Annual Report 2014

DELTICOM
Aktiengesellschaft

Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 160 online shops in 42 countries, among others *ReifenDirekt*, www.mytyres.co.uk in UK and www.123pneus.fr in France, as well as the *Tirendo* shops which enjoy a high level of recognition, not least due to its brand ambassador, Sebastian Vettel. Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

Customers enjoy all the advantages of modern E-Commerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in two business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 40,000 service partners (9,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key Figures

		01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013	–/+ (%, %p)
Revenues	€ million	501.7	505.5	–0.8
Total income	€ million	513.8	510.9	+0.6
Gross margin[1]	%	24.5	24.8	–0.3
Gross profit[2]	€ million	122.8	125.2	–1.9
EBIT	€ million	7.0	17.8	–60.6
EBIT margin[3]	%	1.4	3.5	–2.1
Net income	€ million	2.9	11.6	–75.3
Earnings per share[4]	€	0.24	0.97	–75.0
Total assets	€ million	164.0	177.0	–7.4
Inventories	€ million	56.2	72.8	–22.9
Investments[5]	€ million	1.7	1.3	+34.0
Capital Employed[6]	€ million	66.9	64.6	+3.6
Return on Capital Employed[7]	%	10.5	27.6	–17.1
Equity	€ million	50.3	51.7	–2.7
Equity ratio	%	30.7	29.2	+1.5
Return on equity	%	5.7	22.4	–16.7
Liquidity position[8]	€ million	29.9	11.5	+160.2
Operating cash flow	€ million	36.7	8.1	
Free cash flow[9]	€ million	35.0	–35.2	

(1) Gross profit ex other operating income in % of revenues
(2) Gross profit ex other operating income
(3) Consolidated earnings before interest and taxes (EBIT) to revenues
(4) Undiluted
(5) Investments in tangible and intangible assets
(6) Capital Employed = total assets – current liabilities
(7) ROCE = EBIT / Capital Employed
(8) Liquidity position = cash and cash equivalents + liquidity reserve
(9) Free cash flow = Operating cash flow – Cashflow from investing activities

Highlights 2014

Revenues again

€ > 500 million

In the E-Commerce devision

€ 493.4 million

revenues (2013: € 493.1 million)

Consolidated net income

€ 2.9 million.

€ 0.24 earnings per share (undiluted)

Planned dividend of

€ 0.25

per share (previous year: € 0.50)

More than

1.000.000

new customers.

More than

700,000

customers made a repeat purchase with us.

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Letter to Our Shareholders

Dear shareholders, colleagues and friends,

This Annual Report marks the end of the first full fiscal year since the acquisition of Tirendo. We used the first few months after the takeover to analyse the efficiency of existing processes at Delticom and Tirendo and scrutinise their future viability. We have been able to learn from one another and implement this newly gained knowledge into the company. With the acquisition of Tirendo, we have strengthened the company in key business areas and further reinforced our market position as Europe's leading online tyre retailer. Business performance at Tirendo failed to meet expectations in the first six months of the last year. We therefore decided to integrate Tirendo fully into the Delticom Group to take full advantage of the existing synergies within the Group. This once again showed that the high level of automation and long-term cooperation with external service providers are the cornerstones of retaining lean organisational and cost-related structures in the company.

The European replacement tyre market was unable to benefit from a lasting reversal of fortunes in 2014. Spring-like temperatures had given the tyre trade some major sales impetus in the first quarter. However, summer tyre business lost momentum over the rest of the year. After the first nine months of the year, hopes were pinned on high demand among consumers for winter tyres. Unfortunately, these hopes were dashed in the fourth quarter. The mild weather conditions meant that drivers in many areas put off changing their tyres. According to initial estimates by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e.V.), winter tyre sales in Germany fell by 13.3 % in 2014. This major decline meant that overall sales of replacement tyres in Germany were down on the already weak 2013 figures in spite of the 2.5 % increase in sales of replacement summer tyres for cars.

At the midpoint of the year, Delticom Group revenues were up 6.5 % year on year. After recording a 16.0 % increase in the first three months of the year, revenue growth in the second quarter – which is usually the peak of the summer season – was much weaker at 0.6 %. In spite of this, we retained our full-year forecast when publishing our figures for the first half of the year. However, we considered our targets to be even more ambitious at this point in time than at the start of the year. Our plan for the second half of the year was based on the assumption of stronger year-on-year demand for winter tyres.

In the third quarter, the weaker sales trend in the tyre trade continued once again. Business was also unable to benefit from an early start to winter business. In the third quarter, Group revenues fell by 9.1 % year on year, but revenues for the first nine months of the year were up by 1.6 % year on year. The focal point of Delticom's core business in the first nine months of the year was on profitability in order to compensate for the losses at Tirendo.

Many drivers only become aware of the need to purchase new winter tyres when they have difficult road conditions to contend with. In the first few weeks of the final quarter, it became increasingly clear on account of the persistently mild temperatures that winter business in 2014 would not be able to benefit from weather conditions. We took these circumstances into account by adjusting our full-year

from left: Philip von Grolman, Sascha Jürgensen, Andreas Prüfer, Thierry Delesalle, Susann Dörsel-Müller

forecast in early November and structured our business in the remaining weeks of the year in line with market conditions.

With full-year revenues of € 501.7 million and earnings before interest, taxes, depreciation and amortisation (EBITDA) of € 15.3 million, we reached the lower end of our full-year forecast range from November. Even though revenues within the Group were down by 0.8 % year on year, we were able to record an increase in sales volume compared to 2013 figures.

In fiscal year 2014, we acquired more than one million new customers and welcomed over 700,000 repeat customers thanks to our extensive range of products and services. In view of the growing willingness among consumers to make purchases online, the expansion of our product range and further internationalisation of our business, we are convinced that our customer base will further increase in the coming years. Since the establishment of the company, over eight million customers have made an online purchase in one of our 160 online shops in 42 countries

Despite the € 8.7 million decline in earnings to € 2.9 million, or € 0.24 per share, our business model proved robust in 2014: Within twelve months after taking over Tirendo, we have laid the foundations for profitable growth at the company. We are already aiming to turn a profit at Tirendo at some point in this fiscal year. In view of the strategic alignment measures introduced last year, Delticom Group is already well equipped to generate further profitable growth.

For 2015, the BRV cautiously predicts that there will be no widespread improvement in the industry situation. At the moment, there is a great deal of uncertainty surrounding market and price development in the European replacement tyre trade over the coming months. Our aim for the current fiscal year is to increase sales volume year on year once again and to reinforce our market-leading position. However, depending on market conditions, it is possible that an increase in sales will not lead to a rise in revenues. In this fiscal year, we aim to generate revenues and EBITDA that is at least on a par with the previous year.

Delticom has a robust balance sheet and considerable financing power. In the past fiscal year, our liquidity position improved significantly from € 11.5 million at the start of the year to € 29.9 million as at the reporting date. Investments in the current fiscal year will be comparatively low in relation to revenues under the current plan. This gives us the chance to allow you, valued shareholders, to once again participate in the success of the company. At the Annual General Meeting on 5 May 2015, the Management Board and Supervisory Board will propose a dividend of € 0.25 per share. This equates to 104 % of net income generated in the previous year (€ 0.24 per share (undiluted), 2013: € 0.97).

More and more drivers around the world are recognising the benefits of online tyre purchase. Given our market position, our asset-light business model and the strategic alignment measures introduced last year, we are well positioned to generate further profitable growth moving forward.

Finally, our thanks go out to you, our shareholders, for the trust you have placed in Delticom. We look forward to an exciting future together!

Hanover, 19 March 2015

Susann Dörsel-Müller Philip v. Grolman Sascha Jürgensen Andreas Prüfer Thierry Delesalle

Report of the Supervisory Board

Dear Shareholders,

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

In addition, outside of the meetings the members of the Supervisory Board provided consulting to the Management Board. In instances where decisions were needed to be made quickly we took them in circulation procedure. Our resolutions were passed unanimously in the period under review with the exception of the resolutions by written procedure of the meetings of 14.01.2014 and 12.12.2014, where Mr. Binder abstained from voting.

The following change occurred within the Supervisory Board: Mr. Andreas Prüfer relinquished his office as Supervisory Board member and Supervisory Board Chairman, and has again been a member of the Management Board of Delticom AG since 01.01.2014. On 19.12.2013, the Hanover District Court appointed Mr. Rainer Binder to be his successor with effect as of 01.01.2014. Mr. Binder was appointed to be Supervisory Board Chairman by way of written circular resolution on 02.01.2014. In addition, by way of response to a proposal submitted by shareholders combining more than 50 % of the voting rights in Delticom AG, the AGM on 29.04.2014 appointed Mr. Binder to the Supervisory Board from the end of the AGM until the end of the AGM that passes a resolution concerning his discharge for the first financial year after the start of his period of office, whereby the financial year in which his period of office commences is not included. In accordance with section 9 (6) Clause 1 of the company's articles of incorporation, this appointment was consequently made for the remainder of the period of office for which Mr. Andreas Prüfer, who stepped down from the Supervisory Board as of 31.12.2013, had been elected by the AGM.

In 2014, the Supervisory Board was made up of Mr Rainer Binder (Chairman), Mr Michael Thöne-Flöge (Deputy Chairman) and Mr Alan Revie. The Supervisory Board has not established any committees in the sense of Section 107(3) of the AktG (German Public Limited Companies Act), because this was considered unnecessary in light of only three Members.

Meetings of the Supervisory Board

There were four regular Supervisory Board meetings in 2014. Each of the meetings were attended by all members. Five resolutions were passed by way of written circulation procedure.

At our first ordinary meeting on 18.03.2014 we concerned ourselves with the financial statements and management reports of Delticom AG and the Group for fiscal year 2013, as well as with the appropriation of the balance sheet profit achieved in 2013. A further topic was the annual corporate governance statement and the declaration of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda for the Shareholders' General Meeting on 29.04.2014 and editorially revised the Statute.

At our meeting on 29.04.2014, we reappointed Mr. Sascha Jürgensen to the Management Board until 19.03.2019, and approved a discretionary bonus for him. We approved the Management Board resolution to sell up to 25 % of the shares in Delticom North America Inc. to its senior manager in order to incentivize him to further improve the company's profitability.

At the third meeting on 16.09.2014, the Management Board reported on the Group's current business and financial positions following the conclusion of the second quarter of the financial year 2014. We also conducted the efficiency audit of our work using a catalogue of questions – as recommended by section 5.6 of the German Corporate Governance Code.

At the last regular meeting held on 18.11.2014, the Management Board reported to us on the progress of business and the company's risk management. We also consulted about the Management Board's medium-term and investment planning for Delticom AG. In addition, we appointed Mr. Thierry Delesalle to be a new Management Board member of Delticom AG with effect as of 01.01.2015, approving a new regulation relating to the areas of responsibility for the Management Board from this date. We also approved the founding of two subsidiaries.

Along with the four regular meetings, the following five resolutions were passed by way of written circulation procedure:

By way of written resolution-taking, on 14.01.2014 we approved the consulting agreement between the company and a company, whose managing director and sole shareholder is Mr. Rainer Binder. This consulting agreement includes services outside the scope of activities for which Mr. Binder is responsible as a Supervisory Board member. Mr. Binder abstained from voting on this resolution.

On 28.01.2014, we approved the redistribution of Management Board responsibilities, and approved the amendment to the articles of incorporation in relation to share capital and contingent capital that was necessitated by the exercising of option rights in the 2013 financial year.

On 25.03.2014, we approved a rewording of the statutes of the Tirendo Holding GmbH.

The areas of responsibility of the Management Board members were modified as a result of the Management Board resolution of 07.07.2014. We approved these amendments on 28.07.2014.

The last resolution, by way of written circular, was passed on 12.12.2014 and related to the extension of the consultancy agreement with the company whose managing director and sole shareholder is Mr. Binder. Mr. Binder abstained from voting when the resolution was passed.

Corporate Governance

On 18.03.2014, together with the Management Board, we issued a declaration stating that all Delticom's activities are in conformity with Section 161 of the German Corporate Governance Code. The declaration has been made permanently available on the Delticom AG web page www.delti.com/CG and will be updated every year after the accounts review meeting of the Supervisory Board, or earlier if the necessity arises.

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

The Supervisory Board reports as follows about conflicts of interest that arose in the 2014 financial year, and how they were handled:

As already explained, the Supervisory Board approved, by way of written circular on 14.01.2014 and 12.12.2014, the concluding and extension of the consulting agreement between the company and a company whose managing director and sole shareholder is Mr. Rainer Binder. This was announced to the Supervisory Board in good time before this agreement was concluded. This consulting agreement includes services outside the scope of activities for which Mr. Binder is responsible as a Supervisory Board member. Mr. Binder abstained from voting on this resolution.

No Supervisory Board member participated in fewer than half of the Supervisory Board meetings during the financial year under review.

Rendering of accounts

The meeting with the auditor to discuss its audit reports of the financial statements was held on 13.03.2015. The auditor identified no errors, going-concern risks, or infringements against either the law or the articles of incorporation.

In its accounts review meeting on 17.03.2015 the Supervisory Board discussed in detail the documentation relating to the financial statements and the auditor‘s report for fiscal year 2014. Particular attention was paid to the annual financial statements of Delticom AG (prepared according to the regulations of the HGB – German Commercial Code), and the consolidated financial statements of the Delticom Group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of which had a reporting date of 31.12.2014. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2014 fiscal year as well as the dependent company report. The auditor's reports, the annual financial statements for the AG and the consolidated financial statements prepared by the Management Board, the dependent company report and the management reports for Delticom AG and for the group as well as the Management Board's proposal for the use of net retained profits, in each case for the 2014 financial year, were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, audited the annual financial statements. There are no concerns regarding the auditor's independence.

In the auditor's opinion, the parent company single-entity annual financial statements and the consolidated financial statements for fiscal year 2014 present a true and fair view of the financial and assets position, results of operations, as well as the cash flows, of both the company and the Group, in accordance with the accounting regulations. The auditor's review of the dependent company report for fiscal year 2014 resulted in no reservations. The auditor has issued an unqualified audit certificate for both areas. The auditor's certificate for the dependent company report contains the following wording: "Following our audit and assessment in accordance with our duties, we confirm that the actual statements made in the report are correct, and that the consideration paid by the company in legal transactions listed in the report was not inappropriately high, or that disbenefits were compensated for."

As part of its assessment of the risk management system, the auditor confirmed that the Management Board had implemented the measures required pursuant Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) for identifying risks which could jeopardise the company as a going concern at an early juncture. At the meeting on 17.03.2015 representatives of the auditor were present, to report on key audit results, and to be available to provide supplementary information to the Supervisory Board. Independently of the auditors, the Supervisory Board reviewed the annual financial statements, the consolidated financial statements, the management reports and the dependent company report, in each case for fiscal year 2014. The Supervisory Board followed the views of the auditors fully. With this, the annual financial statements for fiscal year 2014 of Delticom AG have been adopted. The Supervisory Board has followed the Management Board's proposal for the appropriation of the net retained profits of 2014.

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

Hanover, 17 March 2015

Rainer Binder

Combined Management Report of Delticom AG

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Group fundamentals

Since it's foundation in 1999, Hanover-based Delticom has significantly grown in revenues and profits, both in Germany and abroad. Today the company is Europe's leading online tyre retailer. The E-Commerce division operates 163 online shops in 42 countries.

Organisation

Delticom is a relatively streamlined company with an average of 247 employees. We are supported by partners in the warehouses and transportation logistics. Manual routine work is outsourced to operation centres. The highly automated business processes form a company-wide, scalable value chain.

Legal Structure

The following section lists the subsidiaries that are fully consolidated in the consolidated financial statements as of 31.12.2014:

- Toroleo Tyres GmbH, Schönefeld (Germany)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Delticom Tyres Ltd., Oxford (United Kingdom)
- Delticom OE S.R.L., Timisoara (Romania)
- Delticom North America Inc., Benicia (California, USA)
- Wholesale Tire and Automotive Inc., Benicia (California, USA)
- Tirendo Holding GmbH, Berlin (Germany)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Toroleo Tyres TT GmbH & Co.KG, Schönefeld (Germany)
- Deltiparts GmbH i.G., Hanover (Germany)
- Reife tausend1 GmbH i.G., Hanover (Germany)
- Tyrepac Pte. Ltd., Singapore

An overview of all subsidiaries can be found in the notes in the section *Group of consolidated companies*.

Delticom AG owns 75 % of the shares in Delticom North America Inc. and 100 % in its subsidiary Wholesale Tire and Automotive Inc..

Tyrepac Pte. Ltd., Singapore, was consolidated within the Delticom Group for the first time with the statements for Q4 2014.

Corporate Governance

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

Supervisory Board

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

Management Board

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

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

External factors influencing the course of business

Vehicle stock, mileage, replacement cycle

The growing importance of the Internet as a sales channel is the key factor of our business success. However, Delticom is not fully independent of the tyre market's underlying volume growth.

Currently there are more than 246 million cars on Europe's roads and highways. The average age of this vehicle stock is around 8 years. Approximately 63 % of these cars are less than 10 years old. Today, vehicles are ever more durable and longer lasting. As a result, even in case of declines in new car registrations, the number of vehicles being driven will continue to increase in years to come.

In Europe, the average car and the tyres mounted on it travel 14,000 kilometres annually. Thanks to similar road conditions throughout Europe, tyres typically require replacement after 60,000 kilometres of travel. As a result, the replacement cycle is roughly four years. Some drivers will respond to the rising cost of running a car – particularly fuel prices – by limiting the use of their cars or changing to smaller, more economical models. Market experts take the view that the average annual car mileage will decrease. This implies a corresponding decline in tyre usage and a lengthened replacement cycle.

It is generally expected that the sale of replacement tyres in both Europe and the USA will experience lower rates of growth in coming years than has been the case to date. In the long term, substantial growth will only come from Eastern European countries and emerging economies like China and Brazil, where levels of vehicle density remain comparatively low.

Price and mix

On the one hand revenues and margins of a tyre dealer are determined by volume demand and unit sales, on the other hand by purchase and selling prices.

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

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

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

Weather-dependend demand

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

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

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

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

Weather conditions vary considerably throughout the different countries. Thanks to its international business model, Delticom is often able to at least partially compensate for weaker sales in some countries with growth in other markets.

Regulatory effects

Legislation also influences tyre demand. In Germany, for example, winter tyres have been required by law (known in Germany as the "situative Winterreifenpflicht") since 2006. This regulation was revised in 2010, and stipulates that in conditions of "black ice, hard-packed snow, slush, ice or frost", vehicles may only be driven with winter or all-weather tyres that are labelled as such. Non-compliance with this regulation can result in fines as well as penalty points in the traffic register. Moreover, drivers also run the risk of having courts to void the car insurance. In parts of Scandinavia and the Alpine regions, motorists must generally fit winter tyres to their vehicles during particular periods of the year.

EU tyre labelling

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

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

A system similar to the EU's energy efficiency ratings for household appliances will inform tyre buyers about the products' characteristics. A coloured-coded scale from A to G will be used for fuel efficiency: a dark green A will stand for the best level, while a red G will stand for the lowest level of energy efficiency. Another A-to-G rating system will be used to assess wet grip, while the third element to the labelling system will indicate external rolling noise in decibels.

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

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

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

DEX

In summer 2012, Delticom conducted an online survey among more than 40,000 end-consumers in 15 European countries about tyre labels in order to find out the importance that European drivers ascribe to specific label criteria when making purchasing decisions. Based on the results of this survey, we developed our so-called DEX (Delticom Efficiency Classes Index) for both summer and all-season tyres that is to be found exclusively in Delticom online shops. This index is a star rating system that combines the cumulative values of the individual label criteria for each tyre with all of the customers' weightings of these criteria. Applying the DEX as a further filtering option, the right tyre can be found even more comfortably and faster in our online shops according to the tyre label criteria aspects. In addition, we also thereby offer our customers valuable help in interpreting the label criteria.

Tyre Pressure Monitoring System (TPMS)

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

Indirect systems

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

Direct systems

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

TPMS as a differentiating tool

Delticom moved early to inform its service partners about the changes that TPMS would entail for their tire service working processes. By specializing as TPMS workshops, partners are able to differentiate themselves from competitors through know-how and service, and generate additional income through further services.

Complete wheels

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

Competitive position

Low barriers to entry

In some countries tyre retailers and chains have taken to offering their products online – primarily as an additional sales channel intended to complement their main, bricks-and-mortar sales outlets. With barriers to entry being low, Delticom competes with many smaller, regionally specialised online dealers. In the medium term, competition will become tougher, as the Internet as a sales channel for tyres is gaining momentum.

First mover

As "first-mover", we have established good business relationships with manufacturers and wholesalers in Europe over recent years. Based on current Internet revenues, Delticom is significantly larger than its competitors and unlike them active in all of Europe. 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 demand fluctuations.

Streamlined value chain

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

A streamlined and scalable value chain has been created by largely automated business processes. Our lean cost base puts us in the position to offer our customers a broad product range at attractive prices. Due to the strong balance sheet we can make purchases off-season and are able to deliver products at any time.

Even though competitive pressure is likely to rise, we expect Delticom to remain one of Europe’s leading online tyre retailers, due to its economies of scale and competitive head start.

Market environment

Replacement tyre market

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

Europe, where the bulk of Delticom's activity takes place, accounts for roughly one-third of global tyre demand. A further third is sold in North America, while Asian markets provide another 20 % of total world sales. Demand for replacement tyres in Europe is concentrated in five main markets: Germany, France, Great Britain, Italy and Spain. Taking unit sales and weighting with average tyre prices, the European market volume relevant to Delticom amounts for more than € 10 billion.

Tyre distribution chain

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

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

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

Online tyre dealing

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

However, the share of tyre sales made online is still relatively low. Experts estimate that online tyre sales have accounted for nearly 8 % of European sales to end customers in 2014.

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 11 %. There is, however, striking potential, as it is evident from a study conducted by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.). For the coming years the industry experts predict further growth potential: until 2020, the proportion of tyres sold online could rise up to 15 to 20 percent.

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

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

Customer acquisition

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

Many end consumers are not yet aware that they can buy tyres online easily, securely and at a good price. Tirendo uses television to attract attention to online tyre purchasing options. In addition, our PR department informs routinely about novelties in our shops and the safety aspects of tyres.

Customer Capital

Since the company's founding more than 8.3 million customers have made purchases in our online shops (previous year: 7.3 million, double counting not excluded). Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances.

Warehousing

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

Transportation logistics

The products sold online are shipped to the customers by parcel service companies. 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 triggered largely by internally developed software. Some of the order processing and responding to customer enquiries has been outsourced to operations centres.

Products

Replacement tyres

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

Seasonal product ranges

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

Innovative products

In recent years, our customers have increasingly enquired about ultra-high-performance and innovative products such as run-flat tyres. The growing interest in environmentally sustainable products is reflected in our product range: We market tyres which help to reduce fuel consumption.

Accessories and spare parts

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

Business Model

The company's business is segmented along two divisions: E-Commerce and Wholesale.

E-Commerce

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 163 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt. In the German speaking internet community ReifenDirekt and Tirendo are well-known brands.

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

The online 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 42 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 and, since 2010 also on Asia.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad.

Employees

188 employees

On 31.12.2014, the company employed a total of 188 employees. 150 of them (incl. trainees) worked for Delticom and the remaining 38 for Tirendo in Berlin. In the reporting period on average 247 staff members were employed at Delticom (previous year: 179). This calculation is based on the number of employees taking into account the number of hours worked.

Education and training

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

We offer training to junior staff both in business and IT areas. A total of 10 young people completed their apprenticeships in our company in the 2014 financial year. A total of 7 trainees were employed as of the end of 2014 (previous year: 10).

Individual responsibility

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

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

IT infrastructure

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

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

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

Compensation System

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

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

The performance-related components for all the members of the Management Board are based on Delticom AG's revenue and operating results. Payments are made over an extended period of time in order to focus the compensation structure on sustainable corporate growth, and the delayed compensation components are subject to a bonus-malus system designed to be sustainable. As in the previous year, none of the members of the board were granted advances on their salaries or given loans during 2014.

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

Corporate Governance Statement

The *Corporate Governance Statement* which can be downloaded from the website at www.delti.com/CG, provides further information about corporate governance, the working methodology of the Management and Supervisory boards, and practical aspects of corporate management.

Company Management and Strategy

Our core business is selling replacement tyres in Europe. We broaden the product range continuously, with expanding geographical reach. In the end customer business, the company does not maintain any outlets but solely sells online. We deliver goods from our own inventories and third party warehouses. Revenues and EBITDA are key management indicators. They are supplemented by other key performance indicators along the value chain.

Management by Objectives

Financial objectives

Both the company as a whole and the different business areas are run using financial and non-financial objectives.

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

For Delticom as a whole, the key financial figure is EBITDA.

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

Liquidity

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

Non-financial objectives

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

Customer numbers

Custom number trends 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 2014 the number of 1,016 thousand new customers was lower than in 2013 (1,037 thousand). In the financial year elapsed, Delticom modified the way in which it calculates its customer numbers. As a consequence, the previous year's figure differs from the figures stated in the 2013 Annual Report. Customers who purchased for the first time at both Delticom and Tirendo were offset. In addition, customers who repeatedly come back contribute to the success of the business. In the past year 744 thousand of those customers (2013: 633 thousand, new calculation methodology) made repeat purchases at Delticom.

Ability to deliver

Delticom 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

Management intends to defend and extend the company's leading position in the European online tyre trade. The E-Commerce division will continue to make a strong contribution to our corporate growth over the coming years.

Focus

We focus on selling tyres to European private end customers and mainly increase our reach organically, into other products, regions and customer groups.

For the last years Delticom has grown organically rather than through acquisitions of other companies. We intend to continue with this strategy but stand ready to openly evaluate opportunities as they arise.

Online only

In the E-Commerce division Delticom sells exclusively online, does not operate any bricks-and-mortar outlets, has few fixed assets and low personnel costs. Further automation and additional outsourcing are going to streamline the organisation.

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. 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.

Liquidity management

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

Reliable partners

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

Test markets

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

Report on economic position

General conditions in 2014

Despite gaining momentum through to the summer after a sluggish start, the global economic climate suffered a downturn over the remainder of the year. Economic development declined in the second half of the year in all regions. In Europe, economic recovery began to falter. Economic output in the eurozone also remained extremely varied in 2014.

Macroeconomic development

Europe

While economic development gradually stabilised in some crisis-hit countries, others failed to generate sufficient momentum. The situation in France and Italy remained particularly tense, where high national debt, rising unemployment figures and weak economic growth dominated the macroeconomic picture.

Germany

Economic development also cooled off somewhat in Germany, too. A range of different economic indicators pointed to a certain degree of uncertainty among domestic consumers in the second half of the year. However, in spite of the gears, private consumption once again proved to be a major cornerstone of the German economy. A stable employment market, a positive income trend and low interest rates boosted consumer sentiment.

Sectoral developments

Replacement tyre business

Expectations of a trend reversal in the replacement tyre business failed to come to fruition in the financial year.

Summer tyre sales

Spring-like temperatures in March gave the tyre trade some major sales impetus in the first quarter. However, declining sales figures in the second quarter put the brakes on the positive trend. Sales figures remained down year on year in the third quarter, too, not least because the tyre trade was unable to enjoy an early start to winter business.

Mild winter

Hopes of high consumer demand for winter tyres were dashed in the fourth quarter. Mild weather conditions led people to delay replacing their tyres. Persistent snowfall towards the end of the year pushed some drivers to purchase new winter tyres, but the positive end of 2014 was unable to compensate for the losses in sales that had been incurred.

According to initial estimates by industry associations in January 2015, winter tyre sales in Germany fell by 13.3 % in 2014. This major decline resulted in a fall in sales figures in the German replacement tyre business compared to the already weak business in 2013 – despite the slight increase of 2.5 % in replacement summer tyres for cars.

Business performance and earnings situation

Tirendo

In 2013, Delticom acquired all shares in the Berlin-based online tyre retailer Tirendo Holding GmbH and its subsidiaries. Tirendo Holding GmbH and Tirendo Deutschland GmbH (both companies hereinafter collectively referred to as Tirendo) are fully consolidated in the Delticom Group from the date of acquisition (16.09.2013).

Revenues

Group

Delticom, Europe's leading online tyre retailer, generates the bulk of its revenues through sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles.

Over the course of 2014, Delticom group generated revenues of € 501.7 million, a decrease of 0.8 % from prior-year's € 505.5 million.

E-Commerce

Revenues in the E-Commerce division with its 163 online shops were with € 493.4 million flat year-on-year (2013: € 493.1 million). Revenues of € 39.6 million were attributable to the Tirendo shops in the period under review. This represents a 9.4 % fall compared with the € 43.7 million of revenues in the 2013 financial year. The share of E-Commerce revenues amounted to 98.3 %, compared to 97.5 % in the previous year.

Regional split

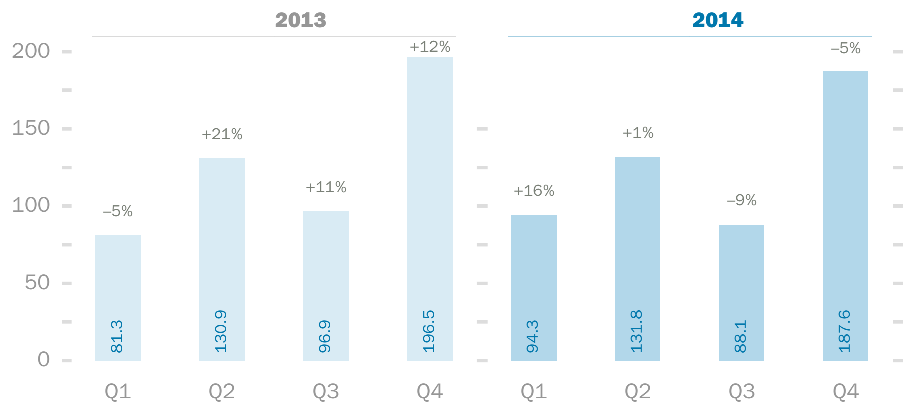
The group offers its product range in 42 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 382.8 million (–0.2 %). Operations in Europe are not restricted to EU member states but also include European non-EU countries. Delticom also sells tyres outside Europe, especially in the USA. Across all countries outside the EU the revenue contribution for 2014 was € 118.9 million (–2.5 %).

Seasonality

The chart *Revenues trend* summarises the development of the quarterly revenues.

Revenues trend

quarterly revenues in € million



1st quarter

Spring-like temperatures in March prompted numerous drivers to switch to summer tyres even before Easter. The summer tyre business was therefore well above the previous year's level. During the first three months, Delticom generated revenues of € 94.3 million (Q1 13: € 81.3 million) – an increase of 16.0 %.

2nd quarter

Following a significant increase in sales in the first quarter, the tyre business already cooled considerably in the second quarter. Assessments from trade associations showed quarterly summer tyre sales in Germany down by nearly 7 % year on year. In the second quarter, Delticom was able to generate revenues of € 131.8 million (Q2 13: € 130.9 million) – an increase of 0.6 % compared to the previous year.

3rd quarter

In addition to the poor summer tyre business, trading in the third quarter did not benefit from an early start into the winter season. Delticom generated revenues of € 88.1 million in the third quarter (Q3 13: € 96.9 million) – a decrease of 9.1 % year-on-year.

4th quarter

Continued mild temperatures until well into December placed a drag on winter tyre business. Although greater demand for winter tyres was experienced at the year-end due to weather conditions, this proved unable to offset the fall in sales in the winter tyres business that had meanwhile occurred. Provisional sell-out figures from sector associations indicate that business with winter tyres will reflect a more than 10 % fall in sales on a full-year view. Overall, Delticom generated € 187.6 million of revenues in the fourth quarter (Q4 13: € 196.5 million, –4.5 %). Due to the holidays, some of the orders that were received at the end of the year were not shipped until the start of the new year. In the closing quarter, € 17.7 million in revenues were received through the Tirendo shops (Q4 13: € 18.1 million, –1.9 %).

Key expense positions

Cost of goods sold

The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold tyres. Group COGS decreased by 0.4 % from € 380.3 million in 2013 to € 378.9 million in 2014. Compared with the prior-year period, the ratio of cost of goods sold to revenues increased from 75.2 % to 75.5 %.

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Despite the slight fall in revenues, Delticom sold more tyres in the period under review than in the previous year. The 2.4 % increase in transportation costs from € 43.6 million to € 44.6 million reflects the higher business volumes and the country-mix. The share of transportation costs against revenues went up from 8.6 % in 2013 to 8.9 % in 2014.

Warehousing costs

Rents and overheads increased in 2014 by 4.9 %, from € 6.8 million to € 7.1 million. Stocking costs increased in the reporting period from € 4.1 million to € 4.7 million (+13.0 %). The ratio of stocking costs against revenues of 0.9 % was almost unchanged compared with the previous year (2013: 0.8 %).

Personnel expenses

On 31.12.2014, the group had a total of 188 employees, of which 150 were employed at Delticom (including trainees) and 38 at Tirendo (including interns). As at 30 June 2014, this number was much higher, totalling 300 employees. The integration of Tirendo was accompanied by a step-by-step reduction in staff numbers in the course of the second half-year. In the reporting period on average 247 staff members were employed at Delticom group (previous year: 179), thereof 111 with Tirendo in Berlin. Personnel expenses amounted to € 15.6 million (2013: € 11.3 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) increased from 2.2 % to 3.1 %.

Marketing costs

In the reporting period, costs for advertising totalled € 24.2 million, after € 21.1 million in 2013. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 4.8 % (2013: 4.2 %). Marketing expenses in Q4 14 totalled € 8.8 million (Q4 13: € 10.7 million, –18.0 %). Marketing spent with 4.7 % of quarterly revenues was lower than last year's 5.5 %. € 3.1 million of the marketing spent in Q4 can be assigned to Tirendo (Q4 13: € 5.8 million –47.6 %). The reduction in the Tirendo marketing costs in the final quarter arises from the optimization of existing campaigns and the attendant efficiency enhancement. The company closely controls the success of specific measures, and adopts a flexible management approach to marketing mix.

Depreciation

Depreciation for 2014 rose by 90.2 % from € 4.3 million to € 8.3 million. Depreciation from PPA amounted to € 5.2 million. An overview of the intangible assets identified as part of the purchase price allocation (PPA) and their expected useful lives can be found in the notes of this annual report.

Earnings position

Gross margin

The gross margin (trade margin ex other operating expenses) for the full year was 24.5 % after 24.8 % in the prior-year period. The quarterly gross margin decreased from 25.6 % in Q4 13 to 23.3 %. Delticom offered more attractive prices in its online shops during the fourth quarter in order to reach the sales targets that it had set for itself. In the Tirendo shops, the cost savings that had been achieved were passed on in the form of improved prices to customers in the fourth quarter.

Other operating income

Other operating income increased in 2014 by 123.4 % to € 12.1 million (2013: € 5.4 million), thereof gains from exchange rate differences to the order of € 2.6 million (2013: € 2.8 million). FX losses have been accounted for as line item in the other operating expenses (2014: € 2.4 million, 2013: € 2.9 million). In the reporting period the balance of FX income and losses totalled € 0.2 million (2013: € –0.2 million).

Gross profit

Altogether, the gross profit increased in the reporting period by 3.3 % year-on-year, from € 130.6 million to € 134.9 million. Gross profit in relation to total income of € 513.8 million (2013: € 510.9 million) amounted to 26.3 % (2013: 25.6 %).

EBITDA

EBITDA for the reporting period came down from € 22.2 million to € 15.3 million. The 31.1 % fall reflects the higher cost base following the Tirendo takeover.

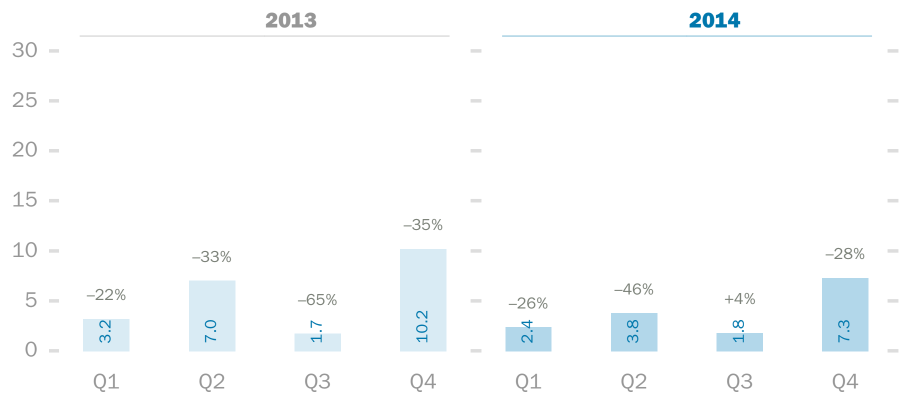
In Q4 14, the Delticom Group generated € 7.3 million of EBITDA, comparing € 10.2 million in the previous year's quarter. The fall of € 2.9 million, or 28.4 %, derives mainly from the reduced gross margin in the final quarter. Tirendo's EBITDA in the final quarter amounted to € –3.2 million, compared with € –4.5 million in Q4 13. The € 1.3 million improvement is chiefly due to the optimized cost structure, especially in marketing.

EBIT

EBIT amounted to € 7.0 million in the reporting period (2013: € 17.8 million, –60.6 %). This equates to an EBIT margin of 1.4 % (2013: 3.5 %). Depreciations on intangible assets identified as part of the Tirendo takeover burdened EBIT by € 5.2 million in the period under review. Fourth quarter EBIT saw a decline of 35.8 %, from prior-year's € 8.1 million to € 5.2 million or 2.8 % of revenues (Q4 13: 4.1 %).

EBITDA

quarterly, in € million



Financial income

Financial income for the reporting period amounted to € 34 thousand (2013: € 49 thousand). Financial expenses increased to € 800.8 thousand (2013: € 178.0 thousand), leading to a financial result of € –766.3 thousand (2013: € –129 thousand).

Income taxes

In 2014 the expenditure for income taxes was € 3.4 million (2013: € 6.2 million). This equates to a tax rate of 54.4 % (2013: 34.8 %). A profit and loss transfer agreement (PLTA) was signed between Delticom AG and Tirendo Holding GmbH in the reporting period. Under this agreement, the tax loss carryforwards of Tirendo Holding GmbH as of 31.12.2013, cannot be offset against profit during the term of the PLTA. Deferred tax assets as of 31.12.2013, formed on the basis of these tax loss carryforwards, have been eliminated through profit and loss in the income statement in the reporting period. As a result, the tax rate in the reporting period diverges from the normal tax rate of the Delticom Group.

Net income and dividend

Consolidated net income for 2014 decreased from € 11.6 million to € 2.9 million. This corresponds to earnings per share (EPS) of € 0.24 (undiluted, 2013: € 0.97), a decrease of 75.0 %. Net income for Q4 14 amounted to € 3.8 million (Q4 13: € 5.4 million).

At Delticom's Annual General Meeting on 05.05.2015, the Management Board and the Supervisory Board will propose a dividend of € 0.25 per share – a decrease of 50.0 % compared to the dividend for financial year 2013 of € 0.50 per share.

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

	2014	%	+%	2013	%	+%	2012	%
Revenues	**501,701**	100.0	–0.8	**505,542**	100.0	10.8	**456,379**	100.0
Other operating income	12,072	2.4	123.4	5,404	1.1	44.0	3,753	0.8
Total operating income	**513,773**	102.4	0.6	**510,946**	101.1	11.0	**460,133**	100.8
Cost of goods sold	–378,853	–75.5	–0.4	–380,306	–75.2	12.2	–338,932	–74.3
Gross profit	**134,919**	26.9	3.3	**130,640**	25.8	7.8	**121,201**	26.6
Personnel expenses	–15,599	–3.1	38.1	–11,292	–2.2	28.8	–8,768	–1.9
Other operating expenses	–104,031	–20.7	7.1	–97,165	–19.2	26.0	–77,119	–16.9
EBITDA	**15,289**	3.0	–31.1	**22,184**	4.4	–37.2	**35,313**	7.7
Depreciation	–8,255	–1.6	90.2	–4,340	–0.9	61.4	–2,689	–0.6
EBIT	**7,034**	1.4	–60.6	**17,844**	3.5	–45.3	**32,624**	7.1
Net financial result	–766	–0.2	492.6	–129	0.0	–5.9	–137	0.0
EBT	**6,268**	1.2	–64.6	**17,715**	3.5	–45.5	**32,487**	7.1
Income taxes	–3,411	–0.7	–44.6	–6,160	–1.2	–40.4	–10,330	–2.3
Consolidated net income	**2,857**	0.6	–75.3	**11,555**	2.3	–47.9	**22,157**	4.9

Overall statement on the earnings position

The first full financial year following the takeover of Tirendo can be described as a year of transition. We have prepared the path for future growth with the takeover of Tirendo. In the financial year elapsed, we focused on the complete integration of Tirendo in order to leverage existing synergies within the company, as well as on process and cost optimization measures along the value chain. The Internet is becoming increasingly important as a sales channel in tyre retailing. Despite the difficult market environment, we succeeded in reaching our previous year's revenue level in our E-Commerce devision (2014: € 493.4 million, 2013: € 493.1 million).

Over the course of the year, EBITDA worsened from € 22.2 million to € 15.3 million. The 31.1 % decline mainly reflects the higher cost base following the Tirendo takeover. In total, the consolidated net profit amounted to € 2.9 million or € 0.24 per share – after a prior-year result of € 11.6 million. Despite this drop of 75.3 % our business model has once again proven its resilience. We were able to offer more attractive prices during the fourth quarter due to the restructuring path that we had adopted at Tirendo, and the cost savings that we had made.

The international orientation of our business and our extensive product offering are making us increasingly independent of market trends in individual countries. Delticom is optimally equipped to deliver further profitable growth in light of the measures to strategically realign the company that have been implemented over the last year.

Financial and assets position

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

Investments

Property, plant and equipment

In order to take advantage of economies of scale and learning effects in warehousing logistics, we constantly invest in the expansion of our warehouses' information, conveying and packaging technology. The reported investments of € 0.7 million in property, plant and equipment in 2014 (2013: € 0.5 million) primarily relate to investments to equip warehouses and offices that we operate.

Intangible Assets

Delticom also invested € 1.0 million in intangible assets. This mainly relates to software extension and licences.

Working Capital

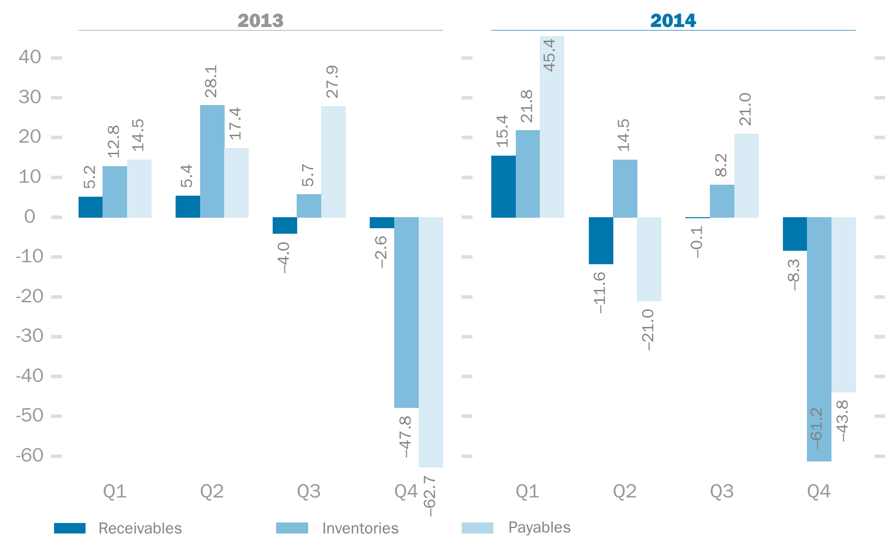
Working Capital

We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. In 2014 the Net Working Capital decreased from € 4.2 million by € 16.8 million or 395.3 % to € –12.5 million.

The chart *Working Capital* illustrates the changes in the components of Net Working Capital quarter-to-quarter for the last two years.

Working Capital

in € million



Receivables

Usually the receivables follow the seasonal pattern quite closely. Still, owing to the reporting date distorting effects are unavoidable. The accounts receivable stood at € 14.5 million on the reporting date (31.12.2013: € 11.3 million). Due to the wintery weather conditions at the end of the year, December saw a higher proportion of the winter business than in the year before. In contrast to 2013, less orders paid for by customers were already fulfilled as of 31.12.2014. This led to a increase of prepayments received, amounting to € 5.3 million

(31.12.2013: € 3.7 million). Some of the orders paid in December were cancelled in January. Refunds for those orders were consequently postponed to the new year. The liability position of customer credits on the reporting date amounted to € 2.6 million (31.12.2013: € 1.7 million).

In total, working capital commitment in receivables increased from € 5.8 million as of 31.12.2013 to € 6.6 million as of 31.12.2014. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) increased from 3.4 to 4.5 days.

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year their value came down by € 16.7 million to € 56.2 million (31.12.2013: € 72.8 million).

At the onset of the winter quarter the inventory value totalled € 117.4 million, € 3.3 million lower than the previous year's figure of € 120.7 million. Despite mild weather conditions we were able to sell most of the tyres bought in the preceding quarters.

Due to lower inventory levels during the year and the positive sales development, average Days Inventory Outstanding for 2014 (DIO, average inventory level divided by average cost of sales) came down over the course of the past financial year, from 70.5 days in 2013 to 62.1 days in 2014.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. For the purpose of analysis we reduce these payables by the amount credited to suppliers (included in the balance sheet line item of other current receivables). This balance of accounts payable reduced by credit with suppliers was with € 75.3 million by € 0.9 million higher than the previous year (31.12.2013: € 74.4 million).

Cash flow

Operating cash flow

Mainly due to the favourable working capital development, the 2014 cash flow from ordinary business activities (operating cash flow) of € 36.7 million was significantly better than in the comparison period (2013: € 8.1 million).

Investing activities

Investments into property, plant and equipment have been € 0.7 million (2013: € 0.5 million). In the reporting period, Delticom also invested € 1.0 million in intangible assets. As a result, the cash flow from investment activities totalled € –1.6 million (previous year: € –43.3 million). As part of the acquisition of Tirendo in 2013, Delticom paid € 42.3 million as equity value (ex cash).

Financing activities

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –16.9 million, thereof the dividend payout for the last financial year of € 5.9 million and disbursements due to redemption of loans of € 22.9 million. The cash outflow was offset by inflows of € 1.2 million from capital increase from the excercise of stock options and € 0.7 million from capital transactions with minority interests.

Liquidity according cash flow

Based on the cash flow, the chart *Liquidity Bridge* illustrates how the liquidity position changed in the course of the year.

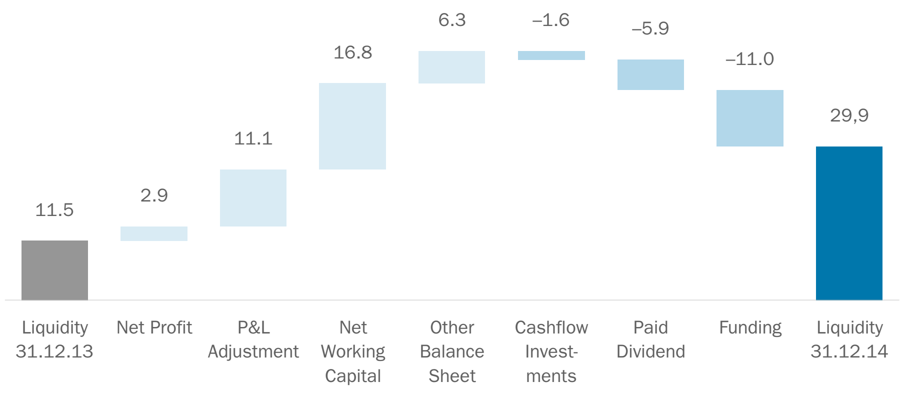
The starting point is the liquidity position as of 31.12.2013 amounting to € 11.5 million. We add the consolidated net income of € 2.9 million and account for the cash flow by adding the balance of non-cash expenses and income totalling € 11.1 million. The year-on-year decrease of funds tied up in Net Working Capital was € 16.8 million. For other balance sheet items, less € 6.3 million were tied up. Subtracting the cash flow from investment activities, the cash outflow from paying out the dividend for the 2013 financial year plus the balance of financial debt taken up and redemptions we arrive at a liquidity total on 31.12.2014 of € 29.9 million. On 31.12.2014, the company's net cash position (liquidity less liabilities from current accounts) amounted to € 25.3 million (31.12.2013: € –10.3 million).

Free cash flow

The free cash flow (operating cash flow less cash flow from investing activities) increased from € –35.2 million to € 35.0 million.

Liquidity Bridge

in million €

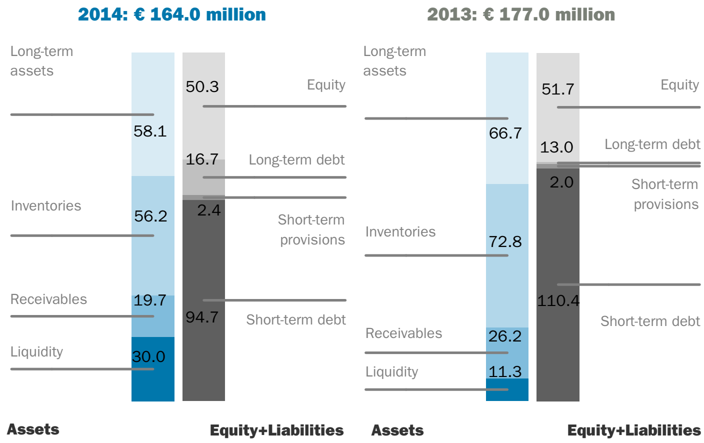


Balance sheet structure

As of 31.12.2014 the balance sheet total amounted to € 164.0 million (31.12.2013: € 177.0 million, –7.4 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abgridged Balance Sheet

in thousand €

	31.12.14	%	+%	31.12.13	%	31.12.12	%
Assets							
Non-current assets	58,135	35.4	–17.5	66,698	30.2	15,391	37.7
Fixed assets	56,952	34.7	–14.1	64,368	28.4	14,540	36.4
Other non-current assets	1,183	0.7	–71.4	2,330	1.8	852	1.3
Current assets	105,872	64.6	–34.9	110,322	69.8	140,982	62.3
Inventories	56,151	34.2	–53.5	72,841	51.8	74,107	41.1
Receivables	19,745	12.0	–39.8	26,158	14.1	20,707	14.8
Liquidity	29,975	18.3	225.9	11,323	3.9	46,168	6.4
Securities	0	0.0		0	0.0	0	0.0
Cash and cash equivalents	29,975	18.3	225.9	11,323	3.9	46,168	6.4
Assets	**164,007**	**100.0**	**–29.6**	**177,020**	**100.0**	**156,374**	**100.0**
Equity and Liabilities							
Long-term funds	66,943	40.8	23.8	64,635	23.2	65,560	36.5
Equity	50,293	30.7	8.6	51,679	19.9	62,636	29.2
Long-term debt	16,651	10.2	114.0	12,957	3.3	2,924	7.3
Provisions	351	0.2	12.1	252	0.1	154	0.1
Liabilities	16,300	9.9	118.3	12,704	3.2	2,770	7.2
Short-term debt	97,064	59.2	–45.8	112,385	76.8	90,814	63.5
Provisions	2,367	1.4	26.4	2,028	0.8	2,177	1.1
Liabilities	94,698	57.7	–46.5	110,357	76.0	88,637	62.3
Equity and Liabilities	**164,007**	**100.0**	**–29.6**	**177,020**	**100.0**	**156,374**	**100.0**

Non-current assets

On the assets side of the balance sheet, the non-current assets decreased from € 66.7 million to € 58.1 million. The decrease in fixed assets from € 64.4 million to € 57.0 million is mainly due to the ppa depreciation on the intangible assets with a total value of € 17.5 million identified as part of the Tirendo purchase price allocation. On 31.12.2014 property, plant and equipment were only 5.5 % of the balance sheet total (previous year: 6.0 %).

An important single line item in the other non-current assets (31.12.2014: € 1.2 million, 31.12.2013: € 2.3 million) were deferred taxes of € 0.7 million

(31.12.2013: € 1.9 million). These tax assets mainly result from losses carried forward in the subsidiary Delticom North America Inc..

Inventories

Among the current assets, the inventories are the biggest line item. They were reduced by € 16.7 million or 22.9 % to € 56.2 million. The chapter *Financial and assets position – Working Capital* presents the reasons for the decrease in detail.

Receivables

At year-end the accounts receivable amounted to € 14.5 million, up from last-year € 11.3 million by 28.7 %. As part of the other current assets of € 4.7 million the refund claims from taxes decreased by 67.4 %, from € 10.1 million to € 3.3 million. This change arises from a higher VAT surplus as of the year-end. In total, the receivables position decreased by 24.5 % to € 19.7 million (previous year: € 26.2 million).

Liquidity position

Cash and cash equivalents registered net inflows of € 18.7 million. On 31.12.2014 liquidity totalled € 29.9 million (prior year: € 11.5 million).

In total, current assets came down by 4.0 %. The decline of € 4.5 million is mainly attributable to lower inventories and the higher net cash position on the reporting date. The share of current asstes of balance sheet total increased from 62.3 % to 64.6 %.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments decreased by € 15.3 million or 13.6 % to € 97.1 million (31.12.2013: € 112.4 million). Provisions increased by € 0.3 million or 16.7 % to € 2.4 million (prior-year: € 2.0 million), thereof provisions for taxes valuing € 0.8 million (previous year: € 0.2 million). The increase chiefly reflects trade tax provisions for the profit/loss deriving from the company RD Reifendirekt GmbH & Co. KG, which was renamed Toroleo Tyres TT GmbH & Co. KG in 2014.

As part of the € 94.7 million in short-term liabilities as of 31.12.2014, € 75.9 million were recorded as accounts payable, corresponding to a share of 46.3 % of balance sheet total. Compared to the position of € 74.7 million from the prior-year period, accounts payable increased by 1.6 %.

In the other current liabilities of € 14.4 million (previous year: € 14.0 million) € 5.3 million are attributable to payments received on account of orders (previous year: € 3.7 million) and € 2.6 million to customer credits (previous year: € 1.7 million).

Long-term liabilities

The long-term debt of € 16.7 million (previous year: € 13.0 million) is composed of long-term interest-bearing debts of € 15.4 million (31.12.2013: € 11.0 million), deferred tax liabilities of € 0.9 million (31.12.2013: € 1.7 million) and non-current provisions to the order of € 351 thousand (previous year: € 252 thousand). During the reporting period, Delticom reduced short-term financial liabilities by € 17.2 million. Long-term financial liabilities of € 4.3 million were raised.

Equity and equity ratio

On the liabilities side of the balance sheet the equity position came down by € 1.4 million or 2.7 % from € 51.7 million to € 50.3 million. The structure of the liabilities and shareholders' equity shows an increase in the equity ratio, from 29.2 % to 30.7 %. As of 31.12.2014 the coverage ratio of fixed assets and inventories totalling € 113.1 million to long-term funding was 59.2 % (prior year: 47.1 %).

Off-balance-sheet items

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

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

Overall statement on the financial and assets position

Significant financial flexibility

Delticom can rely on its healthy financial and assets position. At € 29.9 million, our liquidity remains sufficiently high (previous year: € 11.5 million). Payment terms granted to Delticom by its suppliers are in line with market conditions. Additionally, the company can make use of credit lines during the year to help funding the inventory.

Solid balance sheet as basis for further growth

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

Financial Statements of Delticom AG

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

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

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

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

Results of operations of Delticom AG

Revenues

In the 2014 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 € 221.6 million (2013: € 147.6 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 € 221.6 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 685.3 million, and adjusted revenues amounted to € 463.7 million, reflecting a reduction of 1.9 % compared with the previous year's € € 472.5 million.

Other operating income

Other operating income registered a sharp increase of 80.1 % in the period under review to € 17.5 million (2013: € 9.7 million). The strong year-on-year change results mainly from marketing costs subsidies received, and income for licenses on intangible assets from Tirendo Holding. This item also includes gains from currency exchange rate differences in an amount of € 2.4 million (2013: € 2.7 million). Delticom reports currency losses within other operating expenses (2014: € 2.2 million, 2013: € 2.8 million). The net balance of currency gains and currency losses stood at € 0.2 million in the period under review (2013: € –0.1 million).

Key expense positions

The revenues relating to the sale of merchandise from Delticom to Pnebo in an amount of € 221.6 million results in distorted year-on-year comparability in the area of costs of materials. The cost of materials ratio amounts to € 221.6 million (cost of materials in relation to total revenues). The warehouse purchases realized by Delticom in 2014 were resold at purchase prices without markup. Cost of materials adjusted for these items 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 € 354.3 million in the period under review (2013: € 362.1 million, –2.2 %). Compared with the previous year, the cost of materials ratio fell from 76.6 % to 76.4 %.

Transportation costs

Transportation costs comprise the largest individual item within other operating expenses. Despite the slight fall in revenues, Delticom sold more tyres in the period under review than in the previous year. The 2.5 % million increase in transportation costs from € 42.0 million to € 43.0 million reflects the higher business volumes. The transportation costs' share of adjusted revenues amounted to 9.3 % (2013: 8.9 %).

Warehousing costs

Expenses for warehousing increased by 12.7 % in the period under review, from € 4.1 million in the previous year to € 4.6 million. The ratio of warehousing costs to adjusted revenues of 1.0 % was almost at the previous year's level (2013: 0.9 %).

Personnel expenses

The company employed an average of 145 staff in the period under review (2013: 138). Personnel expenses amounted to € 9.3 million (2013: € 9.4 million). The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 2.0 % in the period under review, as in the previous year (2013: 2.0 %).

Marketing

Marketing costs amounted to € 14.1 million in the reporting period, compared with € 13.7 million in 2013. This corresponds to a ratio of 3.0 % in relation to adjusted revenues (2013: 2.9 %).

Depreciation

Depreciation and amortization increased by 101.6 % in the period under review, rising from € 2.9 million to € 5.8 million. The increase is chiefly attributable to amortization applied to intangible assets acquired by Tirendo in 2013.

Earnings position

Gross margin

The gross margin (trading margin, excluding other operating income) amounted to 23.6 % in the financial year elapsed, compared with 23.4 % million in the prior-year period.

Gross profit

Gross profit increased by 5.7 % in the period under review, from € 120.1 million in the comparable prior-year period to € 127.0 million. Gross profit in relation to adjusted total operating income of € 481.2 million (2013: € 482.2 million) amounted to 26.4 % (2013: 24.9 %).

EBITDA

EBITDA fell by 2.4 % in the period under review, from € 22.2 million to € 21.6 million.

EBIT

EBIT amounted to € 15.9 million in the period under review (2013: € 21.6 million, –26.7 %). This is equivalent to a return on sales of 3.4 % (2013: 4.6 %).

Financial income

Financial income stood at € 4.8 million in the period under review (2013: € 5.4 million). This includes income from holdings in subsidiaries in an amount of € 4.7 million (2013: € 5.2 million). The expenses from the transfer of losses derived from Tirendo Holding GmbH.

Income taxes

The income tax expense amounted to € 2.2 million in the reporting period (2013: € 8.7 million). This corresponds to a tax rate of 26.7 % (2013: 32.2 %). This tax rate is unusually low for Delticom, as in the tax balance sheet the income from the investments of Toroleo Tyres TT GmbH & Co. KG in an amount of € 2,727 thousand was not levied with trade tax, as this occurred within the unincorporated firm itself.

Income and dividend

Earnings in 2014 amounted to € 6.0 million, compared with € 18.2 million in the previous year. This corresponds to earnings per share of € 0.50 for the financial year under review (2013: € 1.54).

in € thousand	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Revenues	**685,322**	**620,090**
Other operating income	17,541	9,739
Cost of goods sold	–575,904	–509,736
Personnel expenses	–9,337	–9,425
Depreciation	–5,786	–2,870
Other operating expenses	–95,975	–86,160
Income from participating interests	4,748	5,200
Other interest received and similar income	85	220
Expenses from loss transfers	–11,714	0
Paid interest and similar expenses	–795	–165
Result from ordinary business activities	**8,186**	**26,893**
Expenses from loss transfers	–2,186	–8,668
Annual surplus	5,999	18,225
Profit carried forward	12,724	429
Balance sheet profit	**18,724**	**18,654**

Financial and assets position Delticom AG

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

Investments

In order to exploit as best as possible economies of scale and learning effects in warehousing logistics, we invest constantly in expanding information, conveying and packaging technology in the warehouses that we rent. The reported investments in property, plant and equipment of € 0.5 million in 2014 (2013: € 0.4 million) relate mainly to investments to equip the warehouses and offices that we operate. In addition, Delticom invested a total of € 0.1 million in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of € 173.4 million as of 31.12.2014 were 8.5 % below the previous year's € 189.4 million.

Non-current assets

On the assets side of the balance sheet, long-term assets decreased from € 72.9 million to € 67.8 million. The 7.0 % reduction is almost exclusively attributable to depreciation and amortization.

Inventories

Inventories amounted to € 7.6 million in the reporting period (2013: € 8.4 million). These consist almost exclusively of merchandise in transit. This is due to the relocation of the entire stocks to the subsidiary Pnebo GmbH from the middle of 2013.

Receivables

The largest item within short-term assets comprise receivables due from associated companies in an amount of € 61.9 million (2013: € 80.3 million). Receivables against Pnebo GmbH amount to € 41.6 million, and comprise the largest item within receivables. Trade receivables of € 10.2 million are 19.6 % higher than the previous year (2013: € 8.5 million).

Within other assets of € 4.0 million (2013: € 13.6 million), tax refund claims reduced by 75.4 %, from € 12.1 million to € 3.0 million. This change results chiefly from the reduced VAT surplus of the year-end.

Liquidity

Liquid assets recorded a net addition of € 16.1 million. "Balance sheet liquidity" amounted to € 21.4 million as of 31.12.2014 (2013: € 5.3 million, +307.0 %).

Overall, total current assets decreased by 9.4 % from € 116.0 million to € 105.1 million. This decrease mainly results from lower receivables from associated companies at the blance sheet date.

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 € 0.2 million of tax assets after offsetting with deferred tax liabilities (2013: € 0.2 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities decreased by 13.0 % or € 17.3 million, from € 133.6 million to € 116.3 million. Provisions fell by 33.5 % or € 1.8 million to € 3.5 million (previous year: € 5.3 million).

Within the € 112.8 million of current liabilities as of 31.12.2014, € 68.0 million, equivalent to 39.2 % of total equity and liabilities, was attributable to trade payables. Compared with the previous year's € 67.5 million this amount is nearly unchanged.

Among other current liabilities of € 10.4 million (previous year: € 9.0 million), € 4.7 million are attributable to prepayments received from customers (previous year: € 3.3 million), and € 2.4 million are attributable to customer credits (previous year: € 1.5 million).

Liabilities due to banks

The reduced liabilities due to banks of € 19.8 million (2013: € 32.4 million) include an investment loan of € 1.4 million (2013: € 2.3 million), and € 18.4 million annuity loans with maturities of between 5 and 10 years that have been drawn down.

Equity

On the equity and liabilities side of the balance sheet, equity increased by € 1.3 million or 2.3 % to € 57.1 million (2013: € 55.8 million). The structure of equity and liabilities reflects a year-on-year increase in the equity ratio from 29.5 % to 32.9 %.

Assets that cannot be recognized

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

in € thousand	31.12.2014	31.12.2013
Fixed assets	**67,808**	**72,942**
Intangible assets	10,444	14,083
Property, plant and equipment	7,387	8,980
Financial assets	49,977	49,878
Current assets	**105,078**	**115,993**
Inventories	7,608	8,377
Accounts receivable	10,154	8,487
Receivables from affiliated companies	61,889	80,253
Other receivables and other assets	4,019	13,617
Cash and cash equivalents	21,408	5,260
Deferred item	**362**	**324**
Deferred taxes	**174**	**188**
Assets	**173,423**	**189,447**

€ thousand	31.12.2014	31.12.2013
Equity	**57,083**	**55,799**
Subscribed capital	11,945	11,859
Share premium	26,215	25,085
Retained earnings	200	200
Balance sheet profit	18,724	18,654
Provisions	**3,513**	**5,281**
Provisions for taxes	40	0
Other Provisions	3,473	5,281
Liabilities	**112,827**	**128,367**
Liabilities to banks	19,790	32,697
Payments received on account of orders	4,703	3,304
Accounts payable	68,007	67,525
Payables to affiliated companies	14,637	19,409
Other liabilities	5,690	5,432
Deferred item	**0**	**0**
Shareholders' Equity and Liabilities	**173,423**	**189,447**

Overall statement on the financial and assets position

Significant financial flexibility

Delticom's financial position and net assets are healthy. The company continues to enjoy sufficient liquidity (€ 21.4 million on 31.12.2014; 31.12.2013: € 5.3 million). The company receives standard market payment targets from its suppliers. Delticom can also make recourse to credit lines that are extended over the course of the year to finance some of the inventories at Pnebo.

Solid balance sheet as basis for further growth

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

Risk Report

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

Forecast

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

Significant events after the reporting date

Events after the balance sheet date are presented below.

Changes in Management

On 18.11.2014, the Supervisory Board of Delticom AG appointed Thierry Delesalle to the Management Board with effect from 01.01.2015.

There were no further events of particular importance after the end of the period under review.

Risk Report

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

Definitions

Risks and opportunities

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

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

Risk management

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

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

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

Early risk detection system

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

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

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

Risk assessment

24-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 24-month observation horizon for risk management.

Reporting thresholds

The company's equity is used as the calculation basis for reporting thresholds. As of 31.12.2014, we differentiated between going-concern risks (€ 10 million), significant risks (€ 2.5 million), and low risks (€ 0.2 million).

Gross/net risk

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

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

Risk management organisation

Delticom's risk management is based on these three pillars: Risk Support Team, Risk Management, 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 is a member of the company-wide Project Management function. He 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.

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

The risk consolidation scope was expanded in 2013 to include Tirendo. This takeover has not added any new risks to the Group. Already identified risks have increased with respect to their potential loss level.

No segmentation

Most of the sales revenues are generated in the E-commerce segment. Accordingly, the Wholesale segment is hardly significant as far as the risk observation is concerned, and is consequently not reported separately.

Communication and reporting

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

Software

Delticom employs special software that satisfies all statutory requirements in order to support its risk management function.

Risk inventory

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

Key individual risks

Strategic risks

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

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

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.

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

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

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

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

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

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.

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 tyres from other parties.

Competition risks

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

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

Macroeconomic risks

Maintaining a vehicle is often a major expense item for a private household. Over the next several months consumption may be further impeded by high unemployment figures. Private saving efforts could lead to a decrease in mileage driven, thus causing car owners to put off their next tyre purchase. On the other hand, the low number of new-vehicle registrations could have a positive medium-term effect on replacement tyre demand for used cars. In future, car owners may decide to use public transport or share their cars, at least in well-developed metropolitan areas.

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

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 operations centres. Independent of our specialist departments, auditing processes have been set up to monitor and ensure compliance with agreed service levels. As part of its "S@ferShopping" audit, TÜV SÜD conducts an annual inspection of all Delticom processes and systems, including customer satisfaction.

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

IT risks

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

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

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

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

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

Financial Risks

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

Customers could find themselves with payment difficulties. In the tyre trade, customer payment behaviour is usually good but can deteriorate in difficult times. If the recession in Europe continues to bear on motorists' economic conditions, this might lead to a decline in willingness of some of our customers 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.

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

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

Accounting-related ICS and RMS

Description of key characteristics of the accounting-related internal controlling system (ICS) and risk management system (RMS) with respect to the (Group) accounting process (§ 289 Paragraph 5 and § 315 Paragraph 2 Number 5 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 authorisation 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 utilise an integrated bookkeeping and consolidation system for the actual calculations.

Outlook

European replacement tyre business was unable to reverse its fortunes in the last financial year. Due to the mild winter and the resulting downturn in winter tyre sales, experts believe that full-year sales figures will be unable to match the already-poor sales of the previous year.

Forecast report

Full-year guidance revised in the further course of 2014

In our full-year forecast at the start of the financial year 2014, we accounted for the lack of any major improvement in market and weather conditions compared to 2013 with a rise in revenues of 10 % (2013 revenues: € 505.5 million). In terms of overall earnings before interest, tax, depreciation and amortisation (EBITDA), we aimed to be at least on par with the previous year (2013: € 22.2 million).

H1

Spring-like temperatures in March gave the tyre trade some major sales impetus in the first quarter. However, summer tyre business failed to match expectations in the second quarter. Delticom Group revenues after the first six months of the year were 6.5 % up on the previous year (Q1 revenues: +16.0 %, Q2 revenues: +0.6 %). Although Tirendo was unable to make the anticipated contribution to Group growth in the first half of the year, we stuck with our original full-year plan when publishing the financials for the first half of the year. However, we considered our targets to be even more ambitious at this point in time than at the start of the year. From then on, our forecast was based on the assumption that demand for winter tyres would rise year on year.

Q3

The replacement tyre business remained weak in many regions in the third quarter. The tyre trade was also unable to benefit from an early start to winter business. In the third quarter, revenues fell by 9.1 % year on year. Group revenues for the full nine-month period were up 1.6 % year on year.

Guidance adjusted in November

The general rule of thumb for safety-conscious drivers is to change tyres in October and at Easter. An initial peak in orders in October is therefore nothing out of the ordinary. Weather conditions then play a major role in business performance over the remainder of the fourth quarter, as many drivers only directly recognise the need for new tyres when road conditions become treacherous. In addition, winter tyres are only compulsory in Germany when ice and snow are an issue on the road. The persistently mild weather and market situation in the first nine months of the year caused us to adjust our full-year guidance at the start of November. In view of the uncertain business performance in the remaining weeks until the end of the year, we planned for full-year revenues to come in somewhere between € 500 million and € 520 million. Depending on the respective market situation and the associated price trend in the tyre trade, we considered an

EBITDA range for 2014 as a whole of between € 15 million and € 20 million as realistic for the full year.

Revenues as planned due to weather

Price development at the end of the year meant that sales volume rose disproportionately to revenues. Snowfall in late December boosted end-of-year business. However, due to the public holidays at this time, not all orders could be delivered before the turn of the year. Against the backdrop of these effects, full-year Group revenues came to € 501.7 million at the lower end of the forecasted range.

EBITDA

We offered more attractive prices in the fourth quarter to reach our sales targets. By the end of the year, full-year EBITDA with € 15.3 million exceeded the lower end of the target range set at € 15 million.

Tirendo

From the second half of the year, we focussed on the full integration of Tirendo within the Delticom Group in order to benefit from cost reductions and increases in efficiency. This integration was accompanied by a step-by-step reduction in staff numbers at Tirendo. At the end of January 2015, a total of 19 people were employed in Berlin. This figure corresponds with the figure of roughly 20 employees from 2015 onwards, which was forecasted in the Q3 2014 report. We also achieved the intended cost reductions and increases in efficiency in marketing in the fourth quarter. Marketing costs at Tirendo came to € 3.1 million in the final quarter. Despite the decline of 47.6 %, revenues were down only slightly year on year at € 17.7 million (Q4 13: € 18.1 million, –1.9 %).

Future macroeconomic environment

Leading economic research institutions expect the eurozone economy to recover – albeit slowly – over the course of the year. Aside from low interest rates and the favourable euro rate, the low price of oil will also contribute to economic stabilisation. However, falling prices often spread fear of deflation. The European Central Bank (ECB) has launched a bond-buying programme worth billions of euros to fuel inflation in the single market. This is aimed at bolstering corporate investment as well as private consumption.

At the beginning of the year, the mood among European consumers improved somewhat. However, eurozone recovery is still proving extremely fragile. Experts expect the tension on the employment market to ease somewhat over the course of 2015, but unemployment rates will remain high in many areas. An escalation in the Greek crisis or the Ukraine conflict could further endanger economic recovery in the eurozone.

Future sector-specific development

At the current time, there is still major uncertainty when it comes to market and price development in the European replacement tyre market in 2015. Some manufacturers have already announced price cuts for summer products as a result of the low oil prices and in line with their market positioning targets. In order to protect domestic tyre manufacturers from competition from China, the US government has imposed a variety of import duties on Chinese tyres since the end of last year. The BRV assumes that Chinese tyre manufacturers will attempt to boost their sales in Europe instead.

No structural tyre shortages expected

We expect no short-term or medium-term structural shortages for the tyre replacement markets. Seasonal bottlenecks for certain dimensions, brands or models are not uncommon in the tyre trade; they cannot be ruled out in the current fiscal year.

Tyre trade

Based on the poor sales development last year, excess inventories in the supply chain cannot be ruled out in the case of winter tyres at least. The consumer price trend over the next few months will largely depend on how demand for replacement tyres develops in Europe. For Germany, the BRV cautiously estimates that there will be no widespread improvement in the situation in 2015.

2015 forecast

Positive customer acquisition trend

In the tyre business, the share of tyres sold online is still relatively low. At the same time, motorists are increasingly using the Internet to search for cheaper offers. As market leader, we will benefit from this trend in the current financial year. We target additional consumer groups through Tirendo shops. In our 2015 plan, we therefore anticipate attracting over one million new customers through Delticom shops.

Repeat customers

With respect to the multi-year replacement cycle, we anticipate being able to welcome as repeat customers in our shops in 2015 a portion of the new customers gained over the last few years. Accordingly, the number of repeat customers is expected to develop positively for the full year.

Revenues and EBITDA (in absolute terms) on par with the previous year

There is a great deal of uncertainty when it comes to the development of prices in the European replacement tyre market in 2015. Our aim is to increase sales volume year on year and to reinforce our market-leading position. Assuming a deflationary price climate, we believe that an increase in volume may not necessarily lead to an increase in revenues. In absolute terms, we aim to generate revenues in the current financial year that are at least on a par with 2014. An increase in unit sales results in a rise in volume-based costs. Should these rise more sharply in 2015 than revenues, a positive volume effect could have a negative impact on earnings. Irrespective of this, we are aiming to match at least 2014 EBITDA in 2015 in absolute terms.

Tirendo

The integration of Tirendo in the Delticom Group is practically complete. Against the backdrop of the measures implemented within the past few months, we assume that Tirendo will reach break-even over the course of the year.

Inventories

For 2015, Delticom will again pursue the strategy of securing sufficient goods for the coming winter business as early as possible, depending on the prevailing market situation. However, we do acknowledge that we will continue to finance at least part of the inventory build-up over the next few quarters through the short-term utilisation of approved credit lines.

Investments

We currently do not have any immediate need for additional warehouse space. In order to take advantage of economies of scale and learning effects in warehousing logistics, we constantly invest in the expansion of our warehouses' information, conveying and packaging technology. As was the case in 2014, these investments as a share of revenues will be low in 2015. Even with an increasing order volume, it is our goal to deliver the goods to the shipping service providers as quickly as possible to continue to supply our customers within a few working days, even at seasonal peak times.

Liquidity

We will manage the inventory build-up over the coming quarters in accordance with our revenues planning for the current financial year. Cashflow and liquidity are expected to develop positively towards the end of the year, though.

Medium term outlook

In light of the ever-increasing popularity of the Internet as a shopping channel, online tyre purchases are being lifted by consumer confidence as well. For the coming years, industry experts predict further growth potential for online tyre sales to end-users. According to estimates by the BRV, the share of tyres sold online could rise to between 15 % and 22 % by 2020. As market leader in a growing sales channel, we will continue to benefit from this trend.

Europe is core market

Delticom currently operates online shops in 42 countries. We intend to consolidate and expand our market position in these countries in the years to come. Replacement tyre markets are also increasing in attractiveness in emerging economies outside Europe, due to rising numbers of new vehicle registrations in these regions. Despite this potential for expansion, we see our company's geographical focus remaining in Europe in the medium term.

Delticom's business model is robust, and the company boasts a solid balance sheet. As Europe's leading online tyre retailer, we are flexible enough to take advantage of opportunities and maintain and expand our market position. We estimate that Delticom will continue to grow faster in the coming years than the markets in which we operate.

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2014 at € 18.92. DEX is a stable member of the German small- and midcap index SDAX.

Stock markets 2014

2014 stock market

Equity markets developed stable in 2014 despite the challenging environment. The DAX started the year at 9,400 points.The DAX reached its high of 10,087 points on 05.12.2014. On 15.10.2014 it marked a low at 8,572 points. It closed the year at 9,806 points, an overall rise of 406 points or 4.3 %.

SDAX gained ground

The German small- and midcap index SDAX moved at the same level as the DAX with +5.1 %. It started at 6,835 points and grew by 352 points over the course of the year, closing at 7,186 points.

Development of the Delticom share (DEX)

Benchmarks

The first choice as benchmark is the SDAX – Delticom has been a member since 22.12.2008. Apart from this, we use the Dow Jones STOXX Total Market Index General Retailers (DJSGR) as an additional benchmark for DEX. The DJSGR contains leading European non-food general retailers.

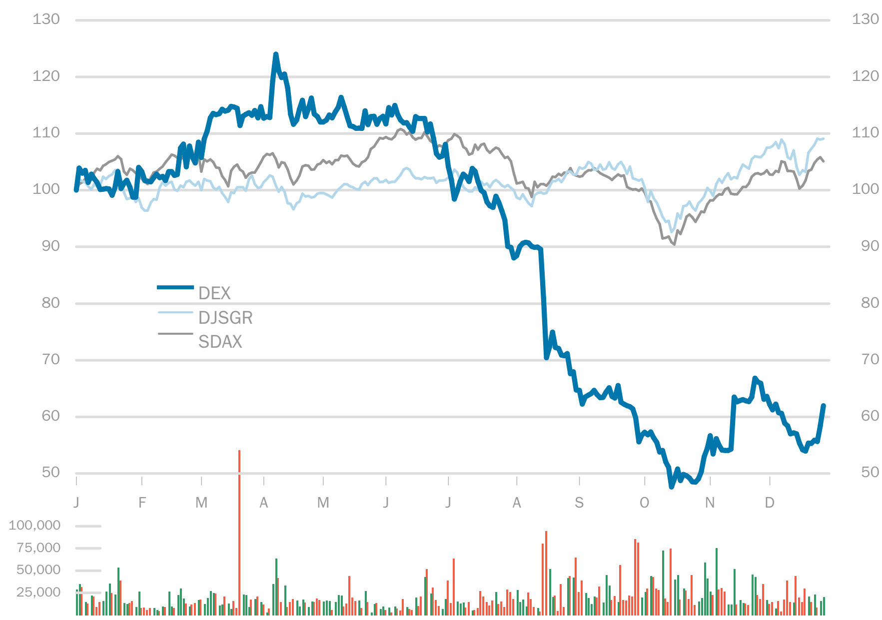
As customary, we use the performance index which takes dividend payments into account for both SDAX and DJSGR. When comparing the performance of DEX to the benchmarks we therefore take the dividend for 2013 into consideration, amounting € 0.50 per share as decided on the Annual General Meeting on 29.04.2014. The chart *Share performance* shows the performance of DEX, SDAX and DJSGR since the beginning of 2014 over the course of the year.

DEX performance

After beginning the year at € 30.98, DEX reached an annual low on 15.10.2014 at € 14.55. The shares' annual high was recorded on 07.04.2014 at € 38.41. DEX closed the year on € 18.92. In the course of 2014 the market capitalisation of DEX decreased from € 370.0 million to € 226.0 million.

Share performance 2014

indexed, traded volume in shares (XETRA)



Index membership

SDAX Ranking

On 22.12.2008 DEX was included in the SDAX. Membership in the index is determined by the Deutsche Börse according to a ranking published as *Cash Market: Monthly Index Ranking – MDAX*. The ranking depends on free float market capitalisation and traded volume of shares included in MDAX and SDAX. According to the criterion of "free float market capitalisation" DEX stood at 109 on 31.12.2014 (2013: 90). In the criterion "traded volume" DEX dropped from 71 to 85.

Apart from SDAX and CXPR, DEX is included in the calculation of the following indices:

- DAX International Mid 100
- GEX (German Entrepreneur Index)
- DAXplus Family Index
- NISAX 20

Earnings per share and dividend recommendation

Undiluted earnings per share are € 0.24 (2013: € 0.97). Diluted earnings per share are € 0.24 (previous year: € 0.97).

The calculation of the earnings per share was based on net income after taxes totalling € 2,857,280.93 (previous year: € 11,554,642.36) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,945,250 shares (previous year: 11,945,250 shares).

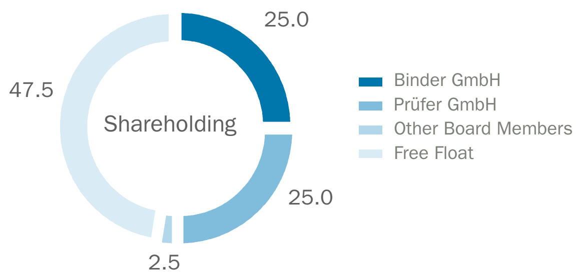
At Delticom's Annual General Meeting on 05.05.2015, the Management Board and the Supervisory Board will propose a dividend of € 0.25 per share – a decrease of 50.0 % compared to the dividend for financial year 2013 of € 0.50 per share.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2014.

Shareholder structure

Shareholding in % of the 11,945,250 shares outstanding, as of 31.12.2014



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2014, Andreas Prüfer as a board member and Rainer Binder as Head of the Supervisory Board held more than 50 % of the outstanding shares.

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

Coverage

In total 7 analysts from renowned banks and brokers regularly offer their views on the course of Delticom's business and future prospects (in the order in which they initiated coverage, with recommendations as of 04.03.2015):

- Frank Schwope, NORD/LB (Buy)
- Stefan Wimmer, Bankhaus Metzler (Sell)

- Tim Rokossa, Deutsche Bank (Hold)
- Christian Ludwig, Bankhaus Lampe (Hold)
- Christian Schwenkenbecher, Hauck & Aufhäuser (Sell)
- Marc-René Tonn, Warburg (Hold)
- Tim Kruse, Montega (Hold)

Investor relations activities

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

Apart from the yearly analyst conference on the occasion of the German Equity Forum in Frankfurt, the Management Board presented business developments and strategy during 1 conference in London. Furthermore, we had many one-on-one talks with investors.

The Internet is an important part of financial communications. On www.delti.com/Investor_Relations we offer annual- and quarterly reports as well as investor and analyst presentation for download.

The investor relations department gladly answers any further questions:

Melanie Gereke
Brühlstraße 11
30169 Hanover
Phone: +49-511-93634-8903
E-Mail: melanie.gereke@delti.com

Stock key information

		01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Number of shares	shares	11,945,250	11,859,440
Share price on first trading day[1]	€	30.98	32.88
Share price on last trading day of the period[1]	€	18.92	32.00
Share performance[1]	%	–38.9	–2.7
Share price high/low[1]	€	38.41 / 14.55	42,87 / 31,43
Market capitalisation[2]	€ million	226.0	379.5
Average trading volume per day (XETRA)	shares	22,308	19,435
EPS (undiluted)	€	0.24	0.97
EPS (diluted)	€	0.24	0.97
Equity per share	€	4.21	4.36

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

Information Required Under Takeover Law Section 315 Paragraph 4 HGB (German Commercial Code)

The following section presents the information under takeover law required within the meaning of Section 315 Paragraph 4 of the HGB (German Commercial Code).

No. 1: Composition of subscribed capital

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

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

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

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

No. 3: Interests exceeding 10% of voting rights

Only the shareholders Binder GmbH and Prüfer GmbH, both of which are based in Hanover/Germany, hold direct interests in the company that exceed 10 % of Delticom AG's voting rights. Indirect interests that exceed 10 % of Delticom AG's voting rights exist on the part of Mr. Rainer Binder, Hanover, to whom Binder GmbH's direct interest is attributed pursuant to Section 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG), and on the part of Dr. Andreas Prüfer, to whom Prüfer GmbH's indirect stake is attributed pursuant to Section 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG). The pooling agreement, whose parties are Prüfer GmbH, Binder GmbH, Mr. Rainer Binder and Dr. Andreas Prüfer, also results in a mutual attribution of voting rights in the meaning of Section 22 Paragraph 2 Clause 1 of the German Securities Trading Act (WpHG).

No. 4

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

No.5

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

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

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

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

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

a) Authorised Capital 2011

The Ordinary Annual General Meeting of 03.05.2011 authorized the Management Board to increase the company's share capital, with Supervisory Board assent, until 02.05.2016 through issuing, once or on several occasions, a total of up to 5,919,722 new no-par registered shares against cash or non-cash capital contributions by total of up to € 5,919,720.00 *(Authorized Capital 2011)*. *Authorized Capital 2011* was entered in the commercial register on 10.06.2011. With the Supervisory Board's assent, the Management Board is authorized to exclude subscription rights for capital increases against non-cash capital contributions, and, in some instances, in the case of cash capital increases.

b) Contingent capitals

The General Meeting of 30.08.2006 authorised the Management Board or the Supervisory Board in lieu of the Management Board to the extent that options are granted to members of the Management Board, to grant options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company's Management Board and its employees, on one or several occasions up to 29.08.2011. By way of a resolution by the General Meeting on 30.08.2006, the company's share capital was conditionally increased by € 100,000 by issuing a total of up to 100,000 new no-par value registered shares *(Contingent Capital I/2006)*.

Contingent Capital I/2006 served exclusively to grant shares to the holders of options issued by the company on the basis of the authorisation granted by the General Meeting on 30.08.2006 for the granting of options. The *Contingent Capital I/2006* was entered in the commercial register on 01.09.2006.

As a result of the capital increase from retained earnings by means of the issuance of new shares, decided upon by the Annual General Meeting on 19.05.2009, the *Contingent Capital I/2006* increased proportionally to the share capital to € 300,000. The capital increase and the amendment of the articles of incorporation relating to the *Contingent Capital I/2006* were entered in the commercial register of the Hanover court on 10.06.2009. As a result of a resolution passed by the AGM of Delticom AG on 29.04.2014, Contingent Capital I/2006 was canceled to the extent that it exceeded an amount of € 85,810.00. Contingent Capital I/2006 is now fully utilized due to the exercise of 105,810 option rights (already presented in Number 1) that entitled former Management Board member Frank Schuhardt to subscribe for 105,810 of the company's new no-par ordinary registered shares.

The Annual General Meeting of 03.05.2011 authorized the Management Board, with Supervisory Board assent (respectively the Supervisory Board instead of the Management Board to the extent that option rights are granted to Management Board members), to grant until 02.05.2016, once or on several occasions, option rights to subscribe for a total of up to 300,000 of the company's new no-par registered shares to members of the company's Management Board and to employees of the company. The company's share capital is conditionally increased by up to € 300,000.00 through issuing up to 300,000 new no-par registered shares (Contingent Capital I/2011).

Contingent Capital I/2011 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. *Contingent Capital I/2011* was entered in the commercial register on 10.06.2011. The aforementioned authorization and Contingent Capital I/2011 was canceled as a result of a resolution passed by the AGM on 29.04.2014.

The Annual General Meeting on 03.05.2011 authorized the Management Board, with the approval of the Supervisory Board to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 02.05.2016 with a total nominal amount of up to € 200,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 5,300,000 no-par value registered shares of the company with a proportionate interest in the share capital totalling € 5,300,000.00 according to the details of the terms and conditions for the convertible bonds or bonds with warrants.

This authorisation may be exercised in whole or in part. In some instances, the Management Board is authorised, with the Supervisory Board's assent, to exclude shareholder subscription rights when issuing convertible or warrant bonds. By way of a resolution by the Annual General Meeting on 03.05.2011, the company's share capital was conditionally increased by up to € 5,300,000.00 by issuing up to 5,300,000 new no-par value registered shares *(Contingent Capital II/2011)*.

Contingent Capital II/2011 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG or by companies in which Delticom owns a direct or indirect majority interest. *Contingent Capital II/2011* was entered in the commercial register on 10.06.2011.

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

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

c) Management Board authorisations to repurchase and re-utilise treasury shares

With an Annual General Meeting resolution of 11.05.2010, the company was authorised to acquire its own shares up to 10 % of the share capital existing when the resolution was passed. This authorisation is valid until 10.05.2015. The authorisation may be exercised in full or in part, on one or several occasions, for one or for several purposes by the company or by third parties for the company's account. The shares are acquired, at the Management Board's discretion, via the stock exchange or via a public purchase offer or via a public request to issue this type of offer.

The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10 % above or below the price identified in the XETRA trading system (or a comparable successor system) on the stock market day in the opening auction. If shares are acquire via a public purchase offer or a public request to issue a purchase offer, the offered purchase price or the thresholds for the offered purchase price range per share (without incidental acquisition costs) may not be more than 10 % higher or lower than the respective value of a share of the company.

In the case of a public purchase offer, the relevant price is the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the stock market trading day before the date when the offer is announced, and in the case of a public solicitation to issue a purchase offer, the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the last stock market day before the date on which the company accepts the offers.

If there are significant differences between the relevant prices after the purchase offer is published, the offer can be adjusted. The Management Board is authorised to utilise the acquired treasury shares for all statutorily permissible purposes. In particular, it may withdraw and cancel the shares, sell them in return for non-cash payments, dispose of them by means other than the stock market or through an offer to shareholders, or offer them to employees of the company or its Group companies for purchase, or offer them to holders of subscription rights to satisfy the company's obligation arising from the stock option plan that was set up pursuant to the Annual General Meeting resolution of 30.08.2006. Shareholders' subscription rights can be excluded under certain conditions.

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

No. 9 Compensation agreements with Management Board members or employees for the instance of a takeover offer: The company has not entered into such agreements.

Consolidated Financial Statements of Delticom AG

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Consolidated Income Statement

in € thousand	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Revenues	**501,701**	**505,542**
Other operating income	12,072	5,404
Total operating income	**513,773**	**510,946**
Cost of goods sold	–378,853	–380,306
Gross profit	**134,919**	**130,640**
Personnel expenses	–15,599	–11,292
Depreciation of intangible assets and property, plant and equipment	–8,255	–4,340
Other operating expenses	–104,031	–97,165
Earnings before interest and taxes (EBIT)	**7,034**	**17,844**
Financial expenses	–801	–178
Financial income	34	49
Net financial result	**–766**	**–129**
Earnings before taxes (EBT)	**6,268**	**17,715**
Income taxes	–3,411	–6,160
Consolidated net income	**2,857**	**11,555**
Thereof allocable to:		
Non-controlling interests	–44	0
Shareholders of Delticom AG	2,901	11,555
Earnings per share (basic)	0.24	0.97
Earnings per share (diluted)	0.24	0.97

Statement of Recognised Income and Expenses

in € thousand	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Consolidated Net Income	**2,857**	**11,555**
Changes in the financial year recorded directly in equity		
Income and expense that will not be reclassified to the statement of income at a later date		
Changes in currency translation	296	–179
Income and expense that will be reclassified to the statement of income at a later date		
Net Investment Hedge Reserve		
Changes in current value recorded directly in equity	–25	45
Deferred taxes relating to Net Investment Hedge Reserve	8	–14
Other comprehensive income for the period	**279**	**–149**
Total comprehensive income for the period	**3,136**	**11,406**
Attributable to non-controlling interests	–95	0
Attributable to shareholders of the parant	3,231	11,406

Consolidated Balance Sheet

Assets

in € thousand	31.12.2014	31.12.2013
Non-current assets	**58,135**	**66,698**
Intangible assets	47,949	52,826
Property, plant and equipment	8,978	10,708
Financial assets	25	833
Deferred taxes	705	1,867
Other receivables	478	463
Current assets	**105,872**	**110,322**
Inventories	56,151	72,841
Accounts receivable	14,489	11,260
Other current assets	4,707	12,594
Income tax receivables	549	2,305
Cash and cash equivalents	29,975	11,323
Assets	**164,007**	**177,020**

Shareholders' Equity and Liabilities

in € thousand	31.12.2014	31.12.2013
Equity	**50,293**	**51,679**
Equity attributable to Delticom AG shareholders	**49,305**	**51,679**
Subscribed capital	11,945	11,859
Share premium	25,372	24,446
Other components of equity	128	–150
Retained earnings	200	200
Net retained profits	11,659	15,324
Non-controlling interests	**988**	**0**
Liabilities	**113,715**	**125,341**
Non-current liabilities	**16,651**	**12,957**
Long-term borrowings	15,367	11,038
Non-current provisions	351	252
Deferred tax liabilities	933	1,667
Current liabilities	**97,064**	**112,385**
Provisions for taxes	845	182
Other current provisions	1,521	1,846
Accounts payable	75,920	74,703
Short-term borrowings	4,424	21,659
Other current liabilities	14,354	13,994
Shareholders' equity and liabilities	**164,007**	**177,020**

Consolidated Cash Flow Statement

in € thousand	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Earnings before interest and taxes (EBIT)	**7,034**	**17,844**
Depreciation of intangible assets and property, plant and equipment	8,255	4,340
Changes in other provisions	–226	200
Net gain on the disposal of assets	29	–234
Changes in inventories	16,690	1,266
Changes in receivables and other assets not allocated to investing or financing activity	4,642	–4,033
Changes in payables and other liabilities not allocated to investing or financing activity	1,631	–2,851
Interest received	34	49
Interest paid	–873	–109
Income tax paid	–563	–8,400
Cash flow from operating activities	**36,655**	**8,071**
Proceeds from the disposal of property, plant and equipment	44	328
Payments for investments in property, plant and equipment	–676	–550
Proceeds from the disposal of intangible assets	0	3
Payments for investments in intangible assets	–993	–719
Payments for investments in financial assets	–10	–5
Payments for the acquisition of consolidated subsidiaries (less acquired cash and cash equivalents)	0	–42,343
Cash flow from investing activities	**–1,634**	**–43,287**
Dividends paid by Delticom AG	–5,930	–22,510
Payments from additions to capital	1,215	147
Capital transactions with non-controlling interests	732	0
Cash inflow of financial liabilities	10,000	30,442
Cash outflow of financial liabilities	–22,907	–7,529
Cash flow from financing activities	**–16,890**	**549**
Changes in cash and cash equivalents due to currency translation	296	–179
Cash and cash equivalents at the start of the period	11,323	46,168
Changes in cash and cash equivalents	18,427	–34,846
Konsolidierungskreisänderungen	225	0
Cash and cash equivalents - end of period	**29,975**	**11,323**

For information only: Netto-Liquidity

in € thousand	01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Liquidity – start of period	**11,500**	**46,346**
Changes in cash and cash equivalents	18,427	–34,846
Liquidity – end of period	**29,927**	**11,500**
Net Cash – start of period	**–21,197**	**43,191**
Changes in cash and cash equivalents	18,427	–34,846
Changes in financial liabilities	12,907	–29,542
Net Cash – end of period	**10,137**	**–21,197**
Net cash refer to short term financial liabilities:		
Net Cash – start of period	**–10,337**	**45,263**
Changes in cash and cash equivalents	18,427	–34,846
Changes in short term financial liabilities	17,236	–20,754
Net Cash – end of period	**25,326**	**–10,337**
Net cash refer to long term financial liabilities:		
Net Cash – start of period	**285**	**43,918**
Changes in cash and cash equivalents	18,427	–34,846
Changes in long term financial liabilities	–4,329	–8,788
Net Cash – end of period	**14,383**	**285**

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Net Investment Hedge Reserve	Retained earnings	Net retained profits	Total	Non-controlling interests	Total equity
as of 1 January 2013	**11,847**	**24,311**	**–2**	**0**	**200**	**26,279**	**62,636**	**0**	**62,636**
Shares of capital increase	12						12		12
Capital increase of issue new shares		135					135		135
Dividends paid						–22,510	–22,510		–22,510
Net income						11,555	11,555		11,555
Other comprehensive income			–179	31			–149		–149
Total comprehensive income			**–179**	**31**		**11,555**	**11,406**		**11,406**
as of 31 December 2013	**11,859**	**24,446**	**–181**	**31**	**200**	**15,324**	**51,679**	**0**	**51,679**
as of 1 January 2014	**11,859**	**24,446**	**–181**	**31**	**200**	**15,324**	**51,679**	**0**	**51,679**
Shares of capital increase	86						86		86
Capital increase of issue new shares		1,129					1,129		1,129
Transactions between controlling and non-controlling shareholders		–203				0	–203	935	732
Dividends paid						–5,930	–5,930		–5,930
First-time consolidation subsidiaries						–687	–687	148	–539
Net income						2,901	2,901	–44	2,857
Other comprehensive income			296	–17		51	330	–51	279
Total comprehensive income			**296**	**–17**		**2,953**	**3,231**	**–95**	**3,136**
as of 31 December 2014	**11,945**	**25,372**	**115**	**13**	**200**	**11,659**	**49,304**	**988**	**50,292**

Notes to the Consolidated Financial Statements of Delticom AG

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General notes

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

Delticom sells tyres and other products over 163 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt – a well-known brand in the German speaking Internet community. The group offers its product range in 42 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 tyres are either transported directly from the supplier to the customer, or Delticom lets parcel services carry out the delivery.

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

The Management Board had authorized these consolidated financial statements on 12.03.2015. The consolidated financial statements will be published and submitted to the operators of the electronic federal gazette, to make these public.

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

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). Delticom's consolidated financial statements for the fiscal year 2014 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 recognised in income. The requirements of the standards and interpretations (SIC / IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

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

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

Amendments to IAS 32 – Financial Instruments: Financial Instruments: The amendments retain the offsetting model currently valid pursuant to IAS 32 whereby an entity can offset a financial asset against a financial liability in the balance sheet only if an enforceable legal claim to offsetting currently exists, and the intention exists to satisfy the asset and the liability on a net basis, or both balance sheet items unwind simultaneously. The amendments clarify that the entitlement to offsetting must exist currently – in other words, that this entitlement must not depend on a future event. In addition, the entitlement must be legally enforceable for all counterparties both in the normal course of business, and in the case of default or insolvency. The amendments also clarify that gross offsetting mechanisms (such as through clearing centers, for example) which i) eliminate credit and liquidity risks, and ii) process receivables and payables within a single offsetting process, are to be considered equivalent to net offsetting, and would consequently meet the IAS 32 criterion. The amended IAS 32 regulations also require more extensive disclosures. In particular, disclosures include quantitative information about recognized financial instruments that have been offset with each other in the balance sheet, as well as about financial instruments that are subject to offsetting arrangement, irrespective of whether they have been offset or not. The amendments have no effects on the consolidated financial statements of Delticom AG.

Amendments to IAS 36 - Impairment of Assets: With the IFRS 13 that is applicable from 01.01.2014, a regulation is introduced into IAS 36 to state in the notes to the financial statements the recoverable amount of each cash-generating unit to which either significant goodwill or significant intangible assets with unlimited useful lives are allocated. This disclosure requirement exists irrespective of whether impairment losses, or reversals of impairment losses, were applied in the reporting year. The amendments published in May 2013 clarify that this disclosure requirement exists only for such cash-generating units to which impairment losses or reversals of impairment losses were applied in the reporting period, and whose recoverable amount is based on fair value less costs to sell. Given the existence of impairment losses or reversals of impairment losses, additional disclosures are also required for those non-financial assets whose recoverable amounts are measured on the basis of fair value less costs to sell. The amendments have no effects on the consolidated financial statements of Delticom AG.

IAS 39 – Financial Instruments: Due to the published amendment, the novation of a hedging instrument to a central counterparty due to statutory requirements does not result in the unwinding of the hedge if the novation is prescribed as the result of the new act or the introduction of an act. The amendments have no effects on the consolidated financial statements of Delticom AG.

Amendments to IFRS 10, IFRS 12 und IAS 27 – Investment Properties: This amendment exempts entities that meet the definition of an investment entity from the obligation to fully consolidate portfolio entities that they control, allowing them to recognize them as financial instruments. Instead, the corresponding investments are measured at fair value through profit or loss. New disclosure requirements for investment entities are also introduced in IFRS 12. As a non-investment entity, Delticom AG is not affected by these amendments.

These amendments clarify that the date of first-time application of IFRS 10 is the start of the reporting period in which the standard is applied for the first time. As a consequence, decisions as to whether investments are to be consolidated pursuant IFRS 10, or not, are to be made at the start of this period.

It is also established that when applying the new consolidation regulations for the first time, comparable data for mandatory disclosures of IFRS 12 in connection with subsidiaries, associates and joint arrangements need to be made only for the directly preceding comparable period. Disclosures about non-consolidated structured entities are even fully exempted from the requirement to provide comparable figures. The revised standard has no effects on the consolidated financial statements of Delticom AG.

IFRS 10 – Consolidated financial statements: IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities" includes guidelines on control and consolidation. IAS 27 is renamed "Separate Financial Statements"; in the future, this standard only covers rules relating to separate financial statements. Existing guidelines for separate financial statements remain unchanged. IFRS 10 amends the definition of control to the extent that the same criteria to assess control are to be applied to all entities. This definition is supported by more extensive application guidelines that show the different ways in which a reporting entity can control another entity. The amended definition of control presupposes power and variable financial returns for the existence of a control relationship. Power refers to the current ability to direct the investee's relevant activities that significantly affect the investee's variable financial returns. Financial returns can be positive, negative, or both. Power is to be assessed on the basis of current facts and circumstances, and is to be reappraised continuously. The fact that a control relationship is to exist only temporarily from the start does not exempt from the requirement to consolidate this investee that is controlled by the investor. In addition, power does not need to be actually exercised. Power can be evidenced through voting rights or other contractual rights. A combination of both of these can also endow the investor with power. Power exists if an investor holds more than 50 % of the voting rights in an investee, and no other contrary arrangements or circumstances exist. IFRS 10 also includes guidelines on protective rights. Protective rights alone cannot endow an investor with power. Equally, protective rights cannot restrict the power of another person. The new standard also includes guidelines on principal-agent relationships. For example, a decision-maker can act at the behest of another party or group of parties. The amendments have no effects on the consolidated financial statements of Delticom AG.

IFRS 11 – Joint Agreement: IFRS 11 replaces IAS 31 "Interests in Joint Ventures", and abolishes the existing option to quota consolidate joint ventures. The mandatory application of the equity method to joint ventures occurs in the future according to the regulations of IAS 28, which has concerned itself exclusively to date with associates, and whose scope of application has now been extended to the accounting treatment of joint ventures. The amendments have no effects on the consolidated financial statements of Delticom AG.

IFRS 12 – Informations about shares in other companies: IFRS 12 requires entities to make disclosures about interests in other entities, related risks, and effects on financial position and performance. Such disclosures are required for subsidiaries, joint arrangements, associates and non-consolidated special-purpose entities. This does not require Delticom AG to make more extensive disclosures in the notes to its financial statements.

IAS 27 – Separate Financial Statements (revised 2011): IFRS 12 requires entities to make disclosures about interests in other entities, related risks, and effects on financial position and performance. Such disclosures are required for subsidiaries, joint arrangements, associates and non-consolidated special-purpose entities. This does not require Delticom AG to make more extensive disclosures in the notes to its financial statements.

IAS 28 – Shares on associated companies and joint ventures (revised 2011): The revised standard includes regulations on jointly controlled entities that are measured at equity following publication of IFRS 11. This does not result in any changes for Delticom AG.

IFRIC 21 – Charges: IFRIC 21 examines the accounting treatment of government levies that do not comprise income taxes in the meaning of IAS 12, or amounts that are levied only on behalf of a state institution, and clarifies, in particular, when obligations to pay such levies are to be recognized as liabilities or provisions in the financial statements. The amendments of IFRIC 21 have no effects on the consolidated financial statements of Delticom AG.

New or amended standards not applied:

Standard / interpretation		Mandatory application	EU commissions use on 31.12.14	Impact
IAS 1	Disclosure Initiative	01.01.16	none	no major impact
IAS 16/ IAS 38	Intangible Assets - "Clarification of acceptable deprecication methods"	01.01.16	none	none
IAS 16/ IAS 41	Agriculture: Fruit-bearing plants	01.01.16	none	none
IAS 19	Employee Benefits -"Changes in defined benefit plans: Employee contributions"	01.07.14	none	none
IAS 27	Application of equity methode in singel-entity fincial statements	01.01.16	yes	none
IFRS 9	Financial instruments	01.01.18	none	no major impact
IFRS 10, IFRS 12/ IAS 28	Investment companies: Appplication of consolidation exception	01.01.16	none	none
IFRS 10/ IAS 28	Disposal and contribution of assets between an investor and an associated company or joint venture	01.01.16	none	none
IFRS 11	Accounting for acquisitions of shares abount combined business operations	01.01.16	none	none
IFRS 14	Regulatory deferral accounts	01.07.16	none	none
IFRS 15	Revenues from contracts with customers	01.07.17	none	no major impact
IFRIC 21	Fees	17.06.14	yes	no major impact

Group of consolidated companies

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

The group of fully consolidated companies has changed in the reporting period by the following entries since 01.01.2014:

- Deltiparts GmbH i.G., Hanover (Germany)
- Reife tausend1 GmbH i.G., Hanover (Germany)
- Tyrepac Pte. Ltd., Singapur

Due to its negligible impact on Delticom's net assets, financial position and results of operations, the following companies are not consolidated, but instead recognized as a financial instrument pursuant to IAS 39.

- OOO Delticom Shina, Moscow (Russia) of which Delticom owns 100 % of the shares
- Tirendo France SAS, Paris (France)
- Tirendo Netherlands B.V., Den Haag (Netherlands)
- Tirendo AT GmbH, Vienna (Austria)
- Tirendo Switzerland GmbH, Zug (Switzerland)

- Tirendo Poland Sp.z.o.o., Warsaw (Poland)

In addition, following the capital increases at Delticom North America Inc., Delticom AG now holds an interest of just 75 % in the company.

Consolidation methods

Subsidiaries comprise all material shareholding in companies where the parent company exercises financial and business policy control, regularly accompanied by a more than 50 % voting right share. Such subsidiaries are included at the date when the possibility of control exists, and such inclusion is discontinued when this possibility no longer exists.

Acquired subsidiaries are accounted for using the purchase method. Acquisition costs correspond to the fair value of the assets paid, the equity instruments issued and the debts resulting or taken over on the date of exchange plus the costs that can be directly allocated to the acquisition. Assets, liabilities and contingent liabilities that can be identified as part of a business combination are valued at their fair value on the date of exchange during initial consolidation, irrespective of the scope of the minority interests.

The amount by which the acquisition costs exceed the Group's share of the net assets measured at their fair value is carried as goodwill. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, the difference is taken directly to the income statement.

The consolidated financial statements are based on the financial statements prepared according to uniform accounting and valuation methods for the companies included in the consolidated financial statements. The balance sheet date for the single-entity financial statements for the companies included in the consolidated financial statements is the same as the balance sheet date for 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). Inter-company profits arising from deliveries and services within the Group are adjusted through profit or loss to reflect deferred tax. There were no minority interests in equity and the earnings of subsidiaries that are controlled by the parent company.

Business combinations in accordance with IFRS 3

Identifiable and recognisable assets, liabilities and contingent liabilities of an acquired business are always reported at their fair value at the transaction date. Any remaining differences between the acquisition costs and the acquired net assets are recognized as goodwill.

No new business combinations in the meaning of IFRS 3 have arisen following the acquisition of the Tirendo Group in 2013. The provisional purchase price allocation that was applied in 2013 was finalized in 2014 without modifications.

Tirendo complements Delticom's existing shop portfolio with another strong brand. The acqusition will allow Delticom to target additional consumer groups. As part of the Delticom Group, Tirendo has access to the extensive industry and logistical network of the Delticom Group in Hanover. As a result, European car drivers will benefit even more from the advantages and simplicity of a purchase in the Group's online shops. Over the coming years the Management we will make use of the complementary strengths of Delticom and Tirendo throughout the entire value chain to achieve a good balance between growth and profitability.

The following fair values of the identifiable assets and liabilities were recognized:

in € thousand	Fair Vaues at acquisition date
Non-current assets	20,769
there of deferred taxes	3,050
Accounts receivable	1,400
Other current assets	556
Cash and cash equivalents	1,257
Assets total	**23,982**
Deferred tax liabilities	5,299
Other current provisions	135
Accounts payable	3,062
Other current liabilities	7,225
there of shareholder loans	6,629
Liabilities total	**15,721**
Net assets	8,262
Goodwill	35,338
Total purchase price	**43,600**

The intangible assets identified as part of the purchase price allocation with a total value of € 17.5 million and their expected useful lives are listed in the following table:

in € thousand	Fair Value	Useful life years
Customer Relationships	615	5
Trademarks	8,223	5
Rights of sale	6,539	2
Software	2,167	5

Following the full integration of the Tirendo Group, the Delticom Group forms the value-determining cash-generating unit. This goodwill cannot be amortized for tax purposes.

Segment reporting

In contrast to the Annual Report 2013, no differentiation has been made between the reporting of the previous E-Commerce and Wholesale segments in the period under review.

Delticom is a one-segment company: The company focuses on selling tyres online. In the E-Commerce division, tyres are sold to dealers, workshops and end users via 163 shops (previous year: 137) in 42 countries. There are no other divisions that could constitute segments with a separate reporting requirement.

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 recognised in income.

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

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

Country	Mid rate on 31.12.2014 € 1 =	Weighted yearly average rate € 1 =
UK	0.7818 GBP	0.8062 GBP
USA	1.2166 USD	1.3290 USD
Romania	4.4845 RON	4.4397 RON

Estimates and assumptions

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

Accounting and valuation principles

Accounting treatment of acquisitions

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

Goodwill

A discount rate of 7.24 % and a growth rate discount of 1 % are applied to measure acquire 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 cash flows.

Within the Delticom Group, the cash-generating unit is the whole Delticom Group, so that, based on the business model, legal units are aggregated into one group. The management assumes that the assumptions utilized to calculate the recoverable amount are appropriate. Changes to these assumptions could result in impairment charge that would negatively affect net assets, the financial position and results of operations.

The planning for the Delticom core business as prepared by the management forms the basis to measure fair value less costs of disposal. This planning is based on the assumption that e-commerce in tyre trading will gain further importance over the coming years. The possibility of a further increase in competition was also taken into consideration for the expectations in relation to revenues and earnings growth.

The planning is also based on the assumptions that Delticom will continue to defend its position as Europe's leading online tyre retailer, and that the cost structure will remain streamlined as a result of further automation and outsourcing. The planning spans a 5-year period. Please refer to the forecast report, which forms part of the management report, for information about the assumptions reflected in the detailed planning period. Plausible assumptions about future trends have been made for the subsequent years. All planning assumptions are adapted to reflect current status of knowledge. A realistically possible change to the parameters results in no need for the application of an impairment loss.

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 cost. They are also amortized straight-line over their useful lives. Borrowing costs are not capitalized, but are instead expensed in the period in which they are incurred. Costs that are associated with the maintenance of software are recognised as expenses when these are incurred. The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life in years
Internet domains	20
Software	3–5

To these are added the aforementioned useful lives for assets identified as part of the purchase price allocation.

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 recognised in income in the income statement in the fiscal year in which they are incurred.

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

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

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

	Useful life years
Leasehold improvements	12–33
Machinery	4–15
Equipment	3–15
Office fittings	3–15

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

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

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognised over the term of the lease using the annuity method. Delticom did not enter into any such leases in 2014.

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

The **financial instruments** carried on the balance sheet (financial assets and financial liabilities) within the meaning of IAS 32 and IAS 39 comprise specific financial investments, trade accounts receivable, cash and cash equivalents, trade accounts payable and certain other assets and liabilities resulting from contractual agreements.

Financial assets are broken down into the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets recognised. The classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets upon initial recognition.

A financial asset is allocated to the category *financial assets at fair value through profit or loss* if it was, in principle, acquired with the intention to sell it over the short term, or if the financial asset was designated accordingly by the management. Derivatives also fall in this category, to the extent that these are not hedges. The category has two sub-categories: financial assets that have been *held for trading* from the outset, and financial assets that have been classified *at fair value through profit or loss* from the outset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group directly provides money, goods or services to a debtor without the intention of negotiating these receivables.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group's management has the intention and ability to hold these to maturity.

Available-for-sale financial assets are non-derivative financial assets that are classified as being available for sale and are not allocated to another category.

These financial instruments are carried under non-current assets to the extent that management does not intend to sell these within 12 months of the balance sheet date.

As a rule, sales and purchases of financial assets are accounted for on the date of the transaction – this is the date on which the company becomes a contracting party.

When these financial assets or liabilities are accounted for the first time, they are carried at cost which corresponds to the fair value of consideration taking into account transaction costs.

Financial assets that do not belong to the category *at fair value through profit or loss* are initially carried at their fair value plus transaction costs. They are booked out when the rights to payments from the investment have expired or been transferred, and the Group has mostly transferred all of the opportunities and risks that are associated with ownership.

Financial assets in the categories *available-for-sale* and *fair value through profit or loss* are measured at their fair value after initial recognition. *Loans and receivables* and *held-to-maturity* financial investments are carried at amortised cost using the effective interest method.

Realised and non-realised gains and losses from changes to the fair value of assets in the category *fair value through profit or loss* are recognised in income in the period in which they arise. Non-realised gains or losses from changes to the fair value of non-monetary securities in the *available-for-sale* category are taken to equity, to the extent that there is no impairment. If assets in this category are sold, the accumulated adjustments to the fair value included in equity are to be recorded in income in the income statement as gains or losses from financial assets.

An impairment test is performed on each balance sheet date to review whether there are objective reasons for impairment of a financial asset or a group of financial assets. For equity instruments classified as *available-for-sale*, a significant or lasting reduction in the fair value below acquisition costs of these equity instruments is treated as an indicator that the equity instruments are impaired.

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

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

Trade accounts receivable and **other receivables** are initially carried at their fair value and then at amortised cost using the effective interest rate method and less impairment. Impairment is recognised 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 recognised as expense. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

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

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

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

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realised or the deferred tax liability is expected to be paid. Deferred taxes for German companies are measured at a tax rate of 31.12 % (previous year: 31.67 %).

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

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

The German companies are subject to trade tax of 15.3 % (previous year: 15.9 %) of trade income. In the reporting period, the corporation tax rate was 15.0 % (previous year: 15.0 %) plus the solidarity surcharge of 5.5 % (previous year: 5.5 %) on corporation tax.

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

Income tax provisions are netted with corresponding refund claims if these are in the same tax jurisdiction and are of the same type and term.

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 on each balance sheet date and adjusted to the current best estimate. If there is a material interest effect from the date of fulfilment of the obligation, the provision is carried at its cash value. To the extent that no reliable estimate is possible in individual cases, no provision is formed – instead a contingent liability is carried.

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.

Income is recognised if it is probable that the economic benefits associated with the corresponding transaction will accrue to the enterprise and the amount of the revenues can be reliably measured. As a rule, income from services is recognised on a pro rate basis over the period in which the service is performed. Revenues are carried less any price reductions and bulk rebates. For sales of trading goods, revenues are realised when the customer takes economic ownership, the latter does have to coincide with transfer of legal ownerhips. Deliveries of trading goods where a return is likely (judged on the basis of past experience) are not recognised in income.

Expenses are recognised 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 capitalised as a cost component.

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

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

A net investment hedge uses derivative or non-derivative financial instruments to hedge exchange rate-related fluctuations in the net assets of foreign business operations by recognizing the effective portion of the exchange rate-related fluctuations of the hedging instruments within equity in the **net**

investment hedge reserve and thus compensating the exchange rate-related fluctuations in the net assets of the foreign business operations.

In the case of the sale of part or all of the foreign operation, the amount previously shown in the net investment hedge reserve is recognized in profit or loss.

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 Group must adjust the amount of its dividend payments, make capital repayments to shareholders, issue new shares or sell assets to reduce liabilities.

Notes to the income statement

(1) Revenues

Other income is carried under other operating income.

For the period from 01.01.2014 to 31.12.2014:

in € thousand	EU Countries	USA and others	Total
Revenue	**382,822**	**118,878**	**501,701**

For the period from 01.01.2013 to 31.12.2013:

in € thousand	EU Countries	USA and others	Total
Reveune	**383,592**	**121,950**	**505,542**

(2) Other operating income

in € thousand	2014	2013
Income from exchange rate differences	2,599	2,752
Insurance compensation	31	3
Book gains from the disposal of assets	13	237
Other	9,428	2,413
Total	**12,072**	**5,404**

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

(3) Cost of sales

The cost of sales amounted to € 378.9 million (previous year: € 380.3 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2014	2013
Wages and salaries	13,789	9,827
Social security contributions	1,769	1,421
Expenses for pensions and other benefits	42	44
Total	**15,599**	**11,292**

Statutory pension insurance in Germany is a defined contribution plan. As a result of statutory requirements, Delticom makes contribution payments to the statutory pension insurance scheme. Delticom does not have any additional obligations other than payment of contributions. The contributions, € 880 thousand (previous year: € 633 thousand) are recognised under personnel expenses when due.

In 2014, Delticom had an average of 247 employees (previous year: 179 employees). The increase arises from taking into account the staff of the Tirendo Group for a full year for the first time.

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

in € thousand	2014	2013
Intangible assets	5,872	1,827
Property, plant and equipment	2,383	2,513
Total	**8,255**	**4,340**

No extraordinary amortisation or depreciation was required from applying impairment tests (IAS 36). The increase in amortization arises from the first-time, full-year amortization of the effects arising from the purchase price allocation as part of the acquisition of the Tirendo Group.

(6) Other operating expenses

in € thousand	2014	2013
Transportation costs	44,622	43,568
Warehousing costs	4,656	4,119
Credit card fees	4,257	4,105
Bad debt losses and one-off loan provisions	2,134	2,102
Marketing costs	24,203	21,061
Operations centre costs	6,051	5,204
Rents and overheads	7,137	6,803
Financial and legal costs	3,715	3,749
IT and telecommunications	1,637	1,442
Expenses from exchange rate differences	2,387	2,914
Other	3,233	2,098
Total	**104,031**	**97,165**

The rental payments carried stem from a rental agreement for office premises and parking spaces in Hanover, Berlin and Munich and warehouses locations. The rental agreements meet the definition of an operating lease. Future lease payments are discussed under "Other information".

(7) Financial result

in € thousand	2014	2013
Financial expenses	801	178
Financial income	34	49
Total	**–766**	**–129**

The financial result only contains interest for those financial instruments that were not measured at their fair value on the balance sheet. Due to the drawing down of borrowings during 2013, the related interest expenses came fully to bear in 2014.

(8) Income taxes

The income taxes recognised in income result from:

	2014			2013		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	2,802	116	2,918	8,714	113	8,827
Deferred income taxes	460	33	493	–2,536	–131	–2,667
Total	**3,262**	**149**	**3,411**	**6,178**	**–18**	**6,160**
thereof out-of-period	–14	1	–13	0	2	2

In the year under review, income taxes of € –6 thousand (previous year: € 14 thousand) were carried directly under equity.

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

in € thousand	2014 Deferred tax assets	2014 Deferred tax liabilities	2013 Deferred tax assets	2013 Deferred tax liabilities
Loss carryforwards	493	0	1,496	0
Intangible assets	26	480	243	1,051
Property, plant and equipment	12	64	14	107
Inventories	0	144	0	601
Receivables	0	12	0	12
Other assets	0	15	0	20
Long term Provisions	0	0	2	0
Short Term Provisions	99	0	115	0
Liabilities	9	323	9	4
Other equity and liabilities	277	106	132	14
Total	**916**	**1,144**	**2,011**	**1,810**
Balancing	–211	–211	–143	–143
Value on the balance sheet	**705**	**933**	**1,867**	**1,667**

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

in € thousand	2014	2013
Profit before income taxes	6,268	17,715
Delticom AG income tax rate	31.12%	31.67%
Expected tax expense	**1,951**	**5,610**
Differences from anticipated income tax expense		
Adjustment to different tax rate	70	69
Non-deductible operating expenses	351	474
Non-period ongoing taxation	–18	2
Effect from tax loss carry forwards	1,049	0
Other tax effects	8	5
Total adjustments	**1,460**	**550**
Actual tax expense	**3,411**	**6,160**

The adjustment to the divergent tax rate reflects the lower corporation income tax rates at German and foreign subsidiaries. A profit and loss transfer agreement (PLTA) was signed between Delticom AG and Tirendo Holding GmbH in the reporting period. Under this agreement, the tax loss carryforwards of Tirendo Holding GmbH as of 31.12.2013, cannot be offset against profit during the term of the PLTA. Deferred tax assets as of 31.12.2013, formed on the basis of these tax loss carryforwards, have been eliminated through profit and loss in the income statement in the reporting period.

No deferred tax assets were formed for of € 9.0 million of corporation and trade tax loss carryforwards as their status is legally uncertain, and is still being clarified. Due to the considerable legal doubts prevailing on the balance sheet date, the deferred tax assets attributable to these loss carryforwards remained unrecognized.

(9) Earnings per share

Basic earnings per share totalled € 0.24 (previous year: € 0.97). The diluted earnings per share totalled € 0.24 (previous year: € 0.97).

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 2,857,280.93 (previous year: € 11,554,642.36) by the 11,917,119 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,855,440 shares).

Until 30.04.2014, there were 15,810 potential shares (financial instruments and other agreements which entitle their holders to subscribe to ordinary shares) from the tranche dated 22.11.2007, 37,500 potential shares from the tranche dated 08.05.2008, 17,500 potential shares from the tranche dated 25.11.2008 and 15,000 potential shares from the tranche dated 30.03.2009.

The exercise prices for the tranches 22.11.2007, 08.05.2008, 25.11.2008 and 30.03.2009 were below the average share prices since the options were issued on 22.11.2007, 08.05.2008, 25.11.2008 and 30.03.2009. As a result all tranches are included in the diluted earnings per share for the previous year.

In the period under review a dilution effect did not have to be taken into account. Accordingly, the diluted earnings corresponds to the result value of the undiluted earnings. The calculation of the diluted earnings per share for previous year was based (in accordance with IAS 33) on net income after taxes totalling € 11,554,642.36 and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,945,250 shares.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relation-ships	Trademarks	Selbsterstellte Software
Acquisition costs				
as of 1 January 2014	35,338	615	8,223	0
Additions from business combinations	0	0	0	0
Additions	0	0	0	356
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2014	35,338	615	8,233	356
Accumulated depreciation				
as of 1 January 2014	0	36	480	0
Additions	0	123	1,646	10
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2014	0	159	2,126	10
Residual carrying amounts as of 31 December 2014	**35,338**	**456**	**6,108**	**346**

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2014	6,539	1,261	3,653	55,630
Additions from business combinations	0	0	0	0
Additions	0	12	615	993
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2014	6,539	1,271	3,975	56,625
Accumulated depreciation				
as of 1 January 2014	935	475	878	2,804
Additions	3,207	63	824	5,872
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2014	4,142	538	1,702	8,676
Residual carrying amounts as of 31 December 2014	**2,397**	**733**	**2,274**	**47,949**

in € thousand	Goodwill	Customer Relationships	Trademarks	Internally generated software
Acquisition costs				
as of 1 January 2013	0	0	0	0
Additions from business combinations	35,338	615	8,223	0
Additions	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2013	35,338	615	8,223	0
Accumulated depreciation				
as of 1 January 2013	0	0	0	0
Additions	0	36	480	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2013	0	36	480	0
Residual carrying amounts as of 31 December 2013	**35,338**	**579**	**7,744**	**0**

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2013	0	1,260	777	2,037
Additions from business combinations	6,539	0	2,167	52,884
Additions	0	6	713	719
Disposals	0	–5	–4	–9
Reclassifications	0	0	0	0
as of 31 December 2013	6,539	1,261	3,654	55,631
Accumulated depreciation				
as of 1 January 2013	0	414	569	984
Additions	935	63	313	1,827
Disposals	0	–2	–4	–6
Reclassifications	0	0	0	0
as of 31 December 2013	935	475	878	2,805
Residual carrying amounts as of 31 December 2013	**5,604**	**786**	**2,775**	**52,826**

(11) Property, plant and equipment

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2014	1,180	5,814	12,813	0	19,806
Additions from business combinations	0	0	0	0	0
Additions	4	4	671	5	684
Disposals	0	0	–102	0	–102
Reclassifications	0	0	5	–5	0
as of 31 December 2014	1,183	5,818	13,386	0	20,388
Accumulated depreciation					
as of 1 January 2014	146	1,490	7,462	0	9,098
Additions	24	451	1,908	0	2,383
Disposals	0	0	–58	0	–58
Reclassifications	0	0	0	0	0
Foreign currency translation	2	–3	–14	0	–14
as of 31 December 2014	172	1,939	9,298	0	11,408
Amortised cost as of 31 December 2014	**1,011**	**3,880**	**4,089**	**0**	**8,979**

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2013	1,180	5,772	12,811	0	19,763
Additions from business combinations	0	0	105	0	105
Additions	0	42	519	0	561
Disposals	0	0	–623	0	–623
Foreign currency translation	1	0	10	0	11
Reclassifications	0	0	0	0	0
as of 31 December 2013	1,180	5,814	12,813	0	19,806
Accumulated depreciation					
as of 1 January 2013	115	1,076	5,912	0	7,103
Additions	24	414	2,075	0	2,513
Disposals	0	0	–529	0	–529
Reclassifications	0	0	0	0	0
as of 31 December 2013	146	1,490	7,462	0	9,098
Amortised cost as of 31 December 2013	**1,033**	**4,324**	**5,351**	**0**	**10,708**

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

(12) Deferred taxes

Deferred tax assets amounting to € 531 thousand (previous year: € 1,779 thousand) will be realised after more than 12 months.

(13) Other non-current receivables

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

Current assets

(14) Inventories

in € thousand	2014	2013
Tyres	47,525	63,276
Other accessories	881	1,143
Goods in Transit	7,745	8,422
Total	**56,151**	**72,841**

The goods in transit have partially already been resold on the key date. Stored goods totalling intended for sale via E-Commerce. Inventories are carried taking into account the agreed terms of delivery according to Incoterms 2000 and 2010.

During fiscal year 2014, € 278,832 thousand of inventories were carried as expenses (previous year: € 280,967 thousand). There were no write-downs and no write-ups during the assessment year. All inventories are free of pledges.

(15) Accounts receivable

in € thousand	2014	2013
Accounts receivable	14,489	11,260
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	530

in € thousand			Not written down and overdue since the following periods					
Trade receivables	Carrying amount	Overdue on balance sheet date and not written down	< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Written down
as of 31.12.2014	14,489	7,926	5,941	1,450	528	4	3	2,205
as of 31.12.2013	11,260	5,254	4,458	644	146	3	2	2,227

The write-downs for trade receivables were as follows:

in € thousand	2014	2013
Write-downs – balance on January 1	2,227	1,271
Changes in the consolidated companies	0	333
Additions (expenses for write-downs)	2,074	1,973
Reversals	–85	–43
Use of write-downs	–2,011	–1,307
Write-downs – balance on December 31	2,205	2,227

in € thousand	2014	2013
Expenses for full write-off of receivables	–60	–10
Income from the receipt of written-off receivables	16	17

(16) Other current receivables

in € thousand	2014	2013
Refund claims from taxes	3,290	10,084
Credits with suppliers	611	256
Deferrals	442	400
Other cash an cash equivalents	0	505
Other current receivables	365	1,349
Total	**4,707**	**12,594**

The other current receivables comprise € 48 thousand receivables from derivative financial instruments (previous year: € 63 thousand).

(17) Income tax receibable

The income tax receivables are mainly reated to the income tax payments of the reporting year.

(18) Cash and cash equivalents

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

Cash and cash equivalents are broken down as follows:

in € thousand	2014	2013
Cash	3	2
Bank balances	29,972	11,321
Total	**29,975**	**11,323**

Equity

(19) Subscribed capital

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

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

The Ordinary Annual General Meeting of 03.05.2011 authorized the Management Board to increase the company's share capital, with Supervisory Board assent, until 02.05.2016 through issuing, once or on several occasions, a total of up to 5,919,720 new no-par registered shares against cash or non-cash capital contributions by total of up to € 5,919,720.00 *(Authorized Capital 2011)*. *Authorized Capital 2011* was entered in the commercial register on 10.06.2011. With the Supervisory Board's assent, the Management Board is authorized to exclude subscription rights for capital increases against non-cash capital contributions, and, in some instances, in the case of cash capital increases.

The General Meeting of 30.08.2006 authorised the Management Board or the Supervisory Board in lieu of the Management Board to the extent that options are granted to members of the Management Board, to grant options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company's Management Board and its employees, on one or several occasions up to 29.08.2011. By way of a resolution by the General Meeting on 30.08.2006, the company's share capital was conditionally increased by € 100,000 by issuing a total of up to 100,000 new no-par value registered shares *(Contingent Capital I/2006)*.

Contingent Capital I/2006 served exclusively to grant shares to the holders of options issued by the company on the basis of the authorisation granted by the General Meeting on 30.08.2006 for the granting of options. The *Contingent Capital I/2006* was entered in the commercial register on 01.09.2006.

As a result of the capital increase from retained earnings by means of the issuance of new shares, decided upon by the Annual General Meeting on 19.05.2009, the *Contingent Capital I/2006* increased proportionally to the share capital to € 300,000. The capital increase and the amendment of the articles of incorporation relating to the *Contingent Capital I/2006* were entered in the commercial register of the Hanover court on 10.06.2009. As a result of a resolution passed by the AGM of Delticom AG on 29.04.2014, Contingent Capital I/2006 was canceled to the extent that it exceeded an amount of € 85,810.00. Contingent Capital I/2006 is now fully utilized due to the exercise of 105,810 option rights (already presented in Number 1) that entitled former Management Board member Frank Schuhardt to subscribe for 105,810 of the company's new no-par ordinary registered shares.

The Annual General Meeting of 03.05.2011 authorized the Management Board, with Supervisory Board assent (respectively the Supervisory Board instead of the Management Board to the extent that option rights are granted to Management Board members), to grant until 02.05.2016, once or on several occasions, option rights to subscribe for a total of up to 300,000 of the company's new no-par registered shares to members of the company's Management Board and to employees of the company. The company's share capital is conditionally increased by up to € 300,000.00 through issuing up to 300,000 new no-par registered shares (Contingent Capital I/2011).

Contingent Capital I/2011 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. *Contingent Capital I/2011* was entered in the commercial register on 10.06.2011. The aforementioned authorization and Contingent Capital I/2011 was canceled as a result of a resolution passed by the AGM on 29.04.2014.

The Annual General Meeting on 03.05.2011 authorized the Management Board, with the approval of the Supervisory Board to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 02.05.2016 with a total nominal amount of up to € 200,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 5,300,000 no-par value registered shares of the company with a proportionate interest in the share capital totalling € 5,300,000.00 according to the details of the terms and conditions for the convertible bonds or bonds with warrants.

This authorisation may be exercised in whole or in part. In some instances, the Management Board is authorised, with the Supervisory Board's assent, to exclude shareholder subscription rights when issuing convertible or warrant bonds. By way of a resolution by the Annual General Meeting on 03.05.2011, the company's share capital was conditionally increased by up to € 5,300,000.00 by issuing up to 5,300,000 new no-par value registered shares *(Contingent Capital II/2011)*.

Contingent Capital II/2011 serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG or by companies in which Delticom owns a direct or indirect majority interest. *Contingent Capital II/2011* was entered in the commercial register on 10.06.2011.

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

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

With an Annual General Meeting resolution of 11.05.2010, the company was authorised to acquire its own shares up to 10 % of the share capital existing when the resolution was passed. This authorisation is valid until 10.05.2015. The authorisation may be exercised in full or in part, on one or several occasions, for one or for several purposes by the company or by third parties for the company's account. The shares are acquired, at the Management Board's discretion, via the stock exchange or via a public purchase offer or via a public request to issue this type of offer.

The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10 % above or below the price identified in the XETRA trading system (or a comparable successor system) on the stock market day in the opening auction. If shares are acquire via a public purchase offer or a public request to issue a purchase offer, the offered purchase price or the thresholds for the offered purchase price range per share (without incidental acquisition costs) may not be more than 10 % higher or lower than the respective value of a share of the company.

In the case of a public purchase offer, the relevant price is the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the stock market trading day before the date when the offer is announced, and in the case of a public solicitation to issue a purchase offer, the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the last stock market day before the date on which the company accepts the offers.

If there are significant differences between the relevant prices after the purchase offer is published, the offer can be adjusted. The Management Board is authorised to utilise the acquired treasury shares for all statutorily permissible purposes. In particular, it may withdraw and cancel the shares, sell them in return for non-cash payments, dispose of them by means other than the stock market or through an offer to shareholders, or offer them to employees of the company or its Group companies for purchase, or offer them to holders of subscription rights to satisfy the company's obligation arising from the stock option plan that was set up pursuant to the Annual General Meeting resolution of 30.08.2006. Shareholders' subscription rights can be excluded under certain conditions.

(20) Share premium

The share premium contains the amounts generated in excess of the nominal value when issuing no-par value bearer shares and the expenses resulting from the stock options plan.

The share premium account was increased by € 1,129,236.10 shares on 30.04.2014, when Ex-Management Board member Frank Schuhardt exercised 85,810 option rights that entitled him to subscribe for 85,810 of the company's new no-par value registered shares.

In the context of a **stock option program** Delticom AG has granted a former member of the Management Board equity-settled options. This commitment is based on the option conditions dated 09.08.2007. As a rule, the options can be exercised in a six-week period in each case after the announcement of the final quarterly results or the final results of the previous fiscal year. Exercising an option is conditional upon the unweighted average of the closing price of the company's shares on the five stock market days prior to the first day of the respective exercise period in which the option was exercised being at least 120 % of the exercise price.

	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	30.03.2009	25.11.2008	08.05.2008	22.11.2007
Term	10 years	10 years	10 years	10 years
Blackout period	2 years	2 years	2 years	2 years
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Number of options issued	15,000	37,500	37,500	15,810
Number of exercised options issued	15,000	37,500	37,500	15,810
Number of expired options issued	0	0	0	0
Outstanding on 31.12.2014	0	0	0	0
Excersisable on 31.12.2014	0	0	0	0

The options' fair values were calculated using a binomial model. In so doing, possible developments in Delticom AG's share price were modelled using a binomial decision tree. The expected volatility was calculated on the basis of historic stock prices of Delticom AG shares. The expected maturity relates to the remaining time to the expiration of the contract of the former Board member. The risk-free interest rate was calculated on the basis of a (hypothetical) default-free zero coupon bond without for the appropriate times to maturity.

	4th tranche	3rd tranche	2nd tranche	1st tranche
Fair value per option on the date granted	€ 3.18	€ 3.27	€ 3.75	€ 6.47
Total fair value of the options totaled on the date granted	€ 47,700.00	€ 122,500.00	€ 140,750.00	€ 102,291.00
Expenses from the stock option program to be taken into account in fiscal year 2014	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Expected time to maturity of issued stock options	3.36 years	3.70 years	4.25 years	4.71 years
Expected annual dividend yield	5.00%	5.00%	5.00%	3.00%
Risk-free interest rate	1.80%	2.57%	4.31%	3.90%
Stock price at issue date	€ 13.63	€ 12.83	€ 13.41	€ 19.65
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Expected volatility	42.00%	44.00%	45.00%	45.00%

(21) Gains and losses recognised directly in equity

The accounting currency translation differences for the subsidiaries Delticom Tyres Ltd., Delticom OE S.R.L., Tyrepac Pte. Ltd. Singapur, Delticom North America Inc. and Wholesale Tire and Automotive Inc. were transferred to the adjustment item for currency translation. This item also includes the change in the net investment hedge reserve.

(22) Retained earnings

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

(23) Net retained profits

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

Liabilities

(24) Finanical liabilities

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

(25) Provisions

Provisions had the following breakdown:

in € thousand	01.01.2014	Taken up	Reversal	Additions	31.12.2014
Provisions for taxes	182	121	0	784	845
Other non-current provisions	252	2	0	101	351
Other provisions	1,846	973	271	920	1,521
Total	**2,281**	**1,096**	**271**	**1,805**	**2,718**

Among other items, other provisions include costs for anticipated cancellations of E-Commerce customer orders which will be returned within the right-of-return period, waste disposal fees that have yet to be paid, and litigation expenses. Other current receivables and provisions for taxes are due within less than one year. Non-current provisions are due in more than one year.

Non-current provisions are used to carry the costs of fulfilling the statutory archive requirements for business documents. The discount rate is 5.5 % (previous year: 5.5 %). Further to this the longterm portions of the performance-based pay for the managing board are stated there.

Provisions for taxes mostly relate to income taxes for the year under review and are not discounted.

(26) Deferred tax liabilities

Deferred tax liabilities are realized after more than 12 months in the amount of € 480 thousand (previous year: € 1,051 thousand)

(27) Trade accounts payable

in € thousand	2014	2013
Accounts payable	75,920	74,703
thereof liabilities with associated companies and related parties (category: persons in key positions)	24	9
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.

(28) Additional notes concerning financial instruments

Book values, carrying amounts and fair values by measurement category:

in € thousand	Valuation categories acc. to IAS 39	Book Value 31.12.13	Balance sheet valuation according to IAS 39			Fair Value 31.12.13
			amortized cost	Fair value not affecting income	Fair value – affecting income	
Assets						
Cash and cash equivalents	LaR	11,323	11,323			11,323
Accounts receivable	LaR	11,260	11,260			11,260
Other receivables	LaR	1,465	1,465			1,465
Other original financial assets						
Available for Sale Financial Assets	AfS	833		833		833
Derivative financial assets						
Derivates not used for hedging (Held for Trading)	FAHfT	63			63	63
Liabilities						
Accounts payable	FLAC	74,703	74,703			74,703
Other current liabilities	FLAC	1,913	1,913			1,913
Other original financial liabilities	FLAC	32,697	32,697			32,697
Derivative financial liabilities						
Derivates not used for hedging (Held for Trading)	FLHfT	3			3	3
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		24,048	24,048			24,048
Available for Sale Financial Assets (AfS)		833		833		833
Financial Assets Held for Trading (FAHfT)		63			63	63
Financial liabilities measured at amortised cost (FLAC)		109,313	109,313			109,313
Financial Liabilities Held for Trading (FLHfT)		3			3	3

in € thousand		Book Value 31.12.14				Fair Value 31.12.14
Assets						
Cash and cash equivalents	LaR	29,975	29,975			29,975
Accounts receivable	LaR	14,489	14,489			14,489
Other receivables	LaR	1,241	1,241			1,241
Other original financial assets						
Available for Sale Financial Assets	AfS	25		25		25
Derivative financial assets						
Derivates not used for hedging (Held for Trading)	FAHfT	48			48	48
Liabilities						
Accounts payable	FLAC	75,920	75,920			75,920
Other current liabilities	FLAC	2,598	2,598			2,598
Other original financial liabilities	FLAC	19,811	19,811			19,811
Derivative financial liabilities						
Derivates not used for hedging (Held for Trading)	FLHfT	11			11	11
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		45,705	45,705			45,705
Available for Sale Financial Assets (AfS)		25		25		25
Financial Assets Held for Trading (FAHfT)		48			48	48
Financial liabilities measured at amortised cost (FLAC)		98,330	98,330			98,330
Financial Liabilities Held for Trading (FLHfT)		11			11	11

Net profits and losses from financial instruments are as follows:

in € thousand	2014	2013
Loans and receivables (LaR)	–1,425	–3,036
Financial Assets and Liabilities Held for Trading (FAHfT + FLHfT)	201	250
Financial liabilities measured at amortised cost (FLAC)	–1,216	427
thereof interests	–615	–34
Sum	–2,441	–2,359

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

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

The financial instruments in category *available for sale* total € 25 thousand, in category *assets held for trading* total € 48 thousand and those designated to the category *liabilities held for trading* total € 11 thousand. We have classified this three times in the fair value hierarchy level 2.

Level 2 requires that the stock market or market price exists for a similar financial instrument, or that the calculation parameters are based on data from observable, regulated markets. Fair value is calculated by discounting the future cash flows applying the congruent market interest rate. Financial instruments to which measurement methods are applied for which the significant inputs do not result from data derived from observable markets (Level 3 of the fair value hierarchy) exist only in the case of non-current financial liabilities. As the Group's financial position and the interest terms on which it can borrow have not changed significantly, the carrying amount of financial liabilities approximates their fair value.

Net profits and losses from *loans and receivables* comprise changes in the write-downs, effects on net income due to disposals, reversals of impairment losses recognised in profit or loss of the loands and receivables, as well as effects from currency translation.

Net profits and losses from financial assets and liabilities *held-for-trading* contain changes in market value of those derivative financial instruments where we do not employ hedge accounting, as well as profits and losses at maturity in the course of the year.

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

(29) Other current liabilities

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

This balance sheet item also contains € 11 thousand of liabilities arising from derivative financial instruments (previous year: € 3 thousand).

All current liabilities are due within one year.

in € thousand	2014	2013
Sales tax (VAT)	4,831	6,334
Payments received on account of orders	5,255	3,666
Customer credits	2,603	1,744
Social security contributions	9	0
Income and church tax	269	418
Other current liabilities	1,387	1,831
Total	**14,354**	**13,994**

Other notes

Contingent liabilities and other financial commitments

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

The key financial liabilities comprise:

in € thousand	2014	2013
Order commitments for goods	8,006	13,712
Other financial commitments	49,111	55,412
Total	**57,116**	**69,124**

Delticom rents office premises and parking spaces in Hanover, Berlin and Munich, as well as warehouses for trading goods in 3 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreement for the office premises in Hanover runs until 31.12.2017, in Berlin until 31.03.2015 and in Munich until 14.11.2015. The agreements for the warehouses run until 31.12.2015, 31.03.2019 and 31.07.2023.

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

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

in € thousand	2014	2013
up to one year	6,408	6,096
2 years to 5 years	22,635	21,622
more than 5 years	10,864	13,407
Total	**39,907**	**41,125**

Accounting for derivative financial instruments

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

The remaining maturities of the forward exchange transactions were all less than 4 months on the balance sheet date (previous year: 4 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 theses risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a corresponding sale transaction in EUR. If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign exchange from operations in the E-Commerce division are not hedged.

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 31.12.2014)	Result +10% in thousand €	Result -10% in thousand €
CHF	1.2024	–412	462
CZK	27.7434	–17	19
DKK	7.4457	–28	34
GBP	0.7818	–351	359
HKD	9.4373	–47	43
HRK	7.6610	–13	16
HUF	314.9587	–57	54
LTL	3.4528	–10	13
NOK	9.0144	–29	29
PLN	4.2902	–103	97
RON	4.4845	–70	84
SEK	9.4275	–112	112
SGD	1.6074	–81	100
USD	1.2166	–10	37
Sonstige	n/a	–16	19

Interest rate risk

For cash and cash equivalents there exists a cash flow risk from the interest earned on the holdings. Due to the low level of interest rates the sensitivities were calculated by a parallel movement of the yield curve by 10 basis points. For the scenario of an increase of the interest rates by 10 basis points the holdings would earn € –2 thousand, for a downward move of 10 basis points they would lose € –2 thousand. In relation to the amount of cash and cash equivalent held, the interest-rate sensitivity is low. The reason for that is that most of the cash is carried in accounts which do not bear interest. In addition to the account balances the investment loan is factored into the sensitivity analysis.

Liquidity risk

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

Credit risk

Delticom supplies tyres and rims to retail companies with varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the Group's earnings position and liquidity situation. Delticom has therefore negotiated credit insurances and uses commission business for certain customers. These instruments restrict the financial impact on the company and eliminate any dangers to its going concern. The total credit-insured gross receivables amounted to € 1,639 thousand (previous year: € 1,485 thousand). The deductibles for credit-insured receivables lie between 10 % and 15 %.

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 *Group of consolidated companies*. Transactions between the company and its full cosolidation 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 2,986,861, 25.00 % interest)
- Prüfer GmbH (number of shares 2,990,227, 25.03 % interest)

The interest in Delticom AG in terms of Section 22 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 22 II S. 1 WpHG.

Sale of goods

in € thousand	2014	2013
to associated companies and related parties (category: persons in key positions)	3	2
to associated companies and related parties (category: not consolidated subsidiary companies)	0	1,543

Purchase of goods and services

in € thousand	2014	2013
from associated companies and related parties (category: persons in key positions)	321	278

The item relating to the purchasing of goods and services from key management individuals includes € 103 thousand for consultancy services rendered by a company. This company is wholly-owned by Rainer Binder. All transactions with related parties are agreed contractually, and conducted on terms as would also be usual with third parties.

Executive bodies

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

2014 the **Management Board** had the following members:

- Susann Dörsel-Müller, Peine: Fitting partner, Truck, Speciality
- Philip von Grolman, Hemmingen: Purchasing, Operations, North America
- Sascha Jürgensen, Hanover: DeltiParts, Business Development
- Andreas Püfer, Hanover (since 01.01.2014), Finance and Accounting, Corporate Communications, IT, Risk Management, Distribution
- Thierry Delesalle, Wunstorf, (from 01.01.2015); B2C Car Tyres and Complete Wheels Western Europe and Marketing.

The Management Board's remuneration comprises a non-performance related component, a performance-related component, and a component which acts as a long-term incentive.

Susann Dörsel-Müller
Fitting Partner / Truck / Specialty

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	102	106	102	106	106	106
Additional compensation	0	0	0	0	0	0
Total	102	106	102	106	106	106
One-year compensation	0	0	0	0	0	0
Multi-year compensation	0	8	11	7	0	500
Components with long-term incentive effect	0	8	11	7	0	500
Total	102	114	112	113	106	606
Pension expense	0	0	0	0	0	0
Total compensation	102	114	112	113	106	606

Philip von Grolman
Purchase / Operations/ North America

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	220	270	220	270	270	270
Additional compensation	0	0	0	0	0	0
Total	220	270	220	270	270	270
One-year compensation	0	0	0	0	0	0
Multi-year compensation	0	57	77	48	0	500
Components with long-term incentive effect	0	57	77	48	0	500
Total	220	327	297	318	270	770
Pension expense	0	0	0	0	0	0
Total compensation	220	327	297	318	270	770

Sascha Jürgensen
DeltiParts / Business Development

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	130	175	130	175	175	175
Additional compensation	0	4	0	0	8	8
Total	130	179	130	175	183	183
One-year compensation	0	35	0	0	0	0
Multi-year compensation	0	10	14	9	9	500
Components with long-term incentive effect	0	10	14	9	9	500
Total	130	224	144	184	192	683
Pension expense	0	2	0	0	2	2
Total compensation	130	227	144	184	195	686

Andreas Pruefer (Entry 01.01.2014)
Finance / Communication / IT / Risk / Distribution

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	0	475	0	475	475	475
Additional compensation	0	0	0	0	0	0
Total	0	475	0	475	475	475
One-year compensation	0	0	0	0	0	0
Multi-year compensation	0	0	0	97	0	750

Components with long-term incentive effect	0	0	0	97	0	750
Total	0	475	0	572	475	1.225
Pension expense	0	0	0	0	0	0
Total compensation	0	475	0	572	475	1.225

Rainer Binder (Exit 31.12.2013)
CEO

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	475	238	475	238	238	238
Additional compensation	0	0	0	0	0	0
Total	475	238	475	238	238	238
One-year compensation	0	0	0	0	0	0
Multi-year compensation	0	114	155	0	0	0
Components with long-term incentive effect	0	114	155	0	0	0
Summe	475	352	630	238	238	238
Pension expense	0	0	0	0	0	0
Total compensation	475	352	630	238	238	238

Frank Schuhardt (Exit 31.12.2013)
Finance / IT

	Inflows		Donations			
in Tausend €	2013	2014	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	300	0	300	0	0	0
Severance payment	0	700	700	0	0	0
Total	300	700	1.000	0	0	0
One-year compensation	50	0	0	0	0	0
Multi-year compensation	0	1.720	0	0	0	0
Components with long-term incentive effect	0	0	0	0	0	0
Stock Options	0	1.720	0	0	0	0
Total	350	2.420	1.000	0	0	0
Pension expense	0	0	0	0	0	0
Total compensation	350	2.420	1.000	0	0	0

During fiscal year 2014, the **Supervisory Board** was composed as follows:

- Rainer Binder, entrepreneur, Hannover: Member of the Supervisory Board and Chairman.
- Alan Revie, entrepreneur, Hamilton / UK: Member of the Supervisory Board
- Michael Thöne-Flöge, entrepreneur, Hannover: Deputy Chairman of the Supervisory Board

In fiscal year 2014, remuneration totalled € 35 thousand (previous year: € 0 thousand) for Rainer Binder, € 10 thousand (previous year: € 10 thousand) for Michael Thöne-Flöge and € 5 thousand (previous year: € 5 thousand) for Alan Revie.

Dividend

The General Meeting on 29.04.2014 resolved to pay a dividend in the amount of € 5,929,720.00 from Delticom AG's 2013 net retained profits (€ 0.50 per share, previous year € 1.90 per share) and to carry forward the remaining amount of € 12,724,470.27 to new account.

Proposal for the appropriation of profits

The Management Board proposes to distribute an amount of € 2,986,312.50 or € 0.25 per share from Delticom AG's net retained profits of € 18,723,852.25, carrying € 15,737,539.75 forward to new account.

Shareholdings

Consolidated subsidiaries:

	Fixed capital interest %	
Name, registered office, country	2014	2013
Delticom Tyres Ltd., Oxford, United Kingdom	100	100
Delticom O.E. S.R.L., Timisoara, Romania	100	100
Toroleo Tyres GmbH, Schönefeld, Germany	100	100
Toroleo Tyres TT GmbH & Co. KG, Schönefeld, Germany	100	100
Delticom North America Inc., Benicia, California, USA	75	100
Wholesale Tire and Automotive Inc., Benicia, California, USA - 100 % subsidiary of Delticom North America Inc.	100	100
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover, Germany	100	100
Tirendo Holding GmbH, Berlin, Germany	100	100
Tyrepac Pte. Ltd., Singapur	50.9	50.9
Hongkong Tyrepac Ltd., Hongkong - 100°% subsidiary of Tyrepac Pte. Ltd.	100	100
Guangzhou Tyrepac Trading Ltd., Guangzhou, China - 100°% subsidiary of Tyrepac Pte. Ltd.	100	100
Deltiparts GmbH in course of information., Hannover, Germany	100	0
Reife tausend1 GmbH in course of information, Germany	100	0
Tirendo Deutschland GmbH, Berlin, Germany – 100 % subsidiary of Tirendo Holding GmbH	100	100

Not consolidated subsidiaries:

Name, registered office, country	Fixed capital interest % 2014	2013	Shareholders equity in Thouse-nd	Currency	Earnings from the last year in Thouse-nd	Currency	Record day from the infor-mation
OOO Delticom Shina, Moskow, (Russia)	100	100	198	RUB	–393	RUB	31.12.2014
Tirendo France SARL, Paris ,France – 100 % subsidiary of Tirendo Holding GmbH	100	100	–25	EUR	–3	EUR	31.12.2014
Tirendo Netherlands B.V., Den Haag , Netherlands – 100 % subsidiary of Tirendo GmbH Holding GmbH	100	100	–91	EUR	–23	EUR	31.12.2014
100°% subsidiary Tirendo AT GmbH, Vienna, Austria – 100 % subsidiary of Tirendo Holding GmbH	100	100	–27	EUR	–22	EUR	31.12.2014
Switzerland GmbH, Zug , Switzerland – 100 % subsidiary of Tirendo Holding GmbH	100	100	–73	CHF	–40	CHF	31.12.2014
Tirendo Poland Sp.z.o.o., Warsaw, Poland – 100 % subsidiary of Tirendo Holding GmbH	100	100	–140	PLN	–28	PLN	31.12.2014

Through being included in the consolidated financial statements, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH and Tirendo Holding GmbH have complied with the provisions of Section 264 (3) of the German Commercial Code (HGB), and utilize the related exemption as far as possible.

Auditor's fees

In fiscal years 2014 and 2013, the following fees were recorded for the auditor Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Hanover:

in € thousand	2014	2013
Audits of the financial statements	110	101
Other confirmation and valuation services	23	27
Tax consultancy services	43	16
Other services	0	2
Total	**176**	**145**

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

The Managing and Supervisory Boards issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 09.03.2015, and made accessible to shareholders on our Web site: 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 addition to these, the liquidity position in general also includes securities.

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, 12 March 2015

(The Management Board)

Auditors' Report

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

We have audited the consolidated financial statements prepared by the Delticom AG, Hanover, comprising the income statement, the statement of recognised income and expenses, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Delticom AG, Hanover, for the business year from January 1, 2014 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 13 March 2015

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer ppa. Thomas Monecke

German Public Auditor German Public Auditor

Financial Calendar

05.05.2015	Annual General Meeting
13.05.2015	3-monthly report 2015
13.08.2015	6-monthly report 2015
12.11.2015	9-monthly report 2015
23.–25.11.2015	German Equity Forum Frankfurt

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Publisher

Delticom AG
Brühlstraße 11
30169 Hanover
Germany

Contact Investor Relations

Melanie Gereke
Brühlstraße 11
30169 Hanover
Phone: +49-511-93634-8903
E-Mail: melanie.gereke@delti.com