 % in the period under review, from € 15.6 million to € 9.3 million. The decline is associated with the weaker sales performance and the year-on-year reduction in other operating income (2020: € 5.8 million, 2019: € 22.9 million). In the previous year, other operating income had included income of € 14 million from the investment in a logistics/property project.

EBIT

Earnings before taxes, net interest and income from investments (EBIT) amounted to € 6.3 million in the period under review (2019: € 12.1 million, –48.1 %). This is equivalent to a return on sales of 1.4 % (2019: 2.3 %).

Financial income

Income from participating interests amounted to € 1.2 million in the reporting period (2019: € 0.9 million). The income from profit transfer agreements decreased by 40.1 % from € 0.9 million in 2019 to € 1.3 million in 2020.

Income taxes

With regard to income taxes, an income of € 2.9 million was recorded for the reporting period. In 2019, the income amounted to € 3.2 million. The effect in the year under review was mainly due to deferred tax income.

Income and dividend

Earnings in 2020 amounted to € 3.1 million, compared to € –49.0 million in the previous year. This corresponds to earnings per share of € 0.25 for the financial year under review (2019: € –3.93). With regard to the dividend, we refer to the explanations in the Group management report.

in € thousand	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Revenues	**631,780**	**737,836**
Other operating income	5,837	22,911
Cost of materials	-507,662	-602,513
Personnel expenses	-10,264	-10,893
Depreciation	-3,036	-3,529
Other operating expenses	-110,388	-131,745
Income from participating interests	1,167	932
Other interest received and similar income	266	315
Depreciations of financial assets	-303	-20,754
Expenses from loss transfers	-4,174	-44,332
Paid interest and similar expenses	-4,311	-1,356
Income from profit transfer agreements	1,284	916
Expenses from loss transfers	2,937	3,192
Earnings after taxes	3,131	-49,021
Profit carried forward	0	0
Balance sheet result	**-29,953**	**-33,084**

General statement of the Management Board on the earnings situation

The consistent pursuit of our measures to reduce costs, optimise processes and increase efficiency led to an improvement in profitability in the past fiscal year. Despite the decrease in revenues, we are satisfied with what we have achieved. In 2019, the loss transfers from subsidiaries had significantly impacted Delticom AG's earnings. With the results achieved last year, we have laid the foundations for returning the company to a sustainably profitable growth path, and will continue to pursue this in the current year.

Financial and assets position Delticom AG

In the past fiscal year, the refocusing on the core business, together with the discontinuation of non-profitable business units and stringent working capital management, led to a significant improvement in profitability and to a strengthening of Delticom AG's financial position and net assets as of the balance sheet date 31.12.2020.

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 € 1.0 million in 2020 (2019: € 3.0 million) and relate mainly to the expansion of the shipping capacity in our warehouses. In addition, Delticom invested a total of € 0.2 million in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of € 155.8 million as of 31.12.2020 were 27.6 % below the previous year's € 215.2 million.

Non-current assets

On the assets side of the balance sheet, long-term assets decreased from 94.6 Mio. € to € 83.3 million.

Inventories

Inventories in the reporting period amounted to € 3.3 million (2019: € 6.7 million). They consist almost exclusively of goods in transit. The year-on-year decline is attributable to active inventory management aimed at optimizing working capital.

Receivables

Receivables due from associated companies in the reporting period amounted to € 28.7 million (2019: € 82.4 million). In 2019, there were receivables against Pnebo GmbH amountung to € 82.0 million. Trade receivables of € 13.7 million are 103.1 % higher than the previous year (2019:€ 6.7 million).

Within the other assets of € 15.0 million (2019: € 17,5 million), receivables in connection with project developments totalled € 11.0 million as of the balance sheet date 31.12.2020.

Liquidity

Liquid assets recorded a net increase of € 1.8 million. "Balance sheet liquidity" amounted to € 2.7 million as of 31.12.2020 (2019: € 0.9 million, +192.2 %).

The total current assets of € 63.4 million were below the corresponding figure for the previous year (2019: € 118.2 million), mainly due to the reduction in inventories and receivables due from associated companies on closing-date comparison.

Deferred tax assets

Delticom utilizes the capitalization option pursuant to Section 274 (1) Clause 2 of the German Commercial Code (HGB), and has capitalized a net surplus of € 8.7 million of tax assets after offsetting with deferred tax liabilities (2019: € 5.8 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities decreased by 32.4 % or € 64.7 million, from € 199.9 million to € 135.2 million. This decrease is mainly due to the significantly lower liabilities to affiliated companies. Provisions increased by 6.8 % or € 0.3 million to € 4.2 million (previous year: € 3.9 million).

Within the € 131.0 million of liabilities as of 31.12.2020 (2019: € 196.0 million), € 53.9 million, was attributable to trade payables. Compared with the previous year's € 56.3 million this amount went down by € 2.4 million or 4.2 %.

Liabilities due to banks

The decreased liabilities due to banks of € 36.1 million (2019: € 63.8 million) exclusively include financial financial liablilities of a current nature. In 2019, these included non-current financial liabilities in the amount of € 5.4 million.

Equity

On the equity and liabilities side of the balance sheet, equity increased by € 3.1 million or 20.5 % to € 18.4 million (2019: € 15.3 million). The structure of equity and liabilities reflects a year-on-year increase in the equity ratio from 7.1 % to 11.8 %.

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	31.12.2020	31.12.2019
Fixed Assets	**83,278**	**94,585**
Intangible assets	2,520	4,020
Property, plant and equipment	7,623	7,965
Financial assets	73,135	82,600
Current Assets	**63,432**	**114,229**
Inventories	3,322	6,652
Accounts receivables	13,665	6,730
Receivables from affiliated companies	28,746	82,413
Other receivables and other assets	14,961	17,497
Cash and cash equivalents	2,739	937
Deffered item	**369**	**629**
Deffered taxes	**8,737**	**5,760**
Assets	**155,815**	**215,203**

in € thousand	31.12.2020	31.12.2019
Equity	**18,406**	**15,275**
Subscribed capital	12,463	12,463
Share premium	35,696	35,696
Retained earnings	200	200
Balance sheet loss	-29,953	-33,084
Provisions	**4,217**	**3,948**
Provisions for taxes	46	0
Other provisions	4,171	3,948
Liabilities	**130,960**	**195,977**
Liabilities to banks	36,081	63,836
Payment received on account of orders	4,540	4,566
Accounts payable	53,924	56,285
Payables to affiliated companies	28,593	66,858
Other liabilities	7,823	4,433
Deferred item	**2,232**	**3**
Passiva Shareholders' Equity and Liabilities	**155,815**	**215,203**

Overall statement on the financial and assets position

Sustainable Balance Sheet

The refocusing on the core business "Tyres Europe" together with the discontinuation of non-profitable business segments led to a strengthening of Delticom AG's financial position and net assets as well as an improvement in its internal financing strength in the past fiscal year. Although the Delticom AG's equity is still comparatively low, we are nevertheless satisfied with the results already achieved last year to strengthen our financial and asset position. Liquidity is subject to significant fluctuations during the year due to seasonality and the payment terms customary in the tyre trade. The company continues to receive payment terms from its suppliers that are in line with the market, and can draw on unchanged credit lines during the year to finance parts of its inventories. In the current year, we will continue to focus on further improving our financial and asset position in order to lay the foundations for sustained profitable growth.

Risk Report

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

Forecast

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

Significant events after the reporting date

There were no events of particular significance after the reporting date of 31.12.2020.

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

Corona increases the need to purchase goods online without contact. This trend can have a positive effect for Delticom as an online retailer, as customers increasingly use the option to buy tyres online and the advantage of buying online remains sustainable.

Market opportunities

Delticom can improve its market position. By creating strategic conditions, Delticom can continuously improve its market position in existing, but also in 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 achieve a positive ROI.

Risk Management

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 and levels of customer satisfaction.

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 31.12.2020between 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.

Risk management organisation

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

Risk Support Team

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

Risk manager

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

Internal Risk Audit

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

Risk threatening the existence of the company

Liquidity bottleneck/ overindebtedness

Due to the seasonal nature of the business and the early purchase of stock goods, sometimes months before the expected seasonal peak, it is necessary to draw on current account and letter of credit lines during the year. Accordingly, the Company's solvency is to a large extent dependent on the continuation of the financing framework with its banking partners. These were bilateral agreements with the individual houses until the restructuring agreement was concluded in December 2019. In the past, parts of the credit lines were subject to seasonal limits, as the full financing framework was not required throughout the year.

Against the background of the earnings development in 2018, the delay in the preparation of the annual financial statements 2018 and the associated postponement of the Annual General Meeting, the bilateral discussions on the continuation or extension of short-term expiring credit lines from the middle of 2019 proved increasingly difficult.

The company took this as an opportunity to initiate corrective measures without delay in the middle of 2019. For example, a specialized consulting firm was commissioned to prepare an expert opinion based on the IDW-S6 standard. Furthermore, a company specializing in M&A was commissioned to acquire buyers for subsidiaries and, in particular, to look for opportunities for new capital (equity/debt) outside the existing financing partners. In addition, as part of the restructuring process that has been initiated, the company's purpose for the future - to focus on the tyre business in Europe - was defined and a decision was made to discontinue unprofitable business areas/units as a result. A detailed description of the restructuring measures initiated in 2019 can be found in the combined Management Report 2019 in the chapter "Risk and Opportunities Report" in the section "Risk threatening the existence of the company" (p. 72 et seq).

In the 2019 financial year, the process with the financing partners was successfully structured via various standstill agreements and resulted in a reorganisation agreement which was concluded with all financiers on 13 December 2019. Essentially, the existing and necessary financing requirements have been confirmed and are now secured until the end of 2021, on condition that the milestones agreed with the banks are met. The company was able to close a necessary financing component in 2020 from its operating performance.

With the positive development of earnings in 2020, the company is ahead of the restructuring plan, which envisaged a positive annual result at group level in 2021. Thanks to the discontinuation of unprofitable business areas and the clear focus on cost management and increasing efficiency, Delticom AG's restructuring process has been successful so far. Despite the existing restructuring agreement and the good turnaround performance, however, uncertainty remains with regard to financing security, as Delticom still has to meet the milestones agreed for the restructuring period until the end of 2021 in order to secure financing. In addition, under "going-concern premises", the question of financing security beyond 31 December 2021 arises. Although the follow-up financing has not yet been contractually secured, the company is already working on a corresponding financing solution. This provides for various financing components which were already addressed in the financing group at the beginning of the current financial year, but which had not yet been contractually fixed at the time the financial statements and management report were prepared.

In connection with these events or circumstances, there is a material uncertainty which could cast significant doubt on Delticom AG's (or the Delticom Group's) ability to continue as a going concern, and Delticom AG or the Delticom Group may therefore not be able to realize its assets and settle its liabilities in the ordinary course of business (going concern risk).

Key individual risks

The main individual risks with a net expected loss of between € 2 million and € 20 million are presented in descending order below.

The significant reduction in the number of material individual risks compared with the previous year is due to the change in classification according to net expected loss.

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

Other key individual risks grouped by risk category

COVID-19

Corona has a wide variety of effects on the overall economic situation, but also on Delticom's operating processes. On the one hand, the pandemic itself is not yet over and there are restrictions on public life in many countries. Lockdowns and the fear of infection with COVID-19 meant that public life worldwide was no longer as usual last year. Many people worked from home offices and reduced private contact. This led to reduced driving on the one hand, but also a need to purchase goods contactlessly online. So there is a chance that the need for replacement tyres will only be postponed, but the benefits of buying online will be sustained.

The changed living conditions also had an impact on Delticom's operational processes. As many employees as possible worked from their home offices and meetings were largely dispensed with. Hygiene standards were naturally raised and pandemic plans implemented. A consistently pursued preventive strategy helped to ensure that Corona was never able to spread within the Group. The decentralized arrangement of the warehouse and call center locations also kept the risk of large-scale spread of Corona within the Group low at all times.

COVID-19 can therefore be seen as both a risk and an opportunity.

Strategic risks

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

Sector-specific risks

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

Delticom is continually developing its product portfolio. Our modular, easily scalable infrastructure allows us to implement additional online shops quickly that are tailored specifically to different customer groups.

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

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

In order to prevent overageing, the condition of warehoused tyres is reviewed regularly. Stocks older than a predefined threshold are then offered at a discount in our online shops (with an explanation for the price break), or sold in our Wholesale business. In the past years, Delticom has not had to write down any stock due to overageing.

Lower average mileage driven due to ongoing increases of vehicle costs. In the event that the costs for running a car increase substantially, motorists might limit the amount of use of their vehicles during periods of crisis. In this scenario tyre wear is reduced and the purchase of replacements is delayed.

Some car owners will even delay buying replacement tyres in spite of being aware of dangerously low tread on their tyres.

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

The demand for electric cars could increase. Although the number of registered electric cars worldwide remains comparatively low, experts assume that the proportion of cars with alternative drive systems will continue to increase in the medium to long term. However, even in the case of increasing numbers of new registrations of vehicles with alternative drive systems, combustion engine vehicles will remain in the majority in the medium term in Europe.

Nevertheless, the automotive aftermarket will change in the long term. Experts are not currently in agreement with regards to the issue of how the trend towards electric cars will influence replacement tyre demand in the long term. While some assume that electric cars will result in friction and therefore tyre wear increasing, others believe it is just as likely that control systems will be developed which optimise acceleration and braking to minimise wear.

Procurement risks

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

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

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

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

Competition risks

Delticom operates in a competitive market with low entry barriers. The price level and thus the margins achieved can drop considerably as a result of competitive pressure. However, there are considerable barriers to grow to a size comparable to Delticom. Good buying prices and a streamlined cost basis allow a high level of price flexibility. Delticom's international orientation spreads the risk, as prices usually do not come under pressure throughout Europe, but only in individual countries.

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

Macroeconomic risks

Maintaining a vehicle is often a major expense item for a private household. Private saving efforts could lead to a decrease in mileage driven, thus causing car owners to put off their next tyre purchase. In future, car owners may decide to use public transport or share their cars, at least in well-developed metropolitan areas. Increasing numbers of consumers use the internet to search for inexpensive alternatives. Thanks to the excellent position of Delticom shops in search engines and our competitive product range, we see an opportunity for Delticom to profit in future from the increasing trend toward E-Commerce.

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.

Transactions in foreign currencies may be subject to currency fluctuations and lead to losses. The Treasury department hedges foreign currency transactions in order to minimize the risk of currency fluctuations. In addition, Delticom maintains a large number of bank accounts abroad to which customers transfer money. Incoming payments in foreign currencies are largely hedged naturally by outgoing payments in the same currency.

Delticom offers customers a variety of payment options in its online shops, which can lead to bad debt losses. 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

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

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.

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.

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 co-operation and mutual expectations, and to provide feedback so that everyone involved can develop further.

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 upto-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.

Legal risks

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

Overall statement on the risk situation

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

The risk of a liquidity bottleneck or over-indebtedness that could jeopardize the continued existence of Delticom as a going concern is generally uncertain.

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

For the current fiscal year 2021, the Delticom Group expects total annual revenues in a range between € 550 million and € 590 million, accompanied by an EBITDA between € 16.0 million and € 20.0 million. This year, too, our focus is clearly on profitability. Although the coronavirus continues to dominate the situation in Europe, we are aiming for a moderate increase in sales for the full year in line with our earnings targets. We continue to keep a firm eye on the right balance between growth and profitability.

Forecast report

Full-year guidance 2020– reasons for deviations

Revenues and EBITDA

In our forecast formulated at the beginning of the fiscal year 2020, we considered consolidated sales to be achievable in a range of € 600 million to € 630 million, assuming that the coronavirus, which is spreading rapidly in Europe, does not have a sustained impact on driving behavior and demand for replacement tires in Europe in the 2020 financial year. Within this range, we planned to achieve EBITDA in the range of € 1 million to € 5 million for the full year, taking into account that the operating result will be impacted by extraordinary expenses in connection with the restructuring in the amount of probably € 4 million. Over the first half of the year, sales volumes in the European passenger tyre replacement market were more than 20 % down on the previous year. In order to contain the coronavirus and ease the burden on healthcare systems, many European countries imposed a hard lockdown, primarily from March onward. The significantly restricted freedom of movement and travel in Europe accordingly had an impact on replacement demand. At € 238.0 million, consolidated sales for the first half of the year were down € 46.6 million or 16.4 % on the previous year.

The refocusing on the core business in conjunction with the measures to reduce costs and increase margins already resulted in a significant increase in EBITDA in the second quarter compared with the same quarter of the previous year, despite a decline in Q2 sales. We took the business performance in the first half of the year as an opportunity to adjust our full-year forecast, not least in view of the market situation. Despite a certain catch-up effect associated with the gradual easing of restrictions, it was not expected that the decline in sales in the first half of the year could be fully made up in the second half. Accordingly, we reduced our full-year revenues forecast in our half-year reporting and now considered a range of € 550 million to € 570 million to be achievable. At the same time, however, we raised our EBITDA forecast for the full year to a range between € 5 million and € 8 million. This increase was made despite the fact that, with regard to the extraordinary expenses in connection with the restructuring, additional expenses of € 1 million and correspondingly a total of € 5 million had to be expected for the full year, after the expenses had already amounted to € 3.9 million in the first half of the year.

With the presentation of the nine-month figures, we made a further adjustment to the full-year forecast. In line with the development of revenues in the first nine months and taking into account a renewed increase in the number of infections in Europe from the fall onwards, we sticked to the lower end of the forecasted revenues range for the full year. For EBITDA, we maintained the range of between € 5 million and € 8 million formulated in the summer, although we now expected further higher restructuring costs for the full year. Due to a more time-intensive contractual arrangement in connection with the ordering of foreign collateral, the extraordinary restructuring expenses for the full year now had to be calculated at around € 7 million.

At the beginning of December, it was necessary to raise the EBITDA forecast again, as the possibility of realizing extraordinary income of more than € 9 million by the end of the year had become sufficiently concrete as a result of project developments. The range for EBITDA was now € 14 million to € 17 million, with the unchanged assumption that revenues for the full year will be at the lower end of the forecasted corridor (€ 550 million). With consolidated revenues of € 541.3 million for the full year, we have slightly missed the forecast. The renewed lockdown measures in Europe and the tightening of the lockdown in Germany at the seasonal peak, which was delayed due to the weather, sales in December were somewhat weaker than we had expected. In the final quarter, we nevertheless continued to stringently pursue our objective of generating sufficient profitable sales. At € 15.0 million, EBITDA for the year as a whole was within the adjusted range.

Future macroeconomic environment

Global economy

Following the historic decline in the past year, the global economy will expand very strongly this year according to an initial estimate by the Kiel Institute for the World Economy (IfW). Increasing vaccination coverage of the population against the coronavirus is expected in the course of the year. Vaccination of particularly vulnerable population groups has already begun in many places. Through production increases and the approval of additional vaccines, the supply of vaccines to the population will gradually increase. According to experts, the vaccinations will lead to a reduction in the risk of infection and, accordingly, to a progressive normalization of the general conditions, including for the particularly contact-intensive industries. A very strong expansion of activity in tourism, long-distance transport and entertainment is expected in the second half of 2021. These are the industries where the overall economic recovery to date has not yet seen a significant convergence to a normal level of activity due to ongoing contact and travel restrictions within Europe. Supported by low interest rates and income-supporting fiscal policy measures, private consumption is likely to increase strongly as soon as backlogged needs can be met again through corresponding openings. Assuming that the current containment measures succeed in sustainably reducing the infection figures, the experts expect global gross domestic product to increase by 6.1 % in the current year.

Europe

The development of the economy in the euro zone will again largely depend on the further course of the Corona pandemic this year. The experts at the IfW expect that with the increasing distribution of vaccines and supported by warmer weather from the spring onwards, the control of infection figures will become increasingly successful and far-reaching restrictions on social and economic activity will become less and less necessary in the course of the summer. In this case, the forced slowdown in economic activity would probably return quickly, especially since the pent-up purchasing power of private households from the past few months could then have an effect on demand. Assuming this course of events, the IfW expects gross domestic product in the euro zone to increase by 4.9 % for the year as a whole.

Germany

For Germany, too, experts see the further course of infection in connection with the corona pandemic as the most important factor influencing the development of economic activity in the current year. It is assumed that the current restrictions will remain in place until at least the beginning of March. Against the background of the recent increase in the number of infections and the mutation of the virus, there is currently no clear picture of possible extensions of the restrictions or relaxations. In view of milder weather and increasing vaccination protection, the IfW expects that all measures to protect against infection that hinder economic activity will gradually expire in the summer half-year of 2021. In view of this, the experts expect German gross domestic product to increase by 3.1 % in 2021.

Future sector-specific development

E-Commerce

The general trend towards e-commerce will continue to increase. The "Global Digital Report 2021" assumes that more than 4.6 billion people and thus nearly 60 % of the global population already use the Internet today. This is an increase of 7.0 % compared to the previous year. As part of the study, 77 % of internet users worldwide stated that they had made an online purchase in the last month. The German E-Commerce and Mail Order Association (bevh) expects revenues of goods in e-commerce in Germany to grow by 12.5 % in the current year. In addition, according to the bevh, customer satisfaction among German online shoppers also rose further last year from 94.5 % to 95.3 %, an improvement of 0.8 percentage points.

Replacement tyre market

The COVID 19 pandemic and the associated lockdowns led to a considerable reduction in mobility and a significant drop in demand for replacement tyres at European level last year. In addition, the pandemic-related economic crisis and the need to temporarily close production facilities did not remain without consequences for the tyre industry. Accordingly, hopes are pinned on a recovery in demand for replacement tyres in the current year. However, it remains to be seen whether 2021 will see a turnaround. The market development this year will depend primarily on the further course of the corona pandemic.

2021 forecast

Focus on the core business

Delticom will continue to benefit from the increasing importance of the Internet as a sales channel in the future. By refocusing on its core business and taking measures to sustainably strengthen its net assets, financial position and results of operations, the company paved the way in the past fiscal year for a return to a sustainably profitable growth course. In view of our market position in Europe and our many years of experience in online retailing, Delticom will be able to increasingly seize the growth opportunities associated with increasing digitalization in the years to come. We will continue to pursue our business in the USA in the future. With the investments made over the past few years, we have succeeded in aligning our business in the USA profitably. Accordingly, the continuation of our US business will not have a negative impact on Delticom Group's earnings. We also see further growth opportunities in the USA in view of the online penetration in the replacement tyre business. There, too, we will keep a close eye on the necessary balance between growth and profitability.

Positive customer acquisition trend

Thanks to its multi-shop approach, the Delticom group addresses various customer groups and thus meets the different requirements of online shoppers. In addition to our online stores, we also use other online sales channels to attract additional groups of buyers. Thanks to our comprehensive range of products and services and our international orientation, we expect to be able to convince more than 1.0 million of our products and value-for-money offers in the current fiscal year 2021 as well.

Repeat Customers

More than 15.9 million customers have bought products in one of our online shops since the company was established. For the current fiscal year, we expect to be able to welcome some of these customers, who have been acquired over the past few years, to one of our online shops again. Accordingly, the number of repeat customers should develop positively over the year as a whole.

Revenues and EBITDA

We expect to be able to generate consolidated sales in a range of € 550.0 million and € 590.0 million in the current year. The decisive factor for growth this year will be how quickly the European countries can lift the mobility restrictions and return to a degree of normality. The purchase of replacement tyres cannot be postponed indefinitely. Accordingly, a catch-up effect cannot be ruled out for the coming months following a significant decline in replacement tyre business last year. Taking into account that in the past fiscal year 2020 the closed business units still generated total sales in the single-digit million range, reaching the lower end of the sales corridor would mean moderate growth in the core business this year. With the forecasted revenues range for 2021, we sufficiently reflect the uncertainties about the development in the current year and furthermore take into account growth opportunities that may potentially arise from an overcoming of the pandemic in Europe expected for this year.

Despite the anticipated growth, our focus this year remains on profitability. For EBITDA, we are planning a range of € 16.0 million and € 20.0 million, depending on sales. We assume that EBITDA will increase directly if the lower end of the revenues forecast is exceeded.

In the current financial year, too, the ongoing restructuring will result in extraordinary expenses. We are planning these in the amount of around € 4 million.

Investments

For the current year we are planning to invest in the expansion and technical equipment of our warehouse infrastructure. The amount of investment for the year as a whole will be in the low single-digit millions.

Liquidity

In line with our sales and liquidity planning for the current year, we will manage inventory build-up and reduction in the coming quarters. Close control of working capital management will play a central role also in the current year. For 2021, we are planning to generate a positive free cash flow of more than € 10 million. The process of raising additional equity or debt capital for Delticom AG is still ongoing. In addition, we want to further strengthen our net assets and financial position from our operating performance. The financing has been contractually agreed until the end of the current fiscal year and is accordingly secured with a high degree of probability. Concrete solutions for follow-up financing from 2022 have already been developed, are being further specified in terms of need and necessity, and are currently being coordinated and negotiated. Based on its discussions and negotiations, the Executive Board assumes with an overwhelming probability that follow-up financing will be successfully concluded from 2022. Delticom AG's management is pursuing the clear objective of further reducing the financial liabilities to lenders during the year in order to pre-finance the inventory build-up.

Medium term outlook

Increasing digitization worldwide, coupled with steadily rising online penetration, is a key factor for future growth. As the market leader in European online tyre retailing, Delticom will continue to benefit from the growing importance of e-commerce as a sales channel in the medium term. As a result of the refocusing on the core business, a changed organizational structure and efficiency enhancements along the value chain, we will be able to tap existing growth potential in a more targeted manner in the future. In the medium term, we are aiming for an operating EBIT margin of 3 %.

Free Cashflow

By optimizing inventories and consistently managing working capital, Delticom will also generate positive free cash flows in the medium term.

Information required by takeover law

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

The Management Board of Delticom AG reported as set out below on information in the management report on Delticom AG and on the Group for fiscal 2020, taking account of the knowledge and events up until the time when this report was prepared in accordance with § 289a Abs. 1 HGB and § 315a Abs. 1 HGB of the German Commercial Code, as follows:

No. 1: Composition of subscribed capital

The Company's subscribed capital amounted to €12,463,331 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. In addition, the shareholder Binder GmbH has undertaken to the shareholder Prüfer GmbH to vote at the company's General Meetings for all measures that are part of an investor's entry at Delticom AG's level with the aim of strengthening Delticom AG's capital base. In addition, Binder GmbH has also undertaken to Prüfer GmbH that, in the event that Prüfer GmbH and Seguti GmbH sell and transfer the shares held by Prüfer GmbH and Seguti GmbH in Delticom AG to an investor, it will also sell and transfer its shares to the investor at the same economic conditions at Prüfer GmbH's request, if the investor is not affiliated with Prüfer GmbH or Seguti GmbH or otherwise close to them, the investor is willing to acquire all shares of Binder GmbH under the same conditions, the guarantees and warranties are customary in the context of the transaction and no joint and several liability of Binder GmbH with other sellers exists.

The above-mentioned obligations of Binder GmbH are connected to similar obligations that Prüfer GmbH and Seguti GmbH have assumed with regard to a share trustee, which represents the security interests of certain banks as Delticom AG's financier.

No. 3: Interests exceeding 10 % of voting rights

Only the shareholders Binder GmbH and Prüfer GmbH, both of which are based in Hanover/Germany, hold direct interests in the company that exceed 10 % of Delticom AG's voting rights. Indirect interests that exceed 10 % of Delticom AG's voting rights exist on the part of Mr Rainer Binder, Hanover, to whom Binder GmbH's direct interest is attributed pursuant to § 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 of 2 May 2017 authorised the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to EUR 6,231,665 by issuing up to 6,231,665 new no-par value registered shares of the Company in one or more stages up to 1 May 2022 against cash or non-cash contributions (authorised capital I/2017).

The Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right in the case of capital increases against contributions in kind, provided that the shares issued during the term of this authorization under exclusion of the subscription right of the shareholders against cash or contributions in kind do not exceed a total of 20 % of the share capital, neither at the time this authorization takes effect nor at the time it is exercised.

In the case of capital increases in return for cash contributions, the shareholders must generally be granted a subscription right to the new shares. The new shares are then to be taken over by at least one credit institution or at least one company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the KWG with the obligation to offer them to the shareholders for subscription.

However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases against cash contributions, provided that the shares issued against cash or non-cash contributions during the term of this authorisation, excluding shareholders' subscription rights, do not exceed a total of 20% of the share capital, either at the time this authorisation takes effect or at the time it is exercised,

(aa) to exploit any peaks,

bb) to the extent required to protect against dilution in order to grant subscription rights for new shares to holders of conversion or option rights issued or to be issued by Delticom AG or companies in which Delti-com AG directly or indirectly holds a majority interest to the extent to which they would be entitled after exercising their conversion or option rights or after fulfilling their 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 in analogous application of Section 186 (3) sentence 4 AktG against cash contributions excluding subscription rights during the term of this authorisation do not exceed a total of 10% of the share capital, either at the time this authorisation takes effect or at the time it is exercised. This limit of 10 % of the share capital shall include (1) those shares which are or will 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 § 186 (3) sentence 4 AktG under exclusion of the subscription right and (2) treasury shares which are sold during the term of this authorization in analogous application of § 186 (3) sentence 4 AktG under exclusion of the subscription right of shareholders.

The authorized capital I/2017 was registered in the Commercial Register on May 17, 2017.

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. The stock options are therefore currently not yet exercisable.

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 due to the expiration of time since April 29, 2019.

The Annual General Meeting on August 12, 2019 authorized 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 subscribe to a total of up to 540 option rights on one or more occasions up to August 11, 2024 or – if issued option rights expire or otherwise expire – repeatedly.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 program 2019).

The share capital of the Company is conditionally increased by up to € 540,000 (in words: five hundred forty thousand euros) by issuing up to 540,000 (in words: five hundred forty thousand) new no-par value ordinary 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 authorisation resolution of the Annual General Meeting of 12 August 2019 (agenda item 6 b)). The shares will be issued at the exercise price to be determined in accordance with the above-mentioned resolution.

The conditional capital I/2019 was entered in the commercial register on 23 September 2019. No option rights have yet been issued on the basis of stock option program 2019.

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 1/2020). The conditional capital 1/2020 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/C bonds or shares have yet been issued on the basis of the conditional capital.

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

By resolution of the Annual General Meeting of 5 May 2015, 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 May 4, 2020. 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 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.

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. The stock options are therefore currently not yet exercisable.

Delticom AG and another group company are also party to a reorganization agreement with lending banks. Each of these lending banks is entitled to extraordinarily terminate the reorganization agreement in the event of a change of control as defined in the reorganization agreement, and the remaining lending banks can decide to continue the agreement without the terminating bank. The definition of change of control in the Reorganization Agreement is not congruent with a change of corporate control within the meaning of Section 29 (2) WpÜG, but a change of corporate control within the meaning of Section 29 (2) WpÜG may also constitute a change of control within the meaning of the Reorganization Agreement. Termination of the reorganization agreement would impact 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.

Consolidated Financial Statements of Delticom AG

Content

Consolidated Income Statement

in € thousand	Notes	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019 adjusted*
Revenues	(1)	**541,261**	**625,755**
Other operating income	(2)	32,956	37,610
Total operating income		**574,217**	**663,364**
Cost of goods sold	(3)	-418,329	-490,643
Gross profit		**155,888**	**172,722**
Personnel expenses	(4)	-14,266	-19,936
Amortization and depreciation of intangible assets, rights of use and property, plant and equipment	(5)	-9,682	-32,958
Bad dept losses and specific allowance		-4,704	-4,130
Other operating expenses	(6)	-121,880	-155,292
Earnings before interest and taxes (EBIT)		**5,357**	**-39,594**
Financial expenses		-2,854	-1,546
Financial income		87	86
Net financial result	(7)	**-2,767**	**-1,460**
Earnings before taxes (EBT)		**2,590**	**-41,054**
Income taxes	(8)	4,280	1,996
Consolidated net income		**6,870**	**-39,058**
Thereof allocable to:			
Non-controlling interests		136	-341
Shareholders of Delticom AG		6,734	-38,717
Earnings per share (basic)	(9)	0.55	-3.13
Earnings per share (diluted)	(9)	0.55	-3.13

*Adjustment in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Statement of Recognized Income and Expenses

in € thousand	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019 adjusted*
Consolidated Net Income	**6,870**	**-39,058**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**-324**	**-328**
Recycling profit and loss		
Changes in value due to currency translation	-324	-328
Total comprehensive income for the period	**6,546**	**-39,386**
Attributable to non-controlling interests	136	-157
Attributable to shareholders of the parent	6,410	-39,229

*Adjustments in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2020	31.12.2019	01.01.2019*
Non-current assets		**124,009**	**88,800**	**83,400**
Intangible assets	(10)	39,678	41,629	57,212
Rights of use	(11)	50,409	24,280	0
Property, plant and equipment	(12)	9,294	10,448	21,689
Financial assets		8	8	10
Deferred taxes	(13)	8,850	3,999	4,033
Other non-current receivables	(14)	15,770	8,437	457
Current assets		**75,758**	**99,412**	**146,677**
Inventories	(15)	36,865	62,950	99,586
Accounts receivable	(16)	19,090	10,533	24,283
Other current assets	(17)	14,065	20,583	12,753
Income tax receivables	(18)	104	7	6,650
Cash and cash equivalents	(19)	5,635	5,339	3,404
Assets		**199,767**	**188,212**	**230,076**

*Adjustment in 2019 due to findings of the German Financial Reporting Enforment Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2020	31.12.2019	01.01.2019*
Equity		**14,801**	**8,274**	**47,533**
Equity attributable to Delticom AG shareholders		**13,807**	**8,325**	**47,427**
Subscribed capital	(20)	12,463	12,463	12,463
Share premium	(21)	33,739	33,739	33,739
Stock option plan	(20)	214	231	103
Other components of equity	(22)	-280	46	374
Retained earnings	(23)	200	200	200
Net retained profits/losses	(24)	-32,529	-38,354	549
Non-controlling interests		**994**	**-51**	**105**
Liabilities		**184,966**	**179,938**	**182,543**
Non-current liabilities		**50,015**	**29,748**	**6,498**
Non current financial liabilities	(25)	49,611	28,777	3,750
Non-current provisions	(26)	118	384	252
Deferred tax liabilities	(27)	0	253	2,059
Other Non Current Liabilities		286	334	437
Current liabilities		**134,951**	**150,190**	**176,045**
Income tax liabilities	(26)	842	257	401
Other current provisions	(26)	2,702	3,437	929
Accounts payable	(28)	68,830	69,422	131,408
Current financial liabilities	(25)	44,490	64,350	27,119
Other current liabilities	(30)	18,086	12,724	16,188
Shareholders' equity and liabilities		**199,767**	**188,212**	**230,076**

*Adjustment in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Consolidated Cash Flow Statement

in € thousand	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019 *adjusted
Earnings before interest and taxes (EBIT)	**5,357**	**-39,594**
Depreciation of intangible assets and property, plant and equipment	-9,682	32,957
Changes in other provisions	-1,001	2,640
Gain (–) / loss (+) from the disposal of non-current assets	406	3,293
Other non-cash expenses and income	473	-309
Changes in inventories	26,085	36,636
Changes in receivables and other assets not attributable to investment or financing activities	-6,863	1,648
Changes in payables and other liabilities not attributable to investment or financing activities	4,705	-65,321
Interest received	87	86
Interest paid	-2,837	-1,275
Income tax paid	-206	6,785
Cash flow from operating activities	**35,887**	**-22,454**
Cash inflow from the disposal of property, plant and equipment	6	2,515
Payments for investments in property, plant and equipment	-1,095	-4,478
Cash inflow from the disposal of intangible assets	0	0
Payments for investments in intangible assets	-483	-2,110
Cash flow from investing activities	**-1,572**	**-4,073**
Dividends paid by Delticom AG	0	0
Cash inflow of financial liabilities	0	34,218
Cash outflow of financial liabilities	-34,021	-5,754
Cash flow from financing activities	**-34,021**	**28,464**
Changes in cash and cash equivalents due to currency translation	2	-2
Cash and cash equivalents at the start of the period	5,339	3,404
Changes in cash and cash equivalents	296	1,937
Cash and cash equivalents - end of period	**5,635**	**5,339**

*Adjustment in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Net Investment Hedge Reserve	Stock option plan	Retained earnings	Net retained profits adjusted*	Total adjusted*	Non-controlling interests	Total equity adjusted*
as of 1 January 2019	**12,463**	**33,739**	**374**	**0**	**103**	**200**	**548**	**47,427**	**106**	**47,533**
Changes in minority interests							0	0	0	0
Dividends paid							0	0		0
Stock option plan					129			129	0	129
Consolidated net income							-38,718	-38,718	-341	-39,058
Other comprehensive income			-328	0			-184	-512	184	-328
Total comprehensive income			**-328**	**0**			**-38,902**	**-39,230**	**-157**	**-39,386**
as of 31 December 2019	**12,463**	**33,739**	**46**	**0**	**231**	**200**	**-38,354**	**8,325**	**-51**	**8,274**
as of 1 January 2020	**12,463**	**33,739**	**46**	**0**	**231**	**200**	**-38,354**	**8,325**	**-51**	**8,274**
Dividends paid							0	0		0
Stock option plan					-17			-17	0	-17
Changes in minority interests							-909	-909	909	0
Consolidated net income							6,733	6,733	136	6,870
Other comprehensive income			-324	0			0	-324	0	-324
Total comprehensive income			**-324**	**0**			**6,733**	**6,408**	**136**	**6,546**
as of 31 December 2020	**12,463**	**33,739**	**-278**	**0**	**214**	**200**	**-32,529**	**13,807**	**994**	**14,801**

*Adjustment in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

Notes to the Consolidated Financial Statements of Delticom AG

Content

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 around 18,000 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 38000 service partners of Delticom AG worldwide.

The group offers its product range in 74 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, with the main focus on the USA.

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

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

The Management Board authorized these consolidated financial statements on 23th March 2021. The consolidated financial statements will be disclosed and submitted to the operators of the electronic federal gazette, to make these public.

All calculations were carried out with full accuracy. The tables could show rounding diffferences due to technical reasons.

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315e of the Handelsgesetzbuch (HGB – German Commercial Code).

Delticom's consolidated financial statements for the fiscal year 2020 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):

As of 1 January 2020, the Delticom Group applied the following standards, which, however, do not have any material impact on Delticom AG's financial statements:

- Amendments to the references to the framework in the IFRS standard.
- Amendments to IAS 1 and IAS 8: Definition of "material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates
- Amendments to IFRS 3: Definition of a Business Operation
- Amendments to IFRS 16: COVID-19 related rental concessions

Standards and interpretations published but not yet required to be applied

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

Application obligation	Standard / Interpretation	Adoption by EU
1 January 2021	Changes to IFRS 4: Extension of the time-limited exemption from the application of IFRS 9	yes
	Changes to IFRS 9, IAS 39, IFRS 7 and IFRS 16 - Reform of reference interest rates (phase 2)	no
1 January 2022	Changes to IFRS 3: Reference to the Framework	no
	Change to IAS 16: Revenue before Intended Use	no
	Changes to IAS 37: Onerous contracts - costs of fulfilling the contract	no
	Annual improvements to IFRS (2018-2020 cycle)	no
1 January 2023	IFRS 17, Insurance Contracts: Deferral of the mandatory date of first-time application	no
	Changes IAS 1: Classification of liabilities	no

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.

IAS adjustments prior year

The FREP has made the following error finding with regard to the consolidated financial statements of Delticom AG as of 31 December 2018, which has an impact on the consolidated financial statements as of 31 December 2020:

The negative goodwill of €11.4 million resulting from the acquisition of All you need GmbH (AYN) on 31 October 2018, the other operating income recognised in this amount and, as a result, the EBITDA are overstated, as the fair values of the acquired intangible assets "brand right" amounting to €1.4 million and "IT platform" amounting to €2.4 million were not reliably measured. Despite consistently high losses in the past, losses expected in the future and a negative purchase price of 5 million euros, the fair value of these intangible assets at the time of acquisition still exceeded the carrying amount of the seller (1.3 million euros) (3.8 million euros). In the case of a negative difference, IFRS 3.34 et seq. places high demands on the reliability of the fair values. However, the fair values determined using the relief-from-royalty method and replacement costs do not sufficiently take into account the characteristics of the assets closely related to the loss-making business that are relevant for pricing and were thus not reliably determined. This violates IFRS 3.34 et seq. as well as IFRS 13.2, IFRS 13.9 and IFRS 13.11 as well as IFRS 13.61 et seq., IFRS 13.69, IFRS 13.87 and IFRS 13.B8.

This will only have an impact on the consolidated financial statements as of December 31, 2020 for the prior-year period 2019.

In the balance sheet, the values of the opening balance sheet as of 01.01.2019 change as follows:

in € thousand	Before Change 01.01.2019	Change	After Change 01.01.2019
Intangible assets	59,671	-2,459	57,212
Consolidated retained earnings	2,270	-1,721	549
Deferred tax liabilities	2,797	-738	2,059

The corresponding totals lines in the balance sheet change accordingly. In the income statement and the statement of comprehensive income, the following items change for the 2019 financial year:

In € thousand	Before Change 2019	Change	After Change 2019
Amortization of intangible assets and depreciation of property, plant and equipment	35,417	-2,459	32,958
Earnings before financial result and taxes	-42,053	2,459	-39,594
Income before income taxes	-43,513	2,459	-41,054
Income taxes	-2,734	739	-1,996
Consolidated net income	-40,779	1,721	-39,058
Total comprehensive income for the period	-41,107	1,721	-39,386

Accordingly, these values also change for 2019 in the cash flow statement and the statement of changes in equity.

Group of consolidated companies

In addition to Delticom AG as the parent company, the group of consolidated companies includes 12 (previous year: 15) domestic and 9 (previous year: 9) foreign subsidiaries, which were fully consolidated in the consolidated financial statements.

In fiscal year 2020, Delticom AG merged Mobile Mech GmbH, DeltiParts GmbH and DeltiStorage GmbH into Delticom AG.

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 one-segment company: The company focuses on selling tyres and complete wheels online. In the E-Commerce field, goods are sold to dealers, workshops and end users via 410 online shops and online distribution plattforms in 74 countries. Revenues and EBITDA are key parameters for management and control at group level. There are no other divisions that could constitute segments with a separate reporting requirement.

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

Currency translation

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

The items included in the financial statements of each company of the Group are measured based on the currency which is the currency of the primary economic environment in which the company operates (functional currency). 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 0,8955	GBP 0,8882
USA	USD 1,2232	USD 1,1414
Romania	RON 4,8669	RON 4,8316
Russia	RUB 90,4599	RUB 81,7007
Ukraine	UAH 34,6777	UAH 34,0128
Schwitzerland	CHF 1,0821	CHF 1,0813

Estimates and assumptions

In preparing the consolidated financial statements, assumptions and estimates have been made which have affected the amount and disclosure of the assets and liabilities, income and expenses and contingent liabilities reported in the balance sheet. The assumptions and estimates relate primarily to the uniform determination of economic useful lives for 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 deviate from the assumptions and estimates made. Such deviations are taken into account in the income statement at the time the information is provided.

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. Delticom decides whether groups of risks are aggregated or presented individually, depending on the individual case under review. Discretionary decisions resulted, among other things, from an estimate of the amount of potential tax back payments for income taxes and other taxes. In addition, discretionary decisions resulted from the assessment of the usability of tax loss carryforwards.

The lockdowns imposed in many places to contain the COVID-19 pandemic and the associated restrictions on mobility led to a significant decline in demand for replacement tires in Europe in the past year. Although it can be assumed that last year such motorists, who were unable to postpone the purchase of replacement tyres, increasingly bought online, we were not able to completely escape the market development in our core business. For the current year, we anticipate moderate revenue growth in our core business. We expect the negative effects of the Covid 19 pandemic on our business to be overcome as early as 2021.

Accounting and valuation principles

Accounting treatment of acquisitions

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

Goodwill

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

In fiscal year 2020, Delticom uses the fair value less costs of disposal (FVLCOD) to determine the recoverable amount. The basis for measuring the FVLCOD is the planning prepared by management for Delticom's business. This forecast is based on the assumption that e-commerce will continue to increase in importance in the tyre trade over the coming years.

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.

In assessing the recoverability of the acquired goodwill of € 35.3 million at Group level, a discount rate after taxes of 7.2 % (previous year: 6.1 %), an average EBITDA margin of 3.4 % (previous year: 2.5 %), average revenue growth in the detailed planning period of 6.5 % (previous year: 2.0 %) and a growth discount of 1.0 % (previous year: 1.0 %) were applied.

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 for the beta factor and the gearing ratio is taken into account, with changes in the gearing ratio due to the first-time application of IFRS 16 being taken into account accordingly.

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. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price increase for the next five years.

The estimated recoverable amount exceeded the carrying amount by around € 55 million (previous year € 67 million).

Other intangible assets

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

The scheduled 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	31.12.2020	12/31/2019
Rights of use		
Buildings	48,832	22,522
Technical equipment and machinery	1,483	1,631
Operating and office equipment	94	128
	50,409	**24,281**
Leasing receivables		
short-term	1,610	443
long-term	4,026	3,974
	5,636	**4,417**
Leasing liabilities		
short-term	8,409	5,930
long-term	49,611	23,361
	58,020	**29,291**

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	2020
up to 1 year	8,409
1–5 years	24,620
over five years	24,991
Total	**58,020**

Additions to rights of use during the 2020 financial year amounted to €33,938 thousand, in particular in the course of the commissioning of a warehouse in Ensisheim/France.

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

in € thousand	2020	2019
Depreciation on rights of use		
Buildings	4,857	4,690
Technical equipment and machinery	519	144
Operating and office equipment	34	9
Income from sale and lease back transactions	118	256
Interest expenses	317	300
Expenses in connection with short-term leases (included in other operating expenses)	361	1,617
Expenses in connection with leases of low-value assets not included in current leases (included in other operating expenses)	82	89

The total payments for leasing amount to € 7,009 thousand. The amount of lease payments recognized as an expense in accordance with IFRS 16.6 amounted to € 0.4 million in the financial year.

For a lease agreement concluded in 2020 for a logistics project in Lower Saxony, which is not expected to be used until 2023, cash outflows of € 19,112 thousand are expected over the lease term of eight years from the start of use.

In addition, there are lease extension options for various warehouses and offices for periods of between 2 and 5 years, which could lead to cash outflows of € 36,732 thousand if utilised 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.

Short-term leases and leases of low-value assets are exempt from recognition under IFRS 16. Payments for leases based on assets of low value and for short-term leases are recognised 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 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 large number 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 a reasonably certain exercise 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 components. The interest portion is recognized in the income statement over the term of the lease.

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 the 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.

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

ii. Classification and subsequent measurement

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

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

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated as FVTPL:

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

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

- It is held within the framework of a business model whose objective is both to hold financial assets in order to collect the contractual cash flows and in the sale of financial assets and liabilities; and

- its contractual terms give rise, at specified times, to cash flows representing only principal and interest payments on the outstanding principal.

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

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

Financial assets - Business model assessment

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

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

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

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

Financial assets – Assessment whether contractual cash flows are exclusively repayments

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

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

- certain events that would change the amount or timing of cash flows

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

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

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

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

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

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

Deferred taxes 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 32.49 % (previous year: 32.49 %). With regard to the valuation of deferred taxes from foreign companies, the respective applicable individual tax rate of the company was applied.

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

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

The recoverability of deferred tax assets is determined on the basis of a five-year planning horizon (previous year: four years). The extension of the planning horizon was possible due to an improvement in the planning process. Based on this adjustment, additional deferred tax assets in the amount of € 1,324 thousand were recognized.

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 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

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

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

As a result of the impairment test of the cash-generating units, there was an impairment of € 0.3 million on intangible assets at Delticar SAS, even after taking into account the value in use. In addition, due to a possible sale of Extor GmbH, the property, plant and equipment of Extor GmbH, which is part of the cash-generating unit Deltilog GmbH (logistics), was impaired in the amount of € 0.3 million.

In the case of DeltiLog GmbH, even minor adjustments to the planned revenue or margin would lead to a reduction in the recoverable amount to the carrying amount (as of December 31, 2020: € 4.3 million).

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

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

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

Accounting of assets and liabilities for non going concern companies

The assets and liabilities of Gourmondo Food GmbH, DeltiCar SAS and All you need GmbH were recognised at fair value, in contrast to the going concern principle.

Notes to the income statement

(1) Revenue from Contracts with Customers

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

Revenues in Germany totaled € 207,615 thousand (previous year € 236,665 thousand).

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

in € thousand	31.12.2020	31.12.2019
Trade receivables	19,090	10,533
Prepayments received from customers (contract liabilities)	-5,662	-6,214

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

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

Further information on trade receivables is provided in section (15). Advance payments received from customers are recognized as revenue when control of the goods is transferred to the customer, usually upon delivery of the goods. In the 2020 financial year, € 6,214 thousand was recognised as revenue, which was included in the advance payments received at the beginning of the period.

(2) Other operating income

Exchange rate gains of €3.7 million (previous year: €3.4 million) include gains from exchange rate changes between the date of origination and the date of payment as well as measurement at the closing rate. Exchange rate losses from these transactions are reported under other operating expenses. In addition, in 2020 other operating income in connection with a logistics project in Lower Saxony included income of EUR 9.5 million recognised in profit or loss. The development of miscellaneous other operating income results primarily from marketing subsidies, proceeds from transport losses and other income.

(3) Cost of sales

The cost of sales amounted to € 418.3 million (previous year: € 490.6 million) resulting exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2020	2019
Wages and salaries	12,672	17,515
Social security contributions	1,488	2,082
Share-based compensation with equity instruments	-25	188
Expenses for pensions and other benefits	131	151
Total	**14,266**	**19,936**

The statutory pension insurance in Germany is a defined contribution plan. Delticom makes contribution payments to the statutory pension insurance 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 of € 624 thousand (previous year: € 1,060 thousand) were recognised in personnel expenses when they became due.

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

In 2020, Delticom had an average of 178 employees (previous year: 261 employees).

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

in € thousand	2020	2019
Intangible assets	2,198	16,619
Rights of use	5,411	4,842
Property, plant and equipment	2,073	11,497
Total	**9,682**	**32,958**

(6) Other operating expenses

in € thousand	2020	2019
Transportation costs	50,148	62,171
Warehousing costs	8,707	10,953
Credit card fees	4,394	5,453
Marketing costs	18,873	28,600
Operations centre costs	8,889	9,458
Rents and overheads	2,220	3,917
Financial and legal costs	12,211	9,294
IT and telecommunications	3,108	3,870
Expenses from exchange rate differences	5,355	6,527
Other	7,975	15,049
Total other operating expenses	**121,880**	**155,292**

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.

Finance and legal expenses include additional consulting costs in connection with the restructuring in the amount of € 6,669 thousand (previous year: 3,452 € thousand).

Losses on receivables and individual value adjustments (€ 4,704 thousand; previous year: € 4,130 thousand) are shown as a separate item in the income statement.

(7) Financial result

in € thousand	2020	2019
Financial expenses	-2,854	-1,546
Financial income	87	86
Total	**-2,767**	**-1,460**

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 and overdrafts.

(8) Income taxes

The income taxes result from:

in € thousand	2020 Germany	2020 Abroad	2020 Total	2019 Germany	2019 Abroad	2019 Total
Current income taxes	363	503	866	113	1	114
Deferred income taxes	-5,143	-3	-5,146	-2,841	-6	-2,847
Total	**-4,780**	**500**	**-4,280**	**-2,728**	**-5**	**-2,733**

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

in Tausend €	2020 Deferred tax assets	2020 Deferred tax liabilities	2019 Deferred tax assets	2019 Deferred tax liabilities
Losses carried forward	8,607	0	3,853	0
Intangible assets	304	0	0	0
Rights of use	0	15,940	0	7,234
Property, plant and equipment	90	511	61	16
Inventories	345	75	0	229
Financial assets	2,083	0	0	0
Receivables	0	1,786	0	0
Long-term assets	1	2,103	0	1,430
Long-term provisions	20	0	6	0
Short-term provisions	21	12	61	0
Liabilities	18,421	0	8,681	0
Other equity and liabilities	114	728	0	7
Total	**30,006**	**21,155**	**12,662**	**8,916**
Balancing	21,155	21,155	8,663	8,663
Value on the balance sheet	**8,851**	**0**	**3,999**	**253**

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

in € thousand	2020	2019
Profit before income taxes	2,590	-43,514
Delticom AG income tax rate	32.49%	32.49%
Expected tax expense	**841**	**-14,138**
Differences from anticipated income tax expense		
Adjustment to different tax rate	-86	25
Non-deductible operating expenses	228	43
Non-period income taxes	260	-135
Effects from Group restructuring	0	7,530
Change in unrecognized deferred tax assets	0	4,139
Effect of recognized deferred tax assets on loss carried forward not recognized in prior yea	-5,029	0
Effect from utilization of loss carried forward for which no deferred tax assets were recogn	-390	0
Other tax effects	-104	-199
Total adjustments	**-5,121**	**11,404**
Actual tax expense	**-4,280**	**-2,733**

Control and profit and loss transfer agreements already exist with All you need GmbH, DeltiLog GmbH, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Giga GmbH and TyresNet GmbH. There is a profit and loss transfer agreement with Tirendo Holding GmbH.

The deferred tax assets on loss carryforwards of € 8.4 million (previous year: € 3.9 million) relate in the amount of € 8.4 million to losses from previous years at Delticom AG. The use of the vested loss carryforwards is probable in future years due to expected positive tax results.

In the year under review, loss carryforwards of around € 1.2 million were used for which no deferred tax assets were formed in the previous year. In addition, deferred tax assets of around €4.8 million were recognized on loss carryforwards that were not taken into account for the recognition of deferred tax assets on loss carryforwards in the previous year. The capitalization was made on the basis of a substantiated business plan, which was prepared in cooperation with an external consultant.

The deferred taxes on loss carryforwards not recognized in the previous year were mostly attributable to Delticom AG.

(9) Earnings per share

Basic earnings per share totalled € 0.55 (previous year: € –3.27). The diluted earnings per share totalled € 0.55 (previous year: € –3.27).

Pursuant to IAS-33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 6,870,032.55 (previous year: € –40,780,477.72) by the 12,463,331 weighted average number of ordinary shares in circulation during the financial year (previous year: 12,463,331 shares).

No stock options were exercised in the reporting period. The vesting period for all granted stock options is four years starting on the respective day of issue. In principle, all issued shares must be taken into account for the calculation of the diluted EPS, provided that the stock options have a dilutive effect. This is the case if the issue price of the new shares is below the average market price of the common shares in circulation in the period under consideration. There is no dilutive effect in 2020.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relationships	Trademarks	Advances paid
Acquisition costs				
As of 1 January 2020	**35,338**	**4,343**	**12,531**	**330**
Additions from business combinations	0	0	0	0
Other additions	0	0	0	301
Disposals	0	-184	-115	0
Reclassifications	0	0	0	-631
Currency translation	0	0	0	0
As of 31 December 2020	**35,338**	**4,159**	**12,416**	**0**
Accumulated depreciation				
As of 1 January 2020	**0**	**4,210**	**12,463**	**0**
Additions	0	13	10	0
Additions unscheduled	0	0	0	0
Disposals	0	-64	-57	0
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2020	**0**	**4,159**	**12,416**	**0**
Residual carrying amounts as of 31 December 2020	**35,338**	**0**	**0**	**0**

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
As of 1 January 2020	**3,450**	**4,781**	**24,716**	**85,489**
Additions from business combinations	0	0	0	**0**
Other additions	0	0	182	**483**
Disposals	0	-130	-29	**-458**
Reclassifications	0	0	631	**0**
Currency translation	0	0	0	**0**
As of 31 December 2020	**3,450**	**4,651**	**25,500**	**85,514**
Accumulated depreciation				
As of 1 January 2020	**3,450**	**3,178**	**20,559**	**43,860**
Additions	0	147	2,028	**2,198**
Additions unscheduled	0	0	0	**0**
Disposals	0	-46	-15	**-182**
Reclassifications	0	0	0	**0**
Currency translation	0	0	-40	**-40**
As of 31 December 2020	**3,450**	**3,279**	**22,532**	**45,836**
Residual carrying amounts as of 31 December 2020	**0**	**1,372**	**2,968**	**39,678**

in € thousand	Goodwill	Customer Relationships	Trademarks	Advances paid
Acquisition costs				
As of 1 January 2019	**35,338**	**4,343**	**11,162**	**2,022**
Additions from business combinations	0	0	0	0
Other additions	0	0	0	1,865
Disposals	0	0	0	-297
Reclassifications	0	0	0	-3,260
Currency translation	0	0	0	0
As of 31 December 2019	**35,338**	**4,343**	**11,162**	**330**
Accumulated depreciation				
As of 1 January 2019	**0**	**1,846**	**9,422**	**0**
Additions according to plan	0	336	1,441	0
Impairments	0	2,028	231	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2019	**0**	**4,210**	**11,094**	**0**
Residual carrying amounts as of 31 December 2019	**35,338**	**133**	**68**	**330**

in € thousand	Rights of sale	Domains	Software [1)]	Total [1)]
Acquisition costs				
As of 1 January 2019	**6,539**	**5,162**	**22,705**	**87,272**
Additions from business combinations	0	0	0	**0**
Other additions	0	0	245	**2,110**
Disposals	-3,089	-381	-2,584	**-6,351**
Reclassifications	0	0	3,260	**0**
Currency translation	0	0	0	**0**
As of 31 December 2019	**3,450**	**4,781**	**23,626**	**83,031**
Accumulated depreciation				
As of 1 January 2019	**6,539**	**1,323**	**10,929**	**30,059**
Additions according to plan	0	1,040	2,037	**4,854**
Impairments	0	1,007	8,499	**11,765**
Disposals	-3,089	-192	-1,996	**-5,277**
Reclassifications	0	0	0	**0**
Currency translation	0	0	0	**0**
As of 31 December 2019	**3,450**	**3,178**	**19,469**	**41,402**
Residual carrying amounts as of 31 December 2019	**0**	**1,603**	**4,157**	**41,629**

1) Adjustment in 2019 due to findings of the German Financial Reporting Enforcement Panel (see explanations in the notes to the consolidated financial statements under IAS 8 Adjustment previous year)

(11) Rights of use

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2020	27,212	1,774	136	29,122
Additions	33,567	371	0	33,938
Disposals	-2,400	0	0	-2,400
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2020	58,379	2,145	136	60,660
Accumulated depreciation				
As of 1 January 2020	4,690	144	8	4,842
Additions	4,857	520	34	5,411
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2020	9,546	664	42	10,253
Net book values as of 31 December 2020	**48,833**	**1,482**	**94**	**50,408**

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2019 – IFRS 16 First-time adoption	27,262	0	0	27,262
Additions	4,623	1,774	136	6,533
Disposals	-4,673	0	0	-4,673
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2019	27,212	1,774	136	29,122
Accumulated depreciation				
As of 1 January 2019	0	0	0	0
Additions	4,690	144	9	4,842
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2019	4,690	144	9	4,842
Net book values as of 31 December 2019	**22,522**	**1,630**	**127**	**24,280**

For information on accounting for rights of use in accordance with IFRS 16, please refer to the section entitled "Significant accounting policies". The additions include new leases concluded in 2020. A warehouse in Ensisheim, France, was capitalised at EUR 33.6m. The disposals relate to a sublease for part of a warehouse concluded in 2020.

(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 2020	1,233	18,906	21,875	42,014
Additions from business combinations	0	0	0	0
Additions	66	512	517	1,095
Disposals	0	-20	-456	-476
Reclassifications	0	1,862	-1,862	0
Foreign currency translation	0	0	0	0
As of 31 December 2020	1,299	21,260	20,074	42,633
Accumulated depreciation				
As of 1 January 2020	13	14,778	16,775	31,566
Additions	22	612	1,155	1,789
Additions unscheduled	0	238	45	283
Disposals	0	-20	-320	-340
Reclassifications	0	0	0	0
Foreign currency translation	13	20	7	40
As of 31 December 2020	48	15,628	17,662	33,338
Amortised cost as of 31 December 2020	**1,251**	**5,632**	**2,412**	**9,295**

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 2019	2,799	16,824	22,943	42,566
Additions from business combinations	0	0	0	0
Additions	29	3,377	1,073	4,479
Disposals	-1,595	-1,295	-2,141	-5,031
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
as of 31 December 2019	1,233	18,906	21,875	42,014
Accumulated depreciation				
As of 1 January 2019	318	6,667	13,893	20,878
Additions according to plan	48	2,689	843	3,580
Impairments	0	5,761	2,156	7,917
Disposals	-353	-339	-117	-809
Reclassifications	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2019	13	14,778	16,775	31,566
Amortised cost as of 31 December 2019	**1,220**	**4,128**	**5,100**	**10,448**

Property, plant and equipment includes mainly office equipment for the leased offices as well as packaging machines and warehouse equipment.

(13) Deferred taxes

There are deferred taxes in the amount of € 8,850 thousand (previous year: € 3,999 thousand), which are mainly based on deferred tax assets from loss carryforwards.

(14) Other non-current receivables

Receivables consist primarily of the non-current portion of receivables from the investment in warehouse and property transactions (€ 5,800 thousand), a rental security for a warehouse (€ 5,475 thousand), receivables from subleases (€ 4,026 thousand) and deposits paid to the Bern Directorate General of Customs and the Federal Tax Administration Bern. Currency translation was performed at the closing rate. The receivables are of a long-term nature.

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:

	2020	
in € thousand	nominal	discounted
up to 1 year	1,679	1,610
1–2 years	1,786	1,733
2–3 years	1,246	1,212
3–4 years	490	463
4–5 years	490	469
over five years	1,714	1,681
Total	**7,405**	**7,169**

The subleasing resulted in other operating income of € 760 thousand and interest income of € 57 thousand.

Current assets

(15) Inventories

in € thousand	2020	2019
Tyres and Accessories	34,431	55,325
Goods in Transit	2,007	6,604
Other	427	1,021
Total	**36,865**	**62,950**

Some sales transactions have already been concluded 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.

In the year under review, € 298,513 thousand (previous year: € 314,360 thousand) of inventories were recognised as an expense. The loss-free valuation resulted in write-downs of € 148 thousand.

(16) Accounts receivable

in € thousand	2020	2019
Accounts receivable	19,090	10,533
thereof receivables with associated companies and related parties (category: persons in key positions)	0	0
thereof receivables with associated companies and related parties (category: not consolidated subsidiary companies)	0	0

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

(17) Other current receivables

in € thousand	2020	2019
Refund claims from taxes	3,129	4,494
Credits with suppliers	481	1
Deferrals	418	1,028
Receivables from warehouse project	5,220	10,893
Other current receivables	4,817	4,166
Total	**14,065**	**20,582**

Other current receivables include € 22 thousand in receivables from derivative financial instruments (previous year: € 8 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	2020	2019
Cash	3	3
Bank balances	5,632	5,336
Total	**5,635**	**5,339**

Equity

(20) Subscribed capital

After the IPO on October 26, 2006, the subscribed capital consisted of 3,946,480 no-par value registered shares with a notional interest in the share capital of € 1.00 per share. As a result of the capital increase from company funds resolved by the Annual General Meeting on 19 May 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 the partial utilization of Authorized Capital I/2011 in 2016, Delticom's subscribed capital increased to € 12,463,331.

Authorized Capital

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by a total of up to €6,231,665 by issuing a total of up to 6,231,665 new no-par value registered shares in return for cash contributions or contributions in kind on one or more occasions until May 1, 2022 (Authorized Capital 2017).

Contingent capital
Stock option plan I/2014

The Annual General Meeting on April 29, 2014 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 Executive Board members), 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 until April 28, 2019.

The Company's 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 registered ordinary 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 Company's Management Board on December 25, 2016 and the Company's Supervisory Board on December 27, 2016, a stock option plan for employees of the Company 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 were introduced, taking into account the specifications on the main features contained in the resolution of the Company's Annual General Meeting on April 29, 2014.

Based on this plan, a total of 16,003 stock options were issued to employees of the Company on 10.01.2017 and a total of 32,000 stock options were issued to members of the Company's Management Board on 05.01.2017. On 05.01.2018, a total of 18,337 stock options were issued to employees of the Company and on 10.01.2018, a total of 32,000 stock options were issued to members of the Management Board of the Company. Further, a total of 16,660 stock options were issued to employees of the Company on 17.12.2018 and a total of 24,000 stock options were issued to members of the Management Board of the Company on 28.12.2018. On 04/17/2019, 3,332 stock options were issued to employees of the Company.

The vesting period for all stock options is four years, beginning on the respective issue date. The stock options are therefore currently not yet exercisable. The option rights each have a maximum term of ten years from the day on which the respective option right arises. The beneficiaries can exercise the option rights at the earliest after the expiry of a waiting period of four years, beginning on the issue date. 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 or in the notes to the consolidated financial statements. The term of the stock option plan ended on April 28, 2019, after which date the issuance of stock options under this stock option plan is no longer permitted. Accordingly, by resolution of the Annual General Meeting on 12 August 2019, the authorisation to grant stock option rights under the 2014 Stock Option Plan was partially cancelled.

The grant date fair value 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 date of grant 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.

The following assumptions were used to determine the fair values of the stock options:

- Dividend yield: 0 %
- volatility of the shares, based on historical data: 25 %
- risk-free interest rate: -0.095 %

Based on this, fair values of € 3.75 (05.01.2017), € 2.88 (10.01.2018), € 1.91 (28.12.2018) and € 1.42 (17.04.2019) per stock option were calculated.

Stock option programme I/2019

The Annual General Meeting of 12 August 2019 authorised the Management Board, with the consent of the Supervisory Board (or the Supervisory Board instead of the Management Board, insofar as option rights are granted to members of the Management 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 Management 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 11 August 2024.

The share capital of the Company is conditionally increased by up to € 540,000 (in words: five hundred and forty thousand euros) through the issue of 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 authorizing resolution of the Annual General Meeting on August 12, 2019. The shares will 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 implemented to the extent that the holders of the option rights exercise them. The shares shall participate in the profits from the beginning of the preceding financial year, provided that they are created by the beginning of the Annual General Meeting of the Company, otherwise from the beginning of the financial year in which they are created.

No stock options were issued under this stock option plan in fiscal years 2019 and 2020.

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 EUR 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 EUR 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.

Treasury shares

By resolution of the Annual General Meeting on May 5, 2015, a new authorization was created in this respect. Accordingly, the Company is authorized 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 - at the time the authorization is exercised. The authorization was valid until May 4, 2020 and has therefore expired.

A new authorization was created by resolution of the Annual General Meeting on 07.07.2020. Accordingly, the Company is authorized 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 - at the time the authorization is exercised. The authorization is valid until July 6, 2025. The authorization may be exercised in whole or in partial amounts, on one or more occasions, 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 purchased on the stock exchange or by means of a public purchase offer addressed to all shareholders.

(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 as well as reserves from the stock option program. In addition, the capital reserve increased in the course of the acquisition of the eFood and logistics companies.

(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

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

(24) Net retained profits/losses

The loss carryforwards are recognized in the consolidated retained earnings. The development is shown in the statement of changes in equity.

The voting rights attributable to minority interests are shown in the list of shareholdings. The share of consolidated net income attributable to minority interests amounts to € 136 thousand. Summarized financial information for subsidiaries is not presented for reasons of immateriality.

The change in minority interests mainly results from the purchase of 20% of the shares in Gourmondo Food GmbH i.L.

Liabilities

(25) Finanical liabilities

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

in € thousand	31.12.2020	31.12.2019
Long term Financial Loans	49,611	28,779
Short term financial liabilities	44,490	64,350
Total	**94,101**	**93,129**

Financial liabilities relate to non-current and current lease liabilities totaling € 58,020 thousand (previous year: € 29,291 thousand) as well as current annuity loans and the utilization of credit lines.

The liabilities to banks are due in full on December 31, 2021 in accordance with the agreements concluded in 2019. The following collateral exists for all liabilities to banks on the basis of a collateral pool agreement with the lending banks:

- Pledging of all payment accounts of the Company and other Group companies in Germany and abroad on the basis of account pledge agreements.
- Pledging of IP rights
- Assignment of warehouses in Germany and abroad as security
- Assignment of all claims under trade credit insurance policies
- Assignment of the claim to remuneration and the claim to repayment of the loan under a cooperation agreement, pledging of the associated rental collateral account
- Assignment of all claims from intercompany loans, customer receivables and insurance claims within the scope of global assignments under German and foreign law
- Pledging of Delticom AG's shares in Delticom North America Inc.
- Collateral on all other material assets of the Delticom Group

(26) Provisions

Provisions had the following breakdown:

in € thousand	12/31/2020	12/31/2019
Long-term provisions	118	384
Other short-term provisions	2,702	3,437
Total	**2,820**	**3,821**

The provisions have developed as follows:

in Tausend €	01.01.2020	Consumption	Resolution	Feed	31.12.2020
Other provisions long-term	384	363	0	96	117
Other provisions short-term	3,437	1,925	340	1,531	2,703
Total	**3,821**	**2,288**	**340**	**1,627**	**2,820**

Current other provisions mainly include restructuring costs, disposal fees still to be paid and customer bonuses to be reimbursed. 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 documents. In addition, the non-current portions of the performance-related remuneration of the Management Board are reported here. The provisions are discounted using interest rates appropriate to the term.

(27) Deferred tax liabilities

There are no deferred tax liabilities (previous year € 253 thousand).

(28) Trade accounts payable

in € thousand	31.12.2020	31.12.2019
Accounts payable	68,830	69,422
thereof liabilities with associated companies and related parties (category: persons in key positions)	0	0
thereof liabilities with associated companies and related parties (category: not consolidated subsidiary companies)	0	0

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	2020	2019
Financial assets at amortized cost	87	-34
Financial assets and liabilities (FVTPL)	-211	-1,507
Financial liabilities at amortized cost	-2,778	-1,537
Thereof net interest income	-2,691	-1,537

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

in € thousand	Measurement category according to IFRS 9	**Book Value 31.12.20**	Balance sheet valuation according to IFRS 9			**Fair value 31.12.20**
			Amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**5,635**	5,635	0	0	**5,635**
Accounts receivable	AC	**19,090**	19,090	0	0	**19,090**
Other receivables	AC	**14,065**	14,065	0	0	**14,065**
Derivative financial assets	FVTPL	**22**	0	0	22	**22**
Liabilities						
Accounts payable	FLAC	**68,830**	68,830	0	0	**68,830**
Other current liabilities	FLAC	**3,841**	3,841	0	0	**3,841**
Other original financial liabilities	FLAC	**36,082**	36,082	0	0	**36,082**
Derivative financial liabilities	FVTPL	**324**	0	0	324	**324**
Leasing liabilities	n/a	**58,020**				**58,020**
Thereof cumulated according valuation categories IFRS 9						
Financial assets measured at amortized cost		**38,790**	38,790	0	0	**38,790**
Financial Assets Held for Trading (FVTPL)		**22**	0	0	22	**22**
Other financial liabilities (FLAC)		**108,753**	108,753	0	0	**108,753**
Financial Liabilities Held for Trading (FVTPL)		**324**	0	0	324	**324**

in € thousand	Measurement category according to IFRS 9	Book Value 31.12.19	Balance sheet valuation according to IFRS 9			Fair value 31.12.19
			Amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**5,339**	5,339	0	0	**5,339**
Accounts receivable	AC	**10,533**	10,533	0	0	**10,533**
Other receivables	AC	**16,088**	16,088	0	0	**16,088**
Derivative financial assets	FVTPL	**8**	0	0	8	**8**
Liabilities						
Accounts payable	FLAC	**69,422**	69,422	0	0	**69,422**
Other current liabilities	FLAC	**2,302**	2,302	0	0	**2,302**
Other original financial liabilities	FLAC	**63,836**	63,836	0	0	**63,836**
Derivative financial liabilities	FVTPL	**99**	0	0	99	**99**
Leasing liabilities	n/a	**29,291**				**29,291**
Thereof cumulated according valuation categories IFRS 9						
Financial assets measured at amortized cost		**31,960**	31,960	0	0	**31,960**
Financial Assets Held for Trading (FVTPL)		**8**	0	0	8	**8**
Other financial liabilities (FLAC)		**135,560**	135,560	0	0	**135,560**
Financial Liabilities Held for Trading (FVTPL)		**99**	0	0	99	**99**

The fair value of other non-derivative financial liabilities is attributable to current and non-current 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. This also applies to the non-current bank loans.

The fair value of cash and cash equivalents, current receivables, trade payables and other current financial assets and liabilities approximates the carrying amount due to the short remaining term. For the non-consolidated companies, the fair value as of the balance sheet date corresponds to the acquisition cost for these investments. The carrying amount of the derivative financial instruments corresponds to the 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 the valuation allowances on these assets recognized as of the balance sheet date. As the contracting parties for derivatives are reputable financial institutions, the Group assumes that they will meet their obligations.

We have classified the financial instruments in the category Financial assets held for trading in the amount of € 22 thousand (2019: € 8 thousand) and in the category Financial liabilities held for trading in the amount of € 324 thousand (2019: € 99 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 at the market interest rate with an equivalent term. Since the interest conditions correspond approximately to the market level, the carrying amount of the financial liabilities corresponds approximately to the 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 the 2020 financial year.

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

Net gains and losses on financial assets and liabilities at fair value through 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 are mainly prepayments received, credit balances from customers, value added 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 € 324 thousand in liabilities from derivative financial instruments (previous year: € 99 thousand) that are due within one year.

All current liabilities are due within one year.

in € thousand	12/31/2020	12/31/2019
Sales tax (VAT)	4,353	4,208
Contract liabilities (advance payments received)	5,662	6,214
Customer credits	4,028	344
Social security contributions	90	93
Income and church tax	112	122
Other current liabilities	3,841	1,744
Total	**18,086**	**12,724**

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	31.12.2020	31.12.2019
Order commitments for goods	45,435	36,363
Other financial commitments	21,627	48,603
Total	**67,062**	**84,966**

In the previous year, other financial obligations included leases that are now recognized in accordance with IFRS 16 due to the commencement of the lease term. In 2019, a lease agreement was concluded for a warehouse in Ensisheim, France, the use of which commenced in December 2020 with a term of twelve years.

Other financial obligations include a further lease agreement with a term of eight years. This relates to the lease of a new warehouse in Lower Saxony. The lease is scheduled to commence in 2023.

In addition, there are leases for assets with a low value and 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 impact of changes of 10 % up or down in the value of the various currencies compared to the Euro. The information provided is to be understood as results before tax.

Currency	1 Euro = unit FX (as of 31.12.2020)	Result +10% in €	Result -10% in €	Net exposure
CHF	1.0821	-35,248	35,248	-352,484
DKK	7.4413	-7,018	7,018	-70,178
GBP	0.8955	-5,067	5,067	-50,669
NOK	10.4803	-2,733	2,733	-27,334
PLN	4.5644	-35,073	35,073	-350,725
RON	4.8669	293	-293	48,293
RUB	90.4599	-64,842	64,842	-2,934
SEK	10.0485	11,077	-11,077	-648,423
USD	1.2232	-947,608	947,608	-9,476,080
Others	n/a	108,913	-108,913	1,089,131

Currency	1 Euro = unit FX (as of 31.12.2019)	Result +10 % in €	Result -10 % in €	Net exposure in €
CHF	1.0858	-53,815	53,815	-538,154
DKK	7.4723	-7,790	7,790	-77,902
GBP	0.8476	13,305	-13,305	133,045
NOK	9.8608	-24,661	24,661	-246,605
PLN	4.2518	-47,082	47,082	-470,823
RON	4.7855	4,829	-4,829	48,293
RUB	69.6111	-105	105	-1,051
SEK	10.4899	-5,788	5,788	-57,878
USD	1.1219	-1,070,856	1,070,856	-10,708,555
Others	n/a	136,795	-136,795	1,367,951

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 € 48 thousand (previous year: € 86 thousand), a decrease in interest rates by 10 basis points results in a gain of € 48 thousand (previous year: € 86 thousand). The sensitivity analysis included both bank balances and variable-interest financial liabilities.

Liquidity risk

Against the backdrop of the development of earnings in 2018, the delay in the preparation of the 2018 annual financial statements and the associated postponement of the Annual General Meeting, bilateral talks on the continuation or extension of credit lines expiring in the short term became increasingly difficult from mid-2019.

The company took this as an opportunity to initiate corrective measures without delay in the middle of 2019. For example, a specialized consulting firm was commissioned to prepare an expert opinion based on the IDW-S6 standard. Furthermore, a company specializing in M&A was mandated to acquire buyers for subsidiaries and, in particular, to look for opportunities for new capital (equity/debt) outside the existing financing partners. In addition, as part of the restructuring process that has been initiated, the company's purpose for the future - to focus on the tyre business in Europe - has been defined and a decision has been made to discontinue unprofitable business areas/units. A detailed description of the restructuring measures initiated in 2019 can be found in the combined (Group) management report for the 2019 financial year in the section "Risk and opportunities report" in the section "Risk to the company as a going concern".

Via various standstill agreements, the process with the financing partners was successfully designed in fiscal year 2019 and resulted in a restructuring agreement that was concluded with all financiers on

December 13, 2019. Essentially, the existing and necessary financing requirements were confirmed and are now secured until the end of 2021, subject to compliance with the milestones agreed with the banks. The company was able to close one necessary financing module in the 2020 financial year from its operating performance.

With the positive earnings development in the 2020 financial year, the company is ahead of the restructuring plan, which envisaged a positive annual result at Group level in the 2021 financial year. Thanks to the discontinuation of unprofitable business segments and the clear focus on cost management and increasing efficiency, Delticom AG's restructuring process has been successful to date. Despite the existing restructuring agreement and the good turnaround performance, however, uncertainty remains with regard to financing security, as Delticom still has to meet the milestones agreed for the restructuring period until the end of 2021 in order to secure financing. In addition, under "going-concern premises", the question of financing security beyond 31 December 2021 arises. Although the follow-up financing has not yet been contractually secured, the company is already working on a corresponding financing solution. This provides for various financing components which were already addressed in the financing group at the beginning of the current financial year, but which had not yet been contractually fixed at the time the financial statements and the management report were prepared.

In connection with these events and circumstances, there is a material uncertainty which could cast significant doubt on Delticom AG's (or the Delticom Group's) ability to continue as a going concern, and Delticom AG or the Delticom Group may therefore not be able to realize its assets and settle its liabilities in the ordinary course of business (going concern risk).

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					
2020	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	30,665	**30,665**	30,665	0	0	0	0
Bank loans	5,417	**5,680**	43	5,637	0	0	0
Leasing liabilities	58,050	**61,043**	1,507	7,490	8,983	17,571	25,492
Accounts payable trade	68,830	**68,830**	68,830	0	0	0	0
Derivative financial liabilities	324	**324**	324	0	0	0	0

in € thousand		Contractual cash flows					
2019	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	58,420	**58,420**	58,420	0	0	0	0
Bank loans	5,417	**5,945**	22	242	5,681	0	0
Leasing liabilities	29,291	**30,233**	1,031	5,158	5,929	12,562	5,552
Accounts payable trade	69,422	**69,422**	69,422	0	0	0	0
Derivative financial liabilities	99	**99**	99	0	0	0	0

Credit risk

Delticom supplies goods to trading companies with different credit ratings. With regard to some customers, there can be temporary concentrations of risk, which can represent a burden on the group's earnings and liquidity position. For this reason, Delticom has 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 € 6,837 thousand (previous year: € 2,711 thousand). The deductible for credit-insured receivables is between 10 % and 15 %.

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	2020	2019
Expenses for the complete derecognition of receivables	-1,820	-4,130
Income from receipts on receivables written off	212	113

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 31.12.2020	19,090	13,468	2,657	1,145	685	3,993	2,858
Value adjustment rate in %		0.2	0.4	1.0	2.0	70.0	
as of 31.12.2019	10,533	3,144	4,815	919	378	4,423	3,145
Value adjustment rate in %		0.2	0.4	1.5	2.0	70.0	

Receivables older than 90 days are written off and sent 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 receivables developed as follows:

in € thousand	2020	2019
Write-downs – balance on January 1	**3,145**	**3,028**
Changes in the consolidated companies	0	0
Additions (expenses for write-downs)	2,884	4,130
Reversals	-381	-113
Use of write-downs	-2,790	-3,900
Write-downs – balance on December 31	**2,858**	**3,145**

Related party disclosures

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

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

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

- Binder GmbH (number of shares 2,133,561, 17,12 % interest)

- Prüfer GmbH (number of shares 4,427,671, 35.52 % interest)

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

Sale of goods:

in Tausend €	2020	2019
to associated companies and related parties (category: persons in key positions)	4	3
to associated companies and related parties (category: not consolidated subsidiary companies)	0	0

Purchase of goods and services:

in € thousand	2020	2019
from associated companies and related parties (category: persons in key positions)	0	0
from associated companies and related parties (category: not consolidated subsidiary companies)	0	0

In addition, related parties (category: persons in key positions) accompany the restructuring process and are part of agreements concluded in connection with the restructuring agreement. All transactions with related companies and persons have been carried out on terms and conditions that are also customary among third parties.

Executive bodies

The company's executive bodies are the Annual General Meeting, the Supervisory Board and the Executive Board. In fiscal year 2020, the Executive Board consisted of the following members:

- Susann Dörsel-Müller, Isernhagen (until 30.06.2020): key account business (B2B) fleet business, assembly partner,
- Philip von Grolman, Hemmingen: Purchasing
- Andreas Prüfer, Hanover: Consumer Business (B2C), Logistics, IT, Key Account Business (B2B), Real Estate Management, Sales
- Thomas Loock, Kleve: Finance, Human Resources, Legal, Corporate Communications
- Harald Blania, Burgthann (limited term August 14, 2020 to March 31, 2021): CPO (Chief Performance Officer)
- Alexander Eichler, Ilmenau (from June 1, 2020): Logistics, IT

- Torsten Pötzsch, Pfaffing (from 01.01.2021): Sales, Shop Management

The remuneration of the Management Board consists of a non-performance-related component, a performance-related component and share-based remuneration.

The remuneration of the Management Board is composed as follows:

	Thomas Loock (since 15.08.2019)					
	Inflows		Donations			
in € thousand	2019	2020	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	102	270	102	270	270	270
Additional compensation	0	25	0	25	0	25
Total	**102**	**295**	**102**	**295**	**270**	**295**
One-year compensation	0	25	25	30	0	30
Multi-year compensation	0	0	12	77	0	500
Components with long-term incentive effect	0	6	12	77	0	500
Garanted stock options	0	0	0	0	0	0
Total	**102**	**326**	**139**	**402**	**270**	**825**
Pension expense	0	0	0	0	0	0
Total compensation	**102**	**326**	**139**	**402**	**270**	**825**

	Alexander Eichler (as of 01.06.2020)					
	Inflows		Donations			
in € thousand	2019	2020	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	0	88	0	88	88	88
Additional compensation	0	8	0	88	0	8
Total	**0**	**96**	**0**	**96**	**88**	**96**
One-year compensation	0	50	0	50	0	50
Multi-year compensation	0	0	0	8	0	500
Components with long-term incentive effect	0	0	0	8	0	500
Garanted stock options	0	0	0	0	0	0
Total	**0**	**146**	**0**	**154**	**88**	**646**
Pension expense	0	0	0	0	0	0
Total compensation	**0**	**146**	**0**	**154**	**88**	**646**

	Philip von Grolman					
	Inflows		Donations			
in € thousand	2019	2020	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	243	243	243	243	243	243
Additional compensation	0	0	0	0	0	0
Total	**243**	**243**	**243**	**243**	**243**	**243**
One-year compensation	0	0	0	0	0	0
Multi-year compensation	63	55	0	53	0	500
Components with long-term incentive	63	55	0	53	0	500
Garanted stock options	0	0	0	0	0	0
Total	**306**	**298**	**243**	**296**	**243**	**743**
Pension expense	0	0	0	0	0	0
Total compensation	**306**	**298**	**243**	**296**	**243**	**743**

	Andreas Prüfer					
	Inflows		Donations			
in € thousand	2019	2020	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	475	475	475	475	475	475
Additional compensation	0	0	0	0	0	0
Total	**475**	**475**	**475**	**475**	**475**	**475**
One-year compensation	0	0	0	0	0	0
Multi-year compensation	125	223	0	107	0	750
Components with long-term incentive effect	125	223	0	107	0	750
Garanted stock options	0	0	0	0	0	0
Total	**600**	**698**	**475**	**582**	**475**	**1,225**
Pension expense	0	0	0	0	0	0
Total compensation	**600**	**698**	**475**	**582**	**475**	**1,225**

	Susann Dörsel-Müller (until 30.06.2020)					
	Inflows		Donations			
in € thousand	2019	2020	2019	2020	2020 (Min)	2020 (Max)
Fixed compensation	240	180	240	180	180	180
Additional compensation	0	0	0	0	0	0
Total	**240**	**180**	**240**	**180**	**180**	**180**
One-year compensation	0	236	0	236	0	236
Multi-year compensation	28	0	0	0	0	500
Components with long-term incentive effect	28	0	0	0	0	500
Garanted stock options	0	0	0	0	0	0
Total	**268**	**416**	**240**	**416**	**180**	**916**
Pension expense	0	0	0	0	0	0
Total compensation	**268**	**416**	**240**	**416**	**180**	**916**

Susann Dörsel-Müller's one-year variable remuneration includes a severance payment in full.

Harald Blania is a member of the Managing Board of Delticom AG within the scope of a consulting agreement. He received a fee of € 173 thousand for the period of his board activities in 2020, of which he received € 127 thousand in 2020.

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

in € thousand	Non-performance related compensation 2020	2019	Performance-related compensation 2020	2019	Long-term incentive 2020	2019
Susann Dörsel-Müller	180	240	236	0	0	0
Philip von Grolman	243	243	53	0	0	0
Andreas Prüfer	475	475	107	0	0	0
Thomas Loock	270	102	107	37	0	0
Alexander Eichler	96	0	58	0	0	0
Harald Blania	173	0	0	0	0	0
Total	**1,437**	**1,060**	**561**	**37**	**0**	**0**

In fiscal year 2020, short-term benefits of € 1,437 thousand (previous year: € 1,060 thousand) and other long-term benefits of € 245 thousand (previous year: € 12 thousand) were due to members of the Executive Board. Variable short-term remuneration was granted in the amount of € 316 thousand (previous year € 30 thousand), of which € 236 thousand was a severance payment to Susann Dörsel-Müller. The share-based remuneration amounts to a total of € 0 thousand (previous year: € 0 thousand).

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

In € thousand	1st tranche 05.01.2017	2nd tranche 10.01.2018	3rd tranche 28.12.2018	total 31.12.2020
Susann Dörsel-Müller	6,500	4,500	3,000	14,000
Philip von Grolman	8,000	8,000	8,000	24,000
Andreas Prüfer	8,000	8,000	8,000	24,000

The fair values at the grant date of the stock options granted to the members of the Management Board are as follows:

in € thousand	Fairvalue 1st tranche 05.01.2017	Fair value 2nd tranche 10.01.2018	Fair value 3rd tranche 28.12.2018
Susann Dörsel-Müller	30,000	23,040	15,280
Philip von Grolman	30,000	23,040	15,280
Andreas Prüfer	30,000	23,040	15,280

The fair values per share at the respective grant dates were €3.75 (05.01.2017), €2.88 (10.01.2018) and €1.91 (28.12.2018). No stock options were issued to members of the Management Board in 2020. Due to leaving the company of Susann Dörsel-Müller, a total of 10,000 stock options were forfeited by her in accordance with the stock option plan.

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

During fiscal year 2020, the Supervisory Board was composed as follows:

- Alexander Gebler (from 09.03.2020), Chairman of the Supervisory Board: Lawyer, Hanover
- Rainer Binder (until 29.02.2020), Chairman of the Supervisory Board: Entrepreneur, Hanover
- Michael Thöne-Flöge, Deputy Chairman of the Supervisory Board: Entrepreneur, Hanover

Mr. Thöne-Flöge is a member of a control body comparable to a Supervisory Board, namely the Administrative Board of Opticland GmbH, Nuremberg.

- Alan Revie (until February 29, 2020), Supervisory Board member: Entrepreneur, Hamilton / Great Britain

Mr. Revie is a member of a control body comparable to a supervisory board, namely the Administrative Board of Axle Group Holdings Limited, Glasgow.

- Karl-Otto Lang (from 09.03.2020), Supervisory Board member: Managing Director, Würzburg / Germany

The Supervisory Board was granted remuneration of € 80 thousand (previous year: € 80 thousand) for the 2020 financial year. This exclusively comprises fixed remuneration without performance-related components. In the 2020 financial year, the remuneration of Supervisory Board members Rainer Binder amounted to € 8 thousand (previous year: € 50 thousand), Michael Thöne-Flöge to € 20 thousand (previous year: € 20 thousand) and Alan Revie to € 2 thousand (previous year: € 10 thousand), Alexander Gebler to € 42 thousand (previous year: € 0 thousand), Karl-Otto Lang to € 8 thousand (previous year: € 0 thousand).

Dividend

On July 7th, 2020, the Annual General Meeting decided not to distribute a dividend for the 2019 financial year and to carry forward the 2019 accumulated loss of €29,620 thousand to new account.

Proposal for the appropriation of profits

In view of the development of earnings last year and the tight liquidity situation, no dividend will be paid for the 2020 financial year.

Exempting Consolidated Financial Statements

Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Tirendo Holding GmbH, Giga GmbH, TyresNet GmbH, DeltiLog GmbH and All you need GmbH have fulfilled the conditions of Section 264 (3) of the German Commercial Code through their inclusion in the consolidated financial statements and make use of the exemption provision as far as possible. Tirendo Deutschland GmbH makes use of the exemption provision of section 264 (3) HGB as far as possible. Toroleo GmbH & Co. KG makes use of the exemption according to Section 264a (1) HGB.

Shareholdings

Consolidated subsidiaries:

Consolidated subsidiaries:

	Fixed capital interest %	
Name, registered office	2020	2019
Direct		
All you need GmbH, Berlin	100	100
DeltiCar SAS, Paris (France)	100	100
Delticom North America Inc., Benicia (USA)	75	75
Delticom O.E. S.R.L., Timisoara (Romania)	100	100
Delticom Russland OOO, Moskau (Russia)	100	100
DeltiLog Ltd., Witney (Great Britain)	100	100
DeltiLog GmbH, Hanover	100	100
DS Road GmbH, Pratteln (Switzerland)	100	100
Giga GmbH, Hamburg	100	100
Gourmondo Food GmbH i.L., Munich	100	88
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover	100	100
Tirendo Holding GmbH, Berlin	100	100
Toroleo Tyres GmbH, Gadebusch	100	100
Toroleo Tyres TT GmbH & Co. KG, Gadebusch	100	100
TyresNet GmbH, Munich	100	100
Indirect		
Delticom TOV, Lwiw (Ukraine) (via Delticom O.E. SRL)	99	99
Extor GmbH, Hanover (via DeltiLog GmbH)	80	60
Ringway GmbH, Hanover (via DeltiLog GmbH)	100	100
Gigatires LLC, Benicia (USA) (via Delticom North America Inc.)	100	100
Tireseasy LLC, Benicia (USA) (via Delticom North America Inc.)	100	100
Tirendo Deutschland GmbH, Berlin (via Tirendo Holding GmbH)	100	100

Delticom AG held a 100% interest in the companies Deltiparts GmbH, DeltiStorage GmbH and Mobile-Mech GmbH in the previous year. In 2020, the companies were merged into Delticom AG.

Supplementary report

There were no significant events after the balance sheet date.

Auditor's fees

In 2020, the following fees were recorded for the auditor PricewaterhouseCoopers GmbH, Hanover:

in € thousand	2020
Audits of the financial statements	466
Other confirmation and valuation services	13
Tax consultancy services	0
Other services	0
Total	**479**

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.

Declaration of conformity on the application of the recommendations of the German Corporate Governance Code Government Commission

The declaration required by Section 161 of the German Stock Corporation Act (AktG) was submitted by the Management Board and Supervisory Board on 23 March 2021 and made available to shareholders on our website www.delti.com.

Notes to the cash flow statement

The consolidated cash flow statement was prepared according to IAS 7. The cash flow statement allows an assessment of the Group’s ability to generate cash and cash equivalents. The cash flows are broken down into cash flows from operating activities, investing activities and financing activities. The cash flows from operating activities are presented using the so-called indirect method, in which the net income is adjusted by non-cash items. Cash and cash equivalents comprises cash and bank balances.

in € thousand	31.12.2019	Cash changes	Non-cash changes		31.12.2020
			Reclassifications Maturities	Acquisitions/ disposals recognized directly in equity	
Long term bank loans	5,417	0	-5,417	0	0
Short term bank loans	58,420	-27,755	5,417	0	36,082
Leasing liabilities	29,291	-6,266	0	34,995	58,020
Total	**93,128**	**-34,021**	**0**	**34,995**	**94,102**

'in € thousand	12/31/2018	Cash changes	Non-cash changes		12/31/2019
			Reclassifications Maturities	Additions to leasing liabilities	
Long term bank loans	3,750	1,667	0	0	5,417
Short term bank loans	27,119	31,301	0	0	58,420
Leasing liabilities	0	-4,505	27,262	6,534	29,291
Total	**30,869**	**28,463**	**27,262**	**6,534**	**93,128**

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, 23 March 2021

(The Management Board)

Auditors' Report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Translation of the auditor's report issued in German language on the consolidated financial statements prepared in German language by the management of Delticom AG, Hanover.

To Delticom AG, Hanover

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

Audit Opinions

We have audited the consolidated financial statements of Delticom AG, Hanover, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, 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 to December 31, 2020 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Delticom AG, which is combined with the Company’s management report, for the financial year from January 1 to December 31, 2020. We have not audited the content of the statement on corporate governance pursuant to § (Article) 289f HGB (Handelsgesetzbuch: German Commercial Code) and § 315d HGB in accordance with the German legal requirements.

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, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not include the content of of the aforementioned corporate governance statement.

Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Material uncertainty in connection with going concern

We refer to the disclosures in the section "Liquidity risk" of the notes to the consolidated financial statements and in the section "Risk and opportunity report - risk threatening the existence of the Group" of the Group management report, in which the legal representatives describe that going concern of the Group depends on the successful continuation of the implementation of the restructuring as well as the successful conclusion of follow-up financing. As described in the section "Liquidity risk" and the section "Risk and opportunity report - risk threatening the existence of the company", these events and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to going concern and which constitutes a risk threatening the existence of the company as a going concern within the meaning of § 322 Abs. 2 Satz 3 HGB. Within the scope of our audit, we have, among other things, acknowledged the restructuring expert opinion obtained by the Company, the professional qualifications of the external expert as well as the current corporate planning, which was also prepared with the help of the same external expert. In this context, we also assessed the appropriateness of the assumptions made in the expert restructuring opinion and the current corporate planning and whether the measures described in the expert restructuring opinion and the current corporate planning were properly derived on the basis of these assumptions. Our audit opinion has not been modified with respect to this matter.

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, 2020 to

December 31, 2020. 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. In addition to the matters described in the section entitled "Significant uncertainty relating to going concern", we have identified the matters described below as those matters of particular importance to be disclosed in our opinion.

- Accounting for revenues
- Impairment test for intangible assets (including goodwill) and property, plant and equipment

We have structured our presentation of these particularly important audit issues as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Accounting for revenues

Matter and issue

Delticom is an e-commerce company with expertise in tyres and and warehouse logistics. The group generates the largest part of its revenues from selling tyres to private and commercial customers via the Internet, with the most important part of its revenues being generated with private customers. The revenues generated in the tyre segment represent mass transactions and shape the Group's earnings position. Revenues are recognised when the customer obtains control and taking into account any rights of withdrawal of the customer. The processing and monitoring of these mass transactions is automated.

As a result of the mass transactions, increased requirements are placed on the IT systems and processes to ensure that revenues are recognized on an accrual basis. Against this background, the accounting for revenues was of particular importance in the context of our audit.

Audit approach and findings

Within the scope of our audit, we have, among other things, assessed the appropriateness and effectiveness of the internal control system in place for the processing and realisation of revenues, including the IT systems used in the tyre segement.

Based on this, we performed sample testing of the sales of goods by means of individual case testing procedures. Furthermore, we performed analytical procedures with regard to the distribution of the sales of goods among customer groups as well as the temporal distribution in the course of the year and around the balance sheet date.

We also assessed whether revenues are recognized when control of the goods is transferred to the customer and assessed the consistency of the methods used to determine revenues recognition. The same applies to the recognition of goods for which customers have exercised their right of withdrawal and to the determination of reliable return rates.

In our opinion, the procedures and methods applied by the legal representatives as well as the internal control system set up, including the IT systems, are suitable overall for the realisation and accrual of revenues.

Reference to further information

Further information on revenues is provided in the section "Notes to the income statement - Revenues" in the notes to the consolidated financial statements.

Impairment test for intangible assets (including goodwill) as well as rights of use and property, plant and equipment

Matter and issue

In the Company's consolidated financial statements, the balance sheet items "Intangible assets", "Rights of use" and "Property, plant and equipment" include a total of € 99.4 million (49.7 % of the balance sheet total or 671.6 % of equity). The goodwill reported under intangible assets amounts to € 35.3 million.

The recoverability of goodwill and other intangible assets, rights of use and property, plant and equipment must be tested for impairment as of the balance sheet date in accordance with IAS 36. While goodwill is tested for impairment once a year or on an ad hoc basis, other intangible assets with finite useful lives, rights of use and property, plant and equipment are only tested for impairment on an ad hoc basis.

Goodwill is tested for impairment at Group level and thus at the level of a group of cash-generating units. The impairment test of other intangible assets with determinable useful lives, rights of use and property, plant and equipment is performed at the level of the cash-generating units to which the respective asset is allocated. The basis for this test is the present value of the future cash flows of the respective cash-generating unit or group of cash-generating units to which the respective assets are allocated. This present value is compared with the carrying amount of the respective cash-generating unit or group of cash-generating units as the recoverable amount in the impairment test. In the impairment test of goodwill, the carrying amount includes the goodwill. 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 Group's five-year operating plan prepared by the legal representatives and acknowledged by the Supervisory Board represents the starting point and is extrapolated using assumptions about, for example, long-term growth rates in order to depict a sustainable situation (so-called "perpetual annuity"). This also takes into account assumptions about the expected impact of the ongoing Corona crisis on the Group's business activities. Discounting is carried out using the weighted capital costs of the respective cash-generating unit or group of cash-generating units.

As a result of the impairment test for the cash-generating units, there was an impairment of € 0.3 million on intangible assets at Delticar SAS, even after taking into account the value in use. In addition, due to a possible sale of Extor GmbH, the property, plant and equipment of Extor GmbH, which is part of the cash-generating unit Deltilog GmbH (Logistics), was impaired in the amount of € 0.3 million. No impairment was identified for goodwill or for the other cash-generating units.

The result of this valuation is highly dependent on the estimation of future cash inflows and outflows of the respective cash-generating unit or group of cash-generating units by the legal representatives of the Company as well as the discount rate and growth rate used and is therefore subject to considerable uncertainty, also against the background of the effects of the Corona crisis. Against this background and due to the underlying complexity of the valuation, this matter was of particular importance in the context of our audit.

Audit approach and findings

As part of our audit, with the support of our internal specialists, we, among other things, reviewed the methodological procedure for performing the impairment test. After comparing the future cash inflows used in the calculation with the Group's approved five-year operational plan, we assessed the appropriateness of the calculation, in particular by reconciling it with general and industry-specific market expectations. In this context, we also assessed the legal representatives' assessment of the impact of the Corona crisis on the Group's business activities and understood how this was taken into account in the calculation of future cash flows. In doing so, we also took into account the analyses and results of a plausibility check of the corporate planning by a third party expert.

In addition, we have also assessed the proper recognition of the costs of corporate functions. With the knowledge that changes in the discount rate used can have a significant impact on the amount of the enterprise value determined in this way, we have intensively studied the parameters used in determining the discount rate used and comprehended the calculation scheme. In order to consider forecast uncertainties, we have comprehended the sensitivity analyses prepared by the Company and performed our own sensitivity analyses for the groups of cash-generating units with low headroom (carrying amount compared to recoverable amount).

For cash-generating units for which a possible change in an assumption would result in a recoverable amount below the carrying amount of the cash-generating units, we have satisfied ourselves that the necessary disclosures have been made in the notes.

Overall, the valuation parameters and assumptions applied by the legal representatives are in line with our expectations and are also within the ranges that we consider reasonable.

Reference to further information

The Company's disclosures on the impairment test for the balance sheet items "Intangible assets (including goodwill)", "Rights of use" and "Property, plant and equipment" are contained in the sections "Significant accounting policies - goodwill", "Significant accounting policies - write-downs and impairments on non-financial assets" in the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report.

The annual report is expected to be made available to us after the date of the auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for disclosing matters relating to the continuing operation of the entity, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of the same accounting policy unless there is an intention to liquidate the Group or discontinue operations, or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgment and maintain a critical attitude. In addition

- We identify and evaluate the risks of material misstatement - whether intentional or not - of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the override of internal control.
- We obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the group management report that are taken to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.

- We draw conclusions about the appropriateness of the accounting principle applied by the legal representatives for the continuation of the company's operations and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Group to cease operating.
- We have audited the overall presentation, the structure and the content of the consolidated financial statements including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the group management report as a whole.
- we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of adequate and suitable audit evidence, we perform in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and the safeguards that have been put in place to that effect.

From among the matters discussed with those responsible for monitoring, we identify those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most important matters for the audit. We describe these matters in the auditor's report unless required to do so by law or other legal provisions.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for the purpose of disclosure in accordance with § 317 Abs. 3b HGB

Audit opinion

Pursuant to § 317 Abs. 3b HGB, we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the attached file Delticom_AG_KA+KLB_ESEF-2020-12-31.zip and prepared for disclosure purposes comply in all material respects with the requirements of § 328 Abs. 1 HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of § 328 Abs. 1 HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with § 317 Abs. 3b HGB and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to § 317 Abs. 3b HGB (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1).

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 reproductions of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the award of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

Furthermore, the company's management is responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of § 328 Abs. 1 HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

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

Group auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of § 328 Abs. 1 HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- Evaluate the technical validity of the ESEF documentation, that is, whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file.
- We assess whether the ESEF documents provide a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.
- We assess whether the inline XBRL (iXBRL) markup of the ESEF documentation provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on July 7, 2020. We were assigned by the Supervisory Board on September 3, 2020. We have been the auditors of the consolidated financial statements of Delticom AG, Hanover, without interruption since fiscal year 2019.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the audit is Martin Schröder.

Hanover, 23 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Schröder
German Public Auditor

ppa. Michael Meseberg
German Public Auditor

Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Group revenues (€ million)	541.26	625.75	645.72	667.70	606.60	559.79	501.70	505.54	456.38	480.01	419.58
Group EBITDA (€ million)	15.04	-6.64	9.00	9.30	15.10	14.28	15.29	22.18	35.31	55.05	48.91
EPS (€/share)	0.55	-3.27	-0.13	0.09	0.36	0.28	0.24	0.97	1.87	3.04	2.77
Number of shares outstanding (million)	12.46	12.46	12.46	12.46	12.46	11.95	11.95	11.86	11.85	11.85	11.84
Dividend per share (€/share)**	0.00	0.00	0.00	0.10	0.50	0.50	0.25	0.50	1.90	2.95	2.72
Number of employees	196	261	235	185	156	129	247	179	144	116	101
Number of fitting partners (thousand)*	38.00	39.00	40.00	43.00	43.90	41.90	39.30	36.00	33.30	29.70	25.70
Number of shops*	410	519	469	453	387	245	163	137	128	126	120
Number of customers (customer base, thousand)*	15,945	14,940	13,601	12,230	10,879	9,583	8,319	7,314	6,160	5,310	4,389

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

10.05.2021	3-monthly notification
11.05.2021	Annual General Meeting
12.08.2021	6-monthly report
11.11.2021	9-monthly notification
22.–24.11.2021	German Equity Forum Frankfurt

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