



Annual Report 2015

Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 300 online shops and websites in 45 countries, among others [ReifenDirekt](#) in Germany, Switzerland and Austria. The Delticom Group also includes the online shops of [Tirendo](#). 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 42,000 service partners (9,500 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key figures

		01.01.2015– 31.12.2015	01.01.2014– 31.12.2014	- /+ (%, %p)
Revenues	€ million	559.8	501.7	+11.6
Total income	€ million	573.6	513.8	+11.7
Gross margin ¹	%	23.6	24.5	-0.9
Gross profit ²	€ million	132.2	122.8	+7.6
EBIT	€ million	5.6	7.0	-20.5
EBIT margin ³	%	1.0	1.4	-0.4
Net income	€ million	3.4	2.9	+17.2
Earnings per share ⁴	€	0.28	0.24	+15.6
Total assets	€ million	160.0	164.0	-2.5
Inventories	€ million	61.8	56.2	+10.1
Investments ⁵	€ million	2.7	1.7	+56.2
Capital Employed ⁶	€ million	63.4	66.9	-5.4
Return on Capital Employed ⁷	%	8.8	10.5	-1.7
Equity	€ million	51.3	50.3	+1.9
Equity ration	%	32.0	30.7	+1.4
Return of equity	%	6.6	5.7	+0.9
Liquidity position ⁸	€ million	11.5	29.9	-61.8
Operating Cash flow	€ million	-8.7	36.7	
Free Cash flow ⁹	€ million	-11.7	35.0	

(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 - Cash flow from investing activities

Highlights 2015

Revenues increased by 11.6 % to

€ 559.8 million

(2014: € 501.7 million)

Revenues in the E-Commerce division

€ 551.3 million

(2014: € 493.4 million)

Consolidated net income

€ 3.4 million

€ 0.28 earnings per share

Planned dividend of

€ 0.50

per share (previous year: € 0.25)

More than

1,264 thousand

new customers.

More than

685 thousand

customers made a repeat purchase with us.

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Letter to Our Shareholders

Dear shareholders, colleagues and friends,

We can look back on a successful 2015 financial year. Following the slight decline in the previous year, Delticom was able to increase its revenues across all of its divisions once again. In addition, we successfully implemented cost-cutting measures as planned. The closure of one of our warehouses at the end of the year, coupled with process optimisation and boosts in efficiency along the entire value chain, helped to cement our cost-leading position. Thanks to our wealth of experience in the European E-commerce industry and new, innovative shop concepts, we once again succeeded in expanding our market position as Europe's leading online tyre and automotive accessories retailer in 2015. The marketing and IT expertise garnered through the acquisition of Tirendo was a key factor in this success. Tirendo is now not only an official part of Delticom Group, it is also a major contributor to success and has been turning a profit since the end of last year.

Contrary to all hopes of a reversal in fortunes for the German tyre industry, 2015 was anything but simple. Sales of replacement tyres for cars to private customers declined once again. According to initial estimates by industry associations, the first quarter was unable to match the strong start to the previous year. Winter tyre sales were up 4.6%, but the changeable weather meant that drivers delayed switching to summer tyres. In the previous year, spring-like temperatures in March had made for a prompt start to summer tyre business, whereas, in the first three months of 2015, summer tyre sales were down by just under 15%. On the back of this disappointing start to the year, the second quarter was also unable to match the previous year's performance. The 5.4% decline in summer tyre sales estimated by industry associations resulted in an 8% year-on-year decline in sales in the first half of the year. The disappointing summer business continued into the third quarter, while the final quarter was also unable to halt the negative trend. After the first nine months of 2015, summer tyre sales in Germany were down by 9.3% and winter tyre sales by 3.4%. Low temperatures and the first snowfall as early as the start of October may have given winter tyre sales a boost, but preliminary market figures also suggest that sales lacked momentum in the fourth quarter, too. According to industry associations, sales in the German tyre retail business declined over the year as a whole. By contrast, industry experts believe that a slight increase in tyres sales was generated in the European replacement tyre retail industry.

Even in this challenging market climate, Delticom Group defied the general trend and succeeded in generating growth. At the midway point of the year, revenues had increased by 10.7% year on year. Following an 18.1% rise in revenues in the first three months of the year, the increase in the second quarter was somewhat lower at 5.3%. The third quarter then saw sales rise by 18.1%, putting revenues over the first nine months of 2015 up 12.7% on the previous year. In the fourth quarter, we recorded a sales increase of 9.6% compared to the fourth quarter of 2014.

In our full-year guidance published in March 2015, we set ourselves the target of increasing sales year on year. However, sales increases in a deflationary pricing climate do not necessarily equate to higher revenues, which is why we were aiming to match 2014 revenues of € 501.7 million in 2015.

Our positive business performance over the first half of 2015 meant that we were more optimistic of reaching this full-year target than we had been at the start of the year. However, there was still a certain degree of uncertainty in respect of business performance in the final quarter, in which the winter tyre business is vital to revenues and profitability. Given that many drivers are only motivated to purchase new winter tyres when road conditions noticeably deteriorate, consumer demand is extremely volatile



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

and weather-dependent. We realised that not only was the third quarter of 2015 continuing the positive trend of the first half of the year, but that winter tyre business was also experiencing a major injection of momentum thanks to low temperatures right at the start of the quarter in October, and so we decided to take this trend into account and raise our revenue forecast to between € 530 million and € 540 million in early November. We decided to set a target range instead of a specific target figure on account of the continued uncertainty surrounding revenue performance over the final few weeks of the year.

In fact, we significantly exceeded our corrected full-year revenue forecast, with revenues rising by 11.6% year on year to € 559.8 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at € 14.3 million, down 6.6% on the 2014 figure. This meant that we did not quite reach our target of matching the previous year's EBITDA. This was due to one-off expenses incurred in the financial year, namely costs relating to the closure of one of our warehouses and settlements for the former Management Board member Sascha Jürgensen and other former employees. Excluding these one-off costs, EBITDA would have stood at € 15.9 million and therefore above our earnings target.

In February of the current financial year, we took a decisive strategic step into a segment with enormous potential for growth with the acquisition of the two online food retailers Gourmondo and ES Food. Even though online tyre trade remains our core business in the medium term, this marks a major milestone in our aim to further expand our market position as a successful international E-commerce specialist. The two online food retailers were acquired at a total cost of € 30 million. This included ES Food GmbH assets of roughly € 21.4 million, made up of a roughly equal share of tangible and intangible assets, the cost of purchasing 90% of Gourmondo Food GmbH of approximately € 2 million and loans to Gourmondo Food GmbH of € 6.6 million. The purchase price allocation is currently being carried out and will be finalised within the next few weeks.

We are aiming to generate at least € 600 million in revenues from tyres and automotive parts in the current financial year. Given the cost savings in the areas of personnel, marketing and logistics, we believe that a full-year EBITDA target of € 18 million is achievable if business performance is positive. In terms of the operating result, we are aiming to increase earnings before interest and taxes (EBIT) from € 5.6 million in financial year 2015 to € 13 million. This improvement is due to the fall in depreciation from PPA in the context of the Tirendo acquisition and the lack of special depreciation of property, plant

and equipment. In the new E-Food division, we expect to generate revenues of between € 20 million and € 30 million, EBITDA of € –2 million and EBIT of € –5 million. As the purchase price allocation has yet to be finalised, the amount of depreciation from PPA can only be roughly estimated at the current time.

The company's success in the past financial year 2015 is also reflected in consolidated net income. This came in at € 3.4 million, up 17.2 % on the previous year's figure of € 2.9 million. Earnings per share stood at € 0.28 (2014: € 0.24). Our considerable financing power will once again enable our shareholders to participate in the success of Delticom this year. At the Annual General Meeting on 3 May 2016, the Management Board and Supervisory Board will propose a dividend of € 0.50 per share (2014: € 0.25 per share).

An increasing number of consumers worldwide are discovering the benefits of online retail across all product sectors. This applies both to the tyre and automotive accessories trade, in which Delticom acquired more than 1 million new customers in the past financial year, and to the online food retail sector. Thanks to our cost-cutting measures and investment into the future, Delticom remains on firm footing for profitable growth moving forward.

Our thanks go out to you, our shareholders, for the trust you have placed in Delticom. Join us in experiencing the fascinating and successful future of online retail!

Hanover, 17 March 2016



Susann Dörsel-Müller

Philip von Grolman

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 with the scope and contents requested by us. Furthermore, there is a lively exchange of information and ideas at all times between the Supervisory Board and the Management Board about current events and developments, also through regular telephone calls and meetings with individual members of the Management Board and individual members of the Supervisory Board.

We were also available at any time outside the meetings to the members of the Management Board to advise and consult. Urgent decisions were taken in a written circulation procedure. All resolutions were passed unanimously in the period under review with the exception of the resolution by written procedure on 12.12.2015 and the meeting on the extension of the business model to online food trade on 09.10.2015, where Mr. Binder abstained from voting.

In the period under review, 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 within the meaning of Section 107(3) of the AktG (German Public Limited Companies Act), because this is considered not to be sensible with a Supervisory Board consisting of three members.

In the business year 2015, the Supervisory Board considered especially the question of the extension of the business model to online food trading, which was then put into effect in the year 2016 through the acquisition of Gourmondo Food GmbH and ES Food GmbH, companies which already operate in this field and are held entirely or through a majority interest by Prüfer GmbH. The Supervisory Board thoroughly examined this new alignment and considers the acquisition of the companies to be an important step on the way to achieving the strategic goal of raising sales outside the automotive industry.

Meetings of the Supervisory Board

Five regular Supervisory Board meetings were held in the business year 2015, each attended by all members, in some cases by way of a telephone conference. Nine resolutions were passed by way of written circulation procedure.

At our first ordinary meeting on 17.03.2015 we discussed the financial statements and the management report of Delticom AG as well as the consolidated financial statements and management report for the business year 2014, as well as the proposal of the Management Board for the appropriation of the balance sheet profit achieved in 2014. A further topic was the annual corporate governance statement and the declaration of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda and on the resolutions to be proposed by the Supervisory Board at the Annual General Meeting on 05.05.2015.

At the meeting on 05.05.2015, the Management Board reported on the business and personnel developments in the Group. The Supervisory Board discussed the quota for women on the Supervisory Board

and the Management Board and decided that the target quota for women on the Supervisory Board and the Management Board should remain unchanged with the same percentages for the time being. Accordingly, the proportion of female members of the Management Board should not fall below 20 percent.

At the meeting on 08.09.2015, the Management Board reported on the Group's current business and financial positions following the conclusion of the second quarter of the financial year 2015. 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. In view of Mr. Delesalle's extraordinary performance in the field of e-commerce, we decided at that meeting to raise Mr. Delesalle's remuneration and to grant him a discretionary bonus payment. Moreover, at this meeting, the Management Board reported to us for the first time on its intention to extend the business model to the field of online food trading and on the possibility to acquire the group that operates in this area and is controlled through a majority interest (partly indirectly) by Prüfer GmbH.

The question of a strategic realignment of Delticom by way of an extension of the business model to online food trading was then discussed extensively by the Supervisory Board at a meeting called specifically for this purpose on 09.10.2015. The Management Board set out its considerations regarding the new alignment in a detailed strategy paper and submitted this to the Supervisory Board prior to the meeting. The Supervisory Board studied the strategy paper in detail and discussed it intensively. There was agreement in the end that the enormous size of the market makes online food trading an interesting business that offers great potential for growth. Accordingly, the Supervisory Board agreed to the strategic realignment through the extension of the business model to online food trading and instructed the Management Board to enter into negotiations with the target companies. Mr. Binder abstained from voting on this issue.

At the last regular meeting held on 17.11.2015, the Management Board reported to us on the progress of business and the company's risk management. We also deliberated on the Management Board's medium-term and investment planning for Delticom AG and we approved the reassignment of responsibilities among the Management Board members.

Apart from the four regular meetings, the following nine resolutions were passed by way of a written circulation procedure:

By way of written resolution-taking, on 14.01.2015 we resolved to make the amendments to the articles of incorporation regarding the share capital and the contingent capital which became necessary due to the exercise of option rights in the business year 2014.

On 15.01.2015 we decided to reduce Mr. von Grolman's working time by half a day with a corresponding reduction of the remuneration fixed in his management board member's service contract, and we consented to the changed annual plans for the business year 2015 and the formation of Giga GmbH.

On 27.02.2015 we approved the formation of Delticom SA Ltd. in South Africa and on 04.06.2015 the formation of TyresNET GmbH.

On 23.06.2015 we approved the amendment of the articles of incorporation of Deltiparts GmbH.

On 22.07.2015 we approved the formation of two companies by the subsidiary, Delticom North America.

On 23.07.2015 we approved a lease agreement between Delticom and Seguti GmbH for the use of outside premises for the storage of racks. The sole shareholder of Seguti GmbH is Prüfer GmbH, whose

majority shareholder is Mr Prüfer. On the same day, we granted our consent to the sale of all shares (50.9%) held by Delticom in Tyre Pac, an affiliated undertaking.

Mr. Sascha Jürgensen resigned from office as a member of the Management Board by letter dated 20.10.2015. On the same day, by resolution passed in a written circulation procedure, the Supervisory Board granted its consent to the premature termination of his term of office and to the conclusion of an agreement cancelling his service contract.

The last resolution passed by way of written circular was passed on 12.12.2015 and concerned the prolongation of the consultancy agreement between Delticom AG and BCT Binder Consulting and Trade GmbH, whose managing director and sole shareholder is Mr. Binder. The consultancy agreement comprises services outside the field of activities which Mr. Binder is responsible for as a member of the Supervisory Board. Mr. Binder abstained from voting when the resolution was passed.

Corporate Governance

On 17.03.2015, together with the Management Board, we issued a declaration in relation to the recommendations of the government commission in accordance with Section 161 AktG (German Stock Corporation Act) and made this declaration permanently available on the Delticom AG web page (www.delti.com/CG). The declaration of conformity 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 business year 2015, and how they were handled:

As Prüfer GmbH was planning, simultaneously with and depending on the conclusion of a purchase contract with Delticom AG regarding the sale of the companies operating in the field of online food trading and controlled entirely or by majority participation (partly indirectly) by Prüfer GmbH, to acquire a significant number of shares in Delticom AG from Binder GmbH, whose sole shareholder is Mr. Binder, the chairman of the Supervisory Board of Delticom AG, Mr. Binder abstained from all voting in connection with the acquisition of the companies operating in the field of online food trading due to his indirect involvement and the related possible conflict of interests.

As already explained, the Supervisory Board approved, by way of written circular on 12.12.2015, the conclusion and extension of the consultancy agreement between Delticom and BCT Binder Consulting and Trade GmbH, whose managing director and sole shareholder is Mr. Rainer Binder. This consultancy agreement comprises 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 his audit reports on the financial statements was held on 14.03.2016. The auditor identified no inconsistencies, going-concern risks, or infringements against either the law or the articles of incorporation.

In its accounts review meeting on 15.03.2016 the Supervisory Board discussed in detail the documentation relating to the financial statements and the audit reports for the business year 2015, in particular the annual financial statements prepared in accordance with the provisions of the HGB (German Commercial Code) and the consolidated financial statements prepared in accordance with IFRS requirements (International Financial Reporting Standards), all as per 31.12.2015, as well as the management report for the company and the Group as well as the proposal of the Management Board for the appropriation of the balance-sheet profit 2015, and the dependent company report. The auditor's reports, the annual financial statements prepared by the Management Board, the dependent company report as well as the management reports for Delticom AG and for the Group as well as the Management Board's proposal for the appropriation of the balance-sheet profit, in each case for the 2015 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, had audited the annual financial statements. There are no concerns regarding the auditor's independence.

In the auditor's opinion, the annual financial statements and the consolidated financial statements for the business year 2015 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 accounting rules and regulations. The auditor's review of the dependent company report for the business year 2015 resulted in no objections. The auditor issued his 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 factual 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 disadvantages were compensated for."

In addition, as a part of its assessment of the risk management system, the auditor established that the Management Board has implemented the measures required pursuant to Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) for identifying risks which could jeopardize the company as a going concern at an early time. At the meeting on 15.03.2016 representatives of the auditor were present to report on key audit results and to provide supplementary information to the Supervisory Board. We fully support the auditor's report following our own review of the annual financial statements, the consolidated financial statements, the management report, the consolidated management report and the dependent company report, in each case for the business year 2015. The Supervisory Board approved the annual financial statements and the consolidated annual financial statements for the business year 2015. The annual financial statements of Delticom AG for the business year 2015 have thus been adopted. The Supervisory Board also follows the Management Board's proposal for the appropriation of the balance-sheet profit in 2015.

The Supervisory Board would like to thank the Management Board and all employees for their excellent work in the past year.

Hanover, 15 March 2016



Rainer Binder

Combined Management Report of Delticom AG

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Group fundamentals

Since its 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 retailer of tyres and automotive accessories. The E-Commerce division operates 245 online shops in 45 countries.

Organisation

Delticom is a relatively streamlined company with an average of 129 employees. We are supported by partners in the warehouses and transportation logistics. Manual routine work is outsourced to operation centers. 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 31.12.2015:

- Delticom North America Inc., Benicia (California, USA)
- Delticom OE S.R.L., Timisoara (Romania)
- Delticom SA, Durban (South Africa)
- Delticom Tyres Ltd., Oxford (United Kingdom)
- Deltiparts GmbH, Hanover (Germany)
- Delti-Vorrat-1 GmbH, Hanover (Germany)
- Giga GmbH, Hamburg (Germany)
- Giga Tires LLC, California (USA)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Price Genie LLC, California (USA)
- Reife tausend1 GmbH, Hanover (Germany)
- Tireseasy LLC, Delaware (USA)
- Tirendo Holding GmbH, Berlin (Germany)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Toroleo Tyres GmbH, Schönefeld (Germany)
- Toroleo Tyres TT GmbH & Co.KG, Schönefeld (Germany)
- TyresNET GmbH, Munich (Germany)
- Wholesale Tire and Automotive Inc., Benicia (California)

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

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.

Proportion of women

Delticom AG as a stock corporation without employee co-determination is not subject to any legal requirements as to a minimum target number for a quota of female members of the Supervisory Board or the Management Board. Having extensively discussed the issue, the Supervisory Board decided on 05.05.2015 to leave the target quota for women on the Supervisory Board unchanged at zero percent.

Moreover, the Supervisory Board was and is satisfied that the current Management Board of Delticom AG is working very successfully, and the Supervisory Board therefore does not intend to change the composition of the Management Board. The Supervisory Board of Delticom AG has therefore decided to leave the target for the women's quota for the Management Board unchanged at the former level of 20 percent. The proportion of women is to be zero percent (Supervisory Board) and 20 percent (Management Board) also as per 30.06.2017.

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 249 million cars on Europe's roads and highways. The average age of this vehicle stock is around 10 years. 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 kilometers annually. Thanks to similar road conditions throughout Europe, tyres typically require replacement after 60,000 kilometers 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-dependent 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 characterized 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 characterized 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 preceding 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 standardized labels that classify and depict ratings regarding fuel efficiency, wet grip and external rolling noise. This classification applies to tyres for cars, vans, light trucks and trucks. Exceptions will include retreaded tyres, off-road tyres for commercial purposes, spiked tyres and racing tyres.

A system similar to the EU’s energy efficiency ratings for household appliances will inform tyre buyers about the products’ characteristics. A colored-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 the regulation, the European Commission’s objective, private and commercial consumers additional and specific information before the tires to provide. The labeling provides transparency: car holder can search for the being of individual preferred product properties.

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 informs its customers in online shops and customer communications including on the identification of the corresponding products.

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 specialized 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 labor-intensive on-site service. Delticom maintains a tightly-knit network of more than 42,000 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 year’s 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 around 10% of European sales to end customers in 2015.

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 13–14%. 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 20%.

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 organizations such as the German motorists’ organization 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 9.5 million customers have made purchases in our online shops (previous year: 8.3 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. In 2015, Delticom terminated a rental agreement for a warehouse in order to operate with a lower cost base in the future. The turnover rate was raised accordingly in the other warehouses.
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 centers.
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 characterized 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 automotive accessories over 245 online shops to private and business customers. The online shop which generates the most revenues is www.reifendirekt.de. 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 45 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.

Wholesale

Delticom also sells tyres to wholesalers in Germany and abroad.

Employees

135 employees

On 31.12.2015, the company employed a total of 135 employees. 127 of them (incl. trainees) worked for Delticom and the remaining 8 for Tirendo. In the reporting period on average 129 staff members were employed at Delticom (previous year: 247). This calculation is based on the number of employees taking into account the number of hours worked. A significant reduction in the average workforce over the course of the year stems mainly from restructuring Tirendo. As part of fully integrating Tirendo into the Delticom Group, personnel numbers were gradually reduced, commencing with the second half of 2014.

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 2015 financial year. A total of 8 trainees were employed as of the end of 2015 (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 centers.

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 20.03.2012, 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 2015.

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. Significant 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 2015 the number of 1,264 thousand new customers was higher than in 2014 (1,016 thousand). 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 685 thousand of those customers (2014: 617 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, summarized 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 and business 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, and has few fixed assets and low personnel costs. Further automation and additional outsourcing are going to streamline the organization.
Optimized 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 dropship 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 centers.

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 prioritized 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 2015

The global economy was burdened by a number of factors in 2015. Global economic growth was dampened in the final quarter in particular by a sharp decline in oil prices, increasing uncertainty on the stock exchanges, and the persistently slow economic recovery in Europe, accompanied by structural challenges in China and other emerging markets.

Macroeconomic development

Europe

The refugee crisis and the UK potentially exiting the European Union present the international community with new challenges. Europe nevertheless continued on its moderate growth path in 2015. Although the unemployment rate declined further in the currency area, the situation continued to be uneven in the local labor markets. Whereas crisis-ridden countries such as Spain or Portugal reported a significant drop in the number of unemployed, the jobless rate in France stayed at a record level. Consumer sentiment and propensity to spend varied accordingly in the member states.

Germany

In 2015, consumption remained the main driver of the German economy thanks to a healthy labor market and rising employment levels. Alongside consumption, strong foreign trading, bolstered by the low euro exchange rate, proved to be further mainstays underpinning the economy. Compared with the rest of Europe, the German economy grew at an above-average pace in the year now ended.

Sectoral developments

Replacement tyre business

The experts anticipate a slight increase in sales in the European replacement tyre business in the fiscal year elapsed. In Germany, by contrast, tyre dealers' hopes for a positive trend reversal in business with private end customers were again disappointed in 2015.

Summer tyre sales

Owing to the changeable weather at the beginning of the year, the summer tyre business did not match the first three months of 2014 when spring-like temperatures as early as March heralded an early start to the changeover from winter to summer tyres. The negative sales trend persisted in the second quarter as well. According to German trade associations, 8.2% less tyres had been sold by dealers to customers in Germany by mid-year. Sales figures also dropped in the third quarter in a prior-year comparison.

Winter tyre sales

Cold temperatures across Germany, coupled with the first snowfall at higher altitudes, favored an early start to the winter tyre business in October. Seen from a monthly standpoint, tyre traders' business fell only marginally short of a double-digit increase in sales in the winter tyre business. Tyre traders' hopes for sales developing positively over the full year, at least in business with winter tyres, diminished increasingly as the final quarter progressed due to exceptionally mild temperatures.

At the current point in time, no binding information is available on the unit trend in the winter tyre business. In a first cautious estimate released at the beginning of this year, the German association of tyre dealers (BRV, Bundesverband Reifenhändler und Vulkaniseur Handwerk e.V.) assumes that the winter tyre business declined at a national level in 2015 compared with prior-year figures.

Business performance and earnings situation

Revenues

Group

Delticom, Europe’s leading online retailer for tyres and automotive accessories, generates the bulk of its revenues through sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. Car parts, including motor oil, replacement parts and accessories, complement the product portfolio.

Over the course of 2015, Delticom group generated revenues of € 559.8 million, an increase of 11.6% from prior-year’s € 501.7 million.

E-Commerce

Revenues in the E-Commerce division with its 245 online shops amounted to € 551.3 million (2014: € 493.4 million). The share of E-Commerce revenues amounted to 98.5%, compared to 98.3% in the previous year.

Regional split

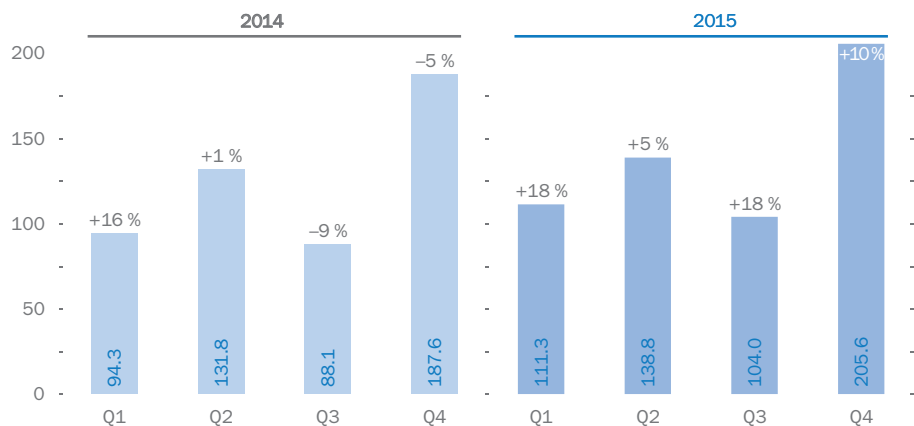
The group offers its product range in 45 countries, with the majority of sales in EU countries. Revenues in those countries totaled € 434.4 million (+13.5%). Operations in Europe are not restricted to EU member states but also include European non-EU countries. Delticom also sells tyres outside Europe, especially in the USA. Across all countries outside the EU the revenue contribution for 2015 was € 125.4 million (+5.5%).

Seasonality

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

Revenues trend

quarterly revenues in € million



1st quarter

Despite consumers’ reluctance to switch to summer tyres owing to the changeable weather, revenues stood at € 111.3 million in the first three months, up 18.1% against the comparison period (Q1 14: € 94.3 million).

2 nd quarter	Following a weak start to the year, the replacement tyre business in German tyre trading in the second quarter was unable to match the previous year's figure either: According to German trade associations, 5.4% less summer tyres were sold by dealers to customers in Germany. Contrary to this market trend, Delticom generated revenues of €138.8 million in the second quarter (Q2 14: €131.8 million), representing an increase of 5.3% in a year-on-year comparison.
3 rd quarter	The negative sales trend in the German tyre trade persisted in the third quarter as well. Irrespective of this development, Delticom achieved revenues of €104.0 million in the third quarter (Q3 14: €88.1 million), equivalent to growth of 18.1% against the prior year figure.
4 th quarter	Cold temperatures in Germany were conducive to an early start to the winter tyre business at the beginning of the fourth quarter. Despite higher sales figures in October, tyre traders' hopes of an increase in sales through business with winter tyres were disappointed as the fourth quarter progressed. Preliminary market figures indicate a sales downtrend, also in the last three months of fiscal 2015. Delticom nevertheless achieved growth in the final quarter as well, running counter to the market trend. All in all, the company delivered revenues of €205.6 million in the fourth quarter (Q4 14: €187.6 million, +9.6%).

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 increased by 12.9% from €378.9 million in 2014 to €427.6 million in 2015. Compared with the prior-year period, the ratio of cost of goods sold to revenues increased from 75.5% to 76.4%.
Transportation costs	Among the other operating expenses, transportation costs is the largest line item. The 21.3% increase in transportation costs from €44.6 million to €54.1 million reflects the higher business volumes and the country-mix. The share of transportation costs against revenues went up from 8.9% in 2014 to 9.7% in 2015.
Ware-housing costs	Rents and overheads increased in 2015 by 1.5%, from €7.1 million to €7.2 million. Stocking costs increased in the reporting period from €4.7 million to €5.5 million (+18.2%). The ratio of stocking costs against revenues of 1.0% was almost unchanged compared with the previous year (2014: 0.9%).
Personnel expenses	In the reporting period on average 129 staff members were employed at Delticom group (previous year: 247). The integration of Tirendo was accompanied by a step-by-step reduction in staff numbers as from the second half of 2014. Due to the sharp reduction in headcount, personnel expenses amounted to €9.5 million, a decrease of 39.4% compared to the previous year (2014: €15.6 million). Personnel expenses for the 2015 fiscal year include one-off expenses in the amount of €0.9 million. Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) decreased from 3.1% to 1.7%.

in € thousand	2015	%	+%	2014
Revenues	559,792	100.0	11.6	501,701
Other operating income	13,843	2.5	14.7	12,072
Total operating income	573,635	102.5	11.7	513,773
Cost of goods sold	-427,567	-76.4	12.9	-378,853
Gross profit	146,068	26.1	8.3	134,919
Personal expenses before one-off expenses	-8,541	-1.7	-45.2	-15,599
Other operating expenses before one-off expenses	-121,618	-21.8	16.9	-104,031
EBITDA before one-off expenses	15,909	0.0	4.3	15,289
One-off expenses	-1,630	0.0	0	0
EBITDA	14,279	2.6	-6.6	15,289
Scheduled depreciation	-7,734	-1.6	-9.3	-8,255
EBIT after scheduled depreciation	6,545	1.0	-3.4	7,034
Unscheduled depreciation warehouse	-950	0.0	0	0
EBIT	5,595	0.0	-20.5	7,034

Marketing

In the reporting period, costs for advertising totaled € 27.2 million (2014: € 24.2 million). The marketing expenditure includes one-off expenses for a radio campaign of € 368 thousand. The marketing expense ratio (marketing expenses as a percentage of revenues) in the reporting period stood at 4.9% (2014: 4.8%). Marketing expenses in Q4 15 totaled € 11.4 million (Q4 14: € 8.8 million, +29.2%). Marketing spent with 5.5% of quarterly revenues was higher than last year's 4.7%.

Depreciation

Depreciation for 2015 rose by 5.2% from € 8.3 million to € 8.7 million. The increase in depreciation is mainly due to the unscheduled depreciation in H1 15 on property, plant and equipment used at the closed warehouse location in amount of € 950 thousand. Depreciation from PPA amounted to € 4.6 million (2014: € 5.2 million).

Earnings position**Gross margin**

The gross margin (trade margin ex other operating expenses) for the full year was 23.6% after 24.5% in the prior-year period. Delticom offered more attractive prices in its online shops in order to reach the sales targets that it had set for itself. The quarterly gross margin decreased from 23.3% in Q4 14 to 23.1%.

Other operating income

Other operating income increased in 2015 by 14.7% to € 13.8 million (2014: € 12.1 million), thereof gains from exchange rate differences to the order of € 3.6 million (2014: € 2.6 million).

FX losses have been accounted for as line item in the other operating expenses (2015: € 4.1 million, 2014: € 2.4 million). In the reporting period the balance of FX income and losses totaled € 0.6 million (2014: € 0.2 million).

Gross profit

Altogether, the gross profit increased in the reporting period by 8.2% year-on-year, from € 135.0 million to € 146.1 million. Gross profit in relation to total income of € 573.6 million (2014: € 513.8 million) amounted to 25.5% (2014: 26.3%).

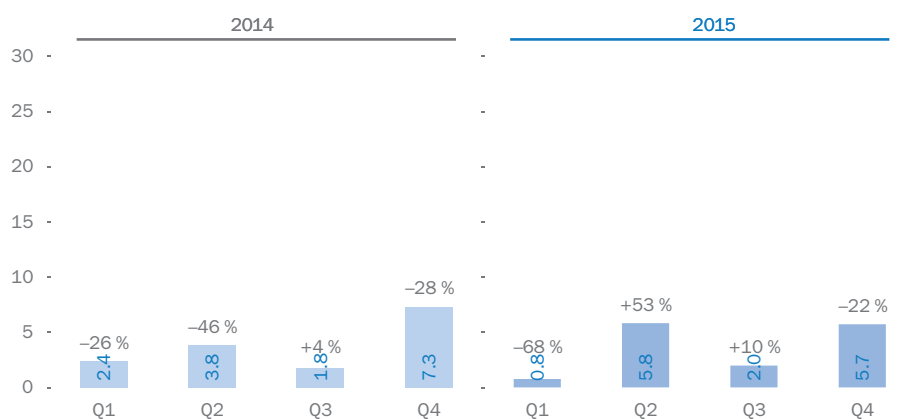
EBITDA

EBITDA for the reporting period came down from € 15.3 million to € 14.3 million. The 6.6% fall is mainly attributable to one-off expenses in the reporting period. EBITDA before one-off expenses amounted to € 15.9 million.

In Q4 15, the Delticom Group generated €5.7 million of EBITDA, comparing €7.3 million in the previous year's quarter. The decrease by €1.6 million, or 21.8%, derives mainly from the reduced gross margin in the final quarter and the increase in the volume related costs driven by the higher unit sales.

EBITDA

quarterly, in € million



EBIT

EBIT amounted to €5.6 million in the reporting period (2014: €7.0 million, –20.0%). This equates to an EBIT margin of 1.0% (2014: 1.4%). Depreciations on intangible assets identified as part of the Tirendo takeover burdened EBIT by €4.6 million in the period under review. Fourth quarter EBIT saw a decline of 24.0%, from prior-year's €5.2 million to €4.0 million or 1.9% of revenues (Q4 14: 2.8%).

in € thousand		2015
EBITDA before one-off expenses		15,909
Scheduled Depreciation		3,134
EBITDA before one-off expenses, PPA and unscheduled depreciation		12,775
One-off personnel expenses		912
One-off expenses Lager		350
One-off expenses radio campaign		368
PPA depreciation		4,600
Unscheduled depreciation warehouse		950
EBIT		5,595

Financial income

Financial income for the reporting period amounted to €22 thousand (2014: €34 thousand). Financial expenses decreased to €429.8 thousand (2014: €800.8 thousand), leading to a financial result of €–407.9 thousand (2014: €–766.3 thousand).

Income taxes

In 2015 the expenditure for income taxes was €1.8 million (2014: €3.4 million). This equates to a tax rate of 35.1% (2014: 54.4%).

Net income and dividend

Consolidated net income for 2015 increased from € 2.9 million to € 3.4 million. This corresponds to earnings per share (EPS) of € 0.28 (undiluted, 2014: € 0.24), an increase of 16.6%. Net income for Q4 15 amounted to € 2.8 million (Q4 14: € 3.8 million).

At Delticom's Annual General Meeting on 03.05.2016, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share, after € 0.25 per share for financial year 2014.

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	2015	%	+	2014	%	+	2013	%
Revenues	559,792	100.0	11.6	501,701	100.0	-0.8	505,542	100.0
Other operating income	13,843	2.5	14.7	12,072	2.4	123.4	5,404	1.1
Total operating income	573,635	102.5	11.7	513,773	102.4	0.6	510,946	101.1
Costs of goods sold	-427,567	-76.4	12.9	-378,853	-75.5	-0.4	-380,306	-75.2
Gross profit	146,068	26.1	8.3	134,919	26.9	3.3	130,640	25.8
Personal expenses	-9,453	-1.7	-39.4	-15,599	-3.1	38.1	-11,292	-2.2
Other operating expenses	-122,336	-21.8	17.6	-104,031	-20.7	7.1	-97,165	-19.2
EBITDA	14,279	2.6	-6.6	15,289	3.0	-31.1	22,184	4.4
Depreciation	-8,685	-1.6	5.2	-8,255	-1.6	90.2	-4,340	-0.9
EBIT	5,595	1.0	-20.5	7,034	1.4	-60.6	17,844	3.5
Net final result	-408	-0.1	-46.8	-766	-0.2	492.6	-129	0.0
EBT	5,187	0.9	-17.2	6,268	1.2	-64.6	17,715	3.5
Income taxes	-1,822	-0.3	-46.6	-3,411	-0.7	-44.6	-6,160	-1.2
Consolidated net income	3,365	0.6	17.8	2,857	0.6	-75.3	11,555	2.3

Overall statement on the earnings position

In the financial year elapsed, we focused on process and cost optimization measures along the value chain to equip Delticom for future growth. The Internet is becoming increasingly important as a sales channel in tyre retailing. Despite the difficult market environment, we managed to exceed our previous year's revenue level in our E-Commerce division by 11.8% (2015: € 551.3 million, 2014: € 493.4 million).

Over the course of the year, EBITDA worsened from € 15.3 million to € 14.3 million. The 6.6% decline is mainly due to one-off expenses in conjunction with the cost optimization process. In total, the consolidated net profit amounted to € 3.4 million or € 0.28 per share – after a prior-year result of € 2.9 million. Due to the restructuring path started in 2014 and the full integration of Tirendo into the group we were once again able to demonstrate the key strength of Delticom: In 2015, we not only achieved year-on-year sales growth across all business areas but we further bolstered our position as a cost leader in the European online tyre trade.

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 € 1.0 million in property, plant and equipment in 2015 (2014: €0.7 million) primarily relate to investments to equip warehouses and offices that we operate.

Intangible assets

Delticom also invested € 1.3 million in intangible assets. This mainly relates to software extension and licenses.

Working Capital

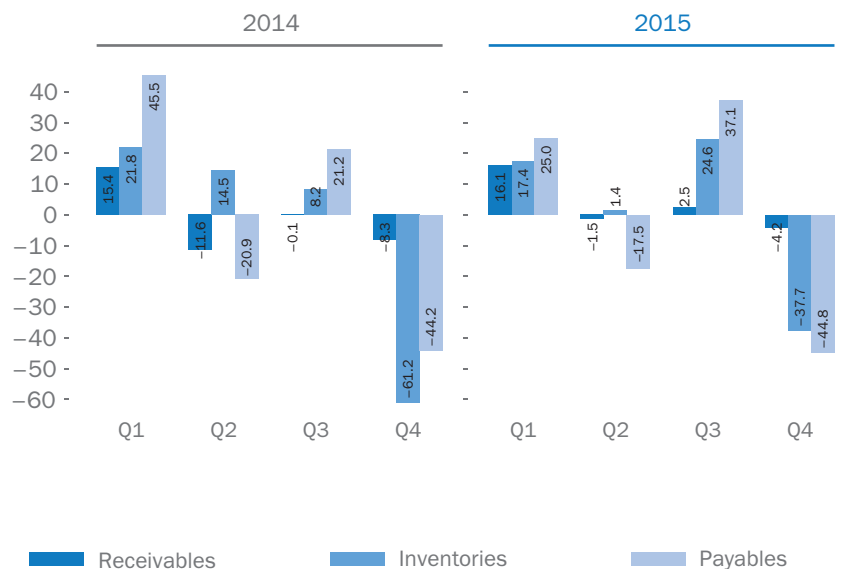
Working Capital

We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. In 2015 the Net Working Capital decreased from € – 12.5 million by € 11.0 million or 87.9% to € – 1.5 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 € 18.6 million on the reporting date (31.12.2014: € 14.5 million). The increase in trade receivables was due to the higher business volume in the fourth quarter compared with the previous year. Due to the mild weather conditions at the end of the year, December saw a lower proportion of the winter business than in the year before. In contrast to 2014, more orders paid for by customers were already fulfilled as of 31.12.2015. This led to a decrease of prepayments received, amounting to € 3.8 million (31.12.2014: € 5.3 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 € 0.8 million (31.12.2014: € 2.6 million).

In total, working capital commitment in receivables increased from € 6.6 million as of 31.12.2014 to € 14.0 million as of 31.12.2015. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) increased from 4.5 to 6.7 days.

Inventories Among the current assets, inventories is the biggest line item. Since the beginning of the year their value increased by € 5.6 million to € 61.8 million (31.12.2014: € 56.2 million).

At the onset of the winter quarter the inventory value totaled € 99.5 million, € 17.8 million lower than the previous year's figure of € 117.4 million. To increase the inventory turnover rate, Delticom together with its partners further optimized the delivery dates in 2015. Inventories on the reporting date comprised small residual winter tyre stock as well as summer tyres.

Due to lower inventory levels during the year and the positive sales development, average Days Inventory Outstanding for 2015 (DIO, average inventory level divided by average cost of sales) came down over the course of the past financial year, from 62.1 days in 2014 to 50.4 days in 2015.

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 € 77.6 million by € 2.3 million higher than the previous year (31.12.2014: € 75.3 million).

Cash flow

Operating cash flow Mainly due to the working capital development, the 2015 cash flow from ordinary business activities (operating cash flow) of € –8.7 million was significantly lower than in the comparison period (2014: € 36.7 million).

Investing activities Investments into property, plant and equipment have been € 1.0 million (2014: € 0.7 million). In the reporting period, Delticom also invested € 1.3 million in intangible assets (2014: € 1.0 million) and further € 0.4 million into financial assets. As a result, the cash flow from investment activities totaled € –2.6 million (previous year: € –1.6 million).

Financing activities

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –7.6 million, thereof the dividend payout for the last financial year of € –3.0 million and disbursements due to redemption of loans of € –4.6 million.

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.

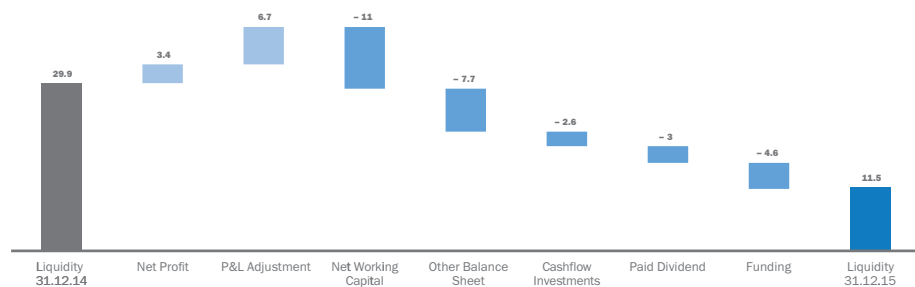
Free cash flow

The starting point is the liquidity position as of 31.12.2014 amounting to € 29.9 million. We add the consolidated net income of € 3.4 million and account for the cash flow by adding the balance of non-cash expenses and income totaling € 6.7 million. The year-on-year decrease of funds tied up in Net Working Capital was € 11.0 million. For other balance sheet items, less € 7.7 million were tied up. Subtracting the cash flow from investment activities, the cash outflow from paying out the dividend for the 2014 financial year plus the redemptions of financial debt we arrive at a liquidity total on 31.12.2015 of € 11.5 million. On 31.12.2015, the company's net cash position (liquidity less liabilities from current accounts) amounted to € 7.1 million (31.12.2014: € 25.3 million).

The free cash flow (operating cash flow less cash flow from investing activities) decreased from € 35.0 million to € –11.7 million.

Liquidity Bridge

in million €

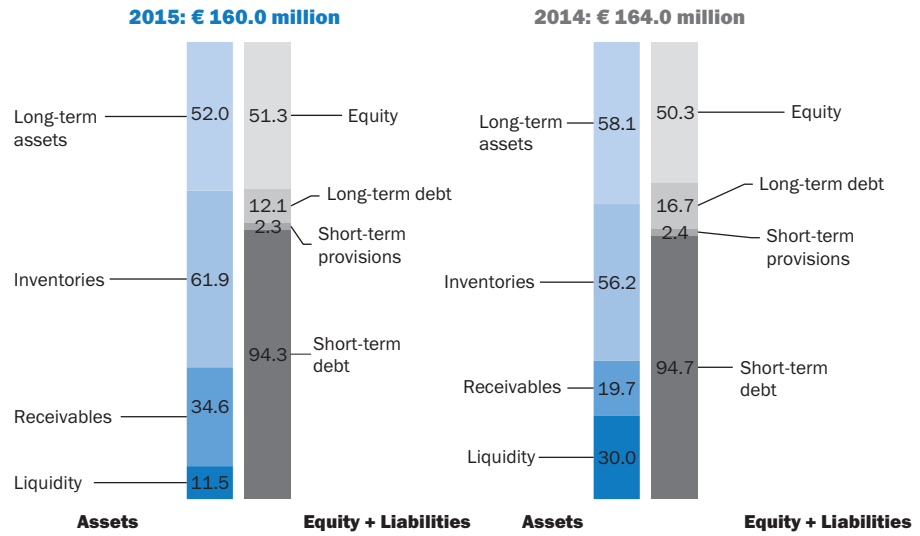


Balance sheet structure

As of 31.12.2015 the balance sheet total amounted to € 160.0 million (31.12.2014: € 164.0 million, –2.4 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged balance sheet

in € thousand

	31.12.15	%	+%	31.12.14	%	31.12.13	%
Assets							
Non-current assets	52,010	32.5	-10.5	58,135	35.4	66,698	37.7
Fixed assets	50,507	31.6	-11.3	56,952	34.7	64,368	36.4
Other non-current assets	1,504	0.9	27.1	1,183	0.7	2,330	1.3
Current assets	107,963	67.5	2.0	105,872	64.6	110,322	62.3
Inventories	61,845	38.7	10.1	56,151	34.2	72,841	41.1
Receivables and other current assets	34,634	21.6	75.4	19,745	12.0	26,158	14.8
Liquidity	11,484	7.2	-61.7	29,975	18.3	11,323	6.4
Assets	159,974	100.0	-2.5	164,007	100.0	177,020	100.0
Equity and Liabilities							
Long-term funds	63,350	39.6	-5.4	66,943	40.8	64,635	36.5
Equity	51,270	32.0	1.9	50,293	30.7	51,679	29.2
Long-term debt	12,080	7.6	-27.4	16,651	10.2	12,957	7.3
Provisions	368	0.2	4.8	351	0.2	252	0.1
Liabilities	11,712	7.4	-28.1	16,300	9.9	12,704	7.2
Short-term debt	96,623	61.4	-0.5	97,064	59.2	112,385	63.5
Provisions	2,315	1.4	-2.2	2,367	1.4	2,028	1.1
Liabilities	94,308	60.0	-0.4	94,698	57.7	110,357	62.3
Equity and Liabilities	159,974	100.0	-2.5	164,007	100.0	177,020	100.0

Non-current assets	<p>On the assets side of the balance sheet, the non-current assets decreased from €58.1 million to €52.0 million. The decrease in fixed assets from €57.0 million to €50.5 million is mainly due to the ppa depreciation on the intangible assets identified as part of the Tirendo purchase price allocation. On 31.12.2015 property, plant and equipment were only 4.0% of the balance sheet total (previous year: 5.5%).</p> <p>An important single line item in the other non-current assets (31.12.2015: €1.5 million, 31.12.2014: €1.2 million) were deferred taxes of €1.0 million (31.12.2014: €0.7 million). These tax assets mainly result from losses carried forward in the subsidiary Delticom North America Inc.</p>
Inventories	<p>Among the current assets, the inventories are the biggest line item. They were increased by €5.7 million or 10.1% to €61.8 million. The chapter <i>Financial and assets position – Working Capital</i> presents the reasons for the decrease in detail.</p>
Receivables	<p>At year-end the accounts receivable amounted to €18.6 million, up from last-year €14.5 million by 28.2%. As part of the other current assets of €13.5 million the refund claims from taxes increased by 254.0%, from €3.3 million to €11.6 million. This change arises from a higher VAT surplus as of the year-end. In total, the receivables position increased by 75.4% to €34.6 million (previous year: €19.7 million).</p>
Liquidity position	<p>Cash and cash equivalents registered net outflows of €18.5 million. On 31.12.2015 liquidity totaled €11.5 million (prior year: €29.9 million).</p> <p>In total, current assets went up by 2.0%. The increase of €2.1 million is mainly attributable to higher inventories, higher receivables and the lower net cash position on the reporting date. The share of current assets of balance sheet total increased from 64.6% to 67.5%.</p>
Current liabilities	<p>On the liabilities side of the balance sheet, the short-term credit instruments decreased by €0.4 million or 0.5% to €96.6 million (31.12.2014: €97.1 million). Provisions decreased by €0.1 million or 2.2% to €2.3 million (prior-year: €2.4 million), thereof provisions for taxes valuing €1.3 million (previous year: €0.8 million). This 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 2015.</p> <p>As part of the €94.3 million in short-term liabilities as of 31.12.2015, €78.5 million were recorded as accounts payable, corresponding to a share of 49.1% of balance sheet total. Compared to the position of €75.9 million from the prior-year period, accounts payable increased by 3.4%.</p> <p>In the other current liabilities of €15.8 million (previous year: €14.4 million), €3.8 million are attributable to payments received on account of orders (previous year: €5.3 million) and €0.8 million to customer credits (previous year: €2.6 million).</p>

Long-term liabilities	The long-term debt of € 12.1 million (previous year: € 16.7 million) is composed of long-term interest-bearing debts of € 10.9 million (31.12.2014: € 15.4 million), deferred tax liabilities of € 0.8 million (31.12.2014: € 0.9 million) and non-current provisions to the order of € 0.4 million (previous year: € 0.4 million). During the reporting period, Delticom reduced short-term financial liabilities by € 0.2 million and long-term financial liabilities by € 4.4 million.
Equity and equity ratio	On the liabilities side of the balance sheet the equity position went up by € 1.0 million or 1.9% from € 50.3 million to € 51.3 million. The structure of the liabilities and shareholders' equity shows an increase in the equity ratio, from 30.7% to 32.0%. As of 31.12.2015 the coverage ratio of fixed assets and inventories totaling € 112.4 million to long-term funding was 56.4% (prior year: 59.2%).
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 <i>Other notes – Contingent liabilities and other financial commitments</i> .
	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 <i>Notes to the balance sheet – Current assets – (15) Receivables</i> .
Significant financial flexibility	<p data-bbox="472 1048 1214 1077">Overall statement on the financial and assets position</p> <p data-bbox="472 1088 1406 1258">Delticom can rely on its healthy financial and assets position. At € 11.5 million, our liquidity remains sufficiently high (previous year: € 29.9 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.</p>
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 2015 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 € 252.0 million (2014: € 221.6 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 € 252.0 million. These figures are referred to as “adjusted revenues” below.

In the financial year elapsed, Delticom generated total revenues of € 769.6 million, and adjusted revenues amounted to € 517.6 million, reflecting an increase of 11.6% compared with the previous year’s € 463.7 million.

Other operating income

Other operating income registered a sharp increase of 25.2% in the period under review to € 22.0 million (2014: € 17.5 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 € 3.3 million (2014: € 2.4 million). Delticom reports currency losses within other operating expenses (2015: € 3.8 million, 2014: € 2.2 million). The net balance of currency gains and currency losses stood at € –0.5 million in the period under review (2014: € 0.2 million).

Key expense positions

The revenues relating to the sale of merchandise from Delticom to Pnebo in an amount of €252.0 million results in distorted year-on-year comparability in the area of costs of materials. The cost of materials ratio amounts to €252.0 million (cost of materials in relation to total revenues). The warehouse purchases realized by Delticom in 2015 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 €391.8 million in the period under review (2014: €354.3 million, +10.6%). Compared with the previous year, the cost of materials ratio fell from 76.4% to 75.7%.
Transportation costs	Transportation costs comprise the largest individual item within other operating expenses. The 19.3% increase in transportation costs from €43.0 million to €51.3 million reflects the higher business volumes. The transportation costs' share of adjusted revenues amounted to 9.9% (2014: 9.3%).
Warehousing costs	Expenses for warehousing increased by 17.9% in the period under review, from €4.6 million in the previous year to €5.4 million. The ratio of warehousing costs to adjusted revenues of 1.0% was at the previous year's level (2014: 1.0%).
Personnel expenses	The company employed an average of 115 staff in the period under review (2014: 145). Personnel expenses amounted to €8.1 million (2014: €9.3 million). The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 1.6% in the period under review (2014: 2.0%).
Marketing	Marketing costs amounted to €19.3 million in the reporting period, compared with €14.1 million in 2014. This corresponds to a ratio of 3.7% in relation to adjusted revenues (2014: 3.0%).
Depreciation	Depreciation and amortization decreased by 2.4% in the period under review from €5.8 million to €5.6 million.

Earnings position

Gross margin	The gross margin (trading margin, excluding other operating income) amounted to 23.6% in the financial year elapsed, compared with 24.3% million in the prior-year period.
Gross profit	Gross profit increased by 16.4% in the period under review, from €127.0 million in the comparable prior-year period to €147.8 million. Gross profit in relation to adjusted total operating income of €539.6 million (2014: €481.2 million) amounted to 27.4% (2014: 26.4%).
EBITDA	EBITDA fell by 26.2% in the period under review, from €21.6 million to €16.0 million.
EBIT	EBIT amounted to €10.3 million in the period under review (2014: €15.9 million, –34.9%). This is equivalent to a return on sales of 2.0% (2014: 3.4%).

Financial income Financial income stood at €3.1 million in the period under review (2014: €4.8 million). This includes income from holdings in subsidiaries in an amount of €3.1 million (2014: €4.7 million). Expenses from loss absorption relate to the Pnebo GmbH.

Income taxes The income tax expense amounted to €1.4 million in the reporting period (2014: €2.2 million). This corresponds to a tax rate of 34.6% (2014: 26.7%).

Income and dividend Earnings in 2015 amounted to €2.6 million, compared with €6.0 million in the previous year. This corresponds to earnings per share of €0.22 for the financial year under review (2014: €0.50).

in € thousand	01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Revenues	769,621	685,322
Other operating income	21,960	17,541
Cost of goods sold	-643,823	-575,904
Personnel expenses	-8,121	-9,337
Depreciation	-5,645	-5,786
Other operating expenses	-123,660	-95,975
Income from participating interests	3,144	4,748
Other interest received and similar income	23	85
Expenses from loss transfers	-8,974	-11,714
Paid interest and similar expenses	-537	-795
Result from ordinary business activities	3,989	8,186
Expenses from loss transfers	-1,382	-2,186
Annual surplus	2,607	5,999
Profit carried forward	15,737	12,724
Balance sheet profit	18,344	18,724

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

IT-Hardware and office equipment

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 €0.4 million in 2015 (2014: €0.5 million) relate mainly to investments to equip the warehouses and offices that we operate. In addition, Delticom invested a total of €0.4 million in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of €178.6 million as of 31.12.2015 were 3.0% over the previous year's €173.4 million.

Non-current assets	<p>On the assets side of the balance sheet, long-term assets decreased from € 67.8 million to € 62.0 million. The 8.6% reduction is almost exclusively attributable to depreciation and amortization.</p>
Inventories	<p>Inventories amounted to € 10.7 million in the reporting period (2014: € 7.6 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 2014.</p>
Receivables	<p>The largest item within short-term assets comprise receivables due from associated companies in an amount of € 76.9 million (2014: € 61.9 million). Receivables against Pnebo GmbH amount to € 56.5 million, and comprise the largest item within receivables. Trade receivables of € 9.9 million are 2.9% lower than the previous year (2014: € 10.2 million).</p> <p>Within other assets of € 13.4 million (2014: € 4.0 million), tax refund claims increased by 303.4%, from € 3.0 million to € 12.1 million. This change results chiefly from the increased VAT surplus of the year-end.</p>
Liquidity	<p>Liquid assets recorded a net outflow of € 16.3 million. “Balance sheet liquidity” amounted to € 5.1 million as of 31.12.2015 (2014: € 21.4 million, –76.0%).</p> <p>Overall, total current assets increased by 10.4% from € 105.1 million to € 116.0 million. This change mainly results from an increased tax surplus at year-end.</p>
Deferred tax assets	<p>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 € 0.1 million of tax assets after offsetting with deferred tax liabilities (2014: € 0.2 million).</p>
Provisions and liabilities	<p>On the equity and liabilities side of the balance sheet, provisions and liabilities increased by 4.7% or € 5.5 million to € 121.8 million. Provisions remained with € 3.3 million nearly unchanged (previous year: € 3.5 million).</p> <p>Within the € 118.5 million of current liabilities as of 31.12.2015, € 70.8 million, equivalent to 39.6% of total equity and liabilities, was attributable to trade payables. Compared with the previous year’s € 68.0 million this amount only increased slightly.</p> <p>Among other current liabilities of € 7.5 million (previous year: € 10.4 million), € 3.3 million are attributable to prepayments received from customers (previous year: € 4.7 million), and € 0.3 million are attributable to customer credits (previous year: € 2.4 million). In addition, this item includes foreign tax liabilities of € 3.1 million (2014: € 3.0 million).</p>
Liabilities due to banks	<p>The reduced liabilities due to banks of € 15.1 million (2014: € 19.8 million) include an investment loan of € 0.4 million (2014: € 1.4 million), and € 14.7 million annuity loans with maturities of between 5 and 10 years that have been drawn down.</p>
Equity	<p>On the equity and liabilities side of the balance sheet, equity decreased by € 0.4 million or 0.7% to € 56.7 million (2014: € 57.1 million). The structure of equity and liabilities reflects a year-on-year decrease in the equity ratio from 32.9% to 31.7%.</p>

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	31.12.2015	31.12.2014
Fixed assets	61,975	67,808
Intangible assets	7,110	10,444
Property, plant and equipment	4,743	7,387
Financial assets	50,122	49,977
Shares in affiliated companies	49,730	49,977
Investments using equity method	392	0
Current assets	116,050	105,078
Inventories	10,702	7,608
Accounts receivables	9,858	10,154
Receivables from affiliated companies	76,942	61,889
Other receivables and other assets	13,407	4,019
Cash and cash equivalents	5,141	21,408
Deferred item	402	362
Deferred taxes	148	174
Assets	178,575	173,423

in € thousand	31.12.2015	31.12.2014
Equity	56,704	57,083
Subscribed capital	11,945	11,945
Share premium	26,215	26,215
Retained earnings	200	200
Balance sheet profit	18,344	18,724
Provisions	3,293	3,513
Provisions for taxes	0	40
Other Provisions	3,293	3,473
Liabilities	118,532	112,827
Liabilities to banks	15,142	19,790
Payments received on account of orders	3,260	4,703
Accounts payable	70,769	68,007
Payables to affiliated companies	25,183	14,637
Other liabilities	4,179	5,690
Deferred item	46	0
Shareholders' Equity and Liabilities	178,575	173,423

Significant financial flexibility

Overall statement on the financial and assets position

Delticom's financial position and net assets are healthy. The company continues to enjoy sufficient liquidity (€5.1 million on 31.12.2015; 31.12.2014: €21.4 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.

Acquisition of efood retailing specialists

On February 23, 2016, Delticom AG acquired a 90% interest in Gourmondo Food GmbH, Munich, Germany (“Gourmondo”), and a 100% interest in ES Food GmbH (“ES Food”), Hanover, Germany. Both companies are active in the online food retailing area. Gourmondo and ES Food operate more than 10 domains, including gourmondo.de, gourmondo.nl, alnatura-shop.de, lebensmittel.de and supermarkt.at. Moreover, ES Food operates an advanced, state-of-the-art automated warehousing system.

At the same time, Delticom acquired Ringway GmbH, an 80 percent subsidiary of ES Food that has developed and markets an innovative 3D online shop.

Concurrently with the execution of the acquisition agreement, Delticom AG acquired a shareholder loan granted to Gourmondo Food GmbH, as well as software rights required for the operation of the online eFood shops.

The sellers were Prüfer GmbH, Hanover, Germany, and direct or indirect wholly-owned subsidiaries of Prüfer GmbH.

The purchase price totaled € 30 million and includes the assets of ES Food GmbH worth approximately € 21.4 million, half of which in property, plant and equipment and the other half in intangible assets, the purchase price of approximately € 2 million for 90% of Gourmondo Foods GmbH, as well as a loan of around € 6.6 million granted to Gourmondo Foods GmbH. The purchase price allocation is currently being carried out and will be finalized in the coming weeks.

€ 18.5 million of the total purchase price of € 30 million were paid in cash, € 1.5 million were rendered through assuming the bank borrowings of Gourmondo, and € 10 million rendered through issuing new Delticom shares to one of the sellers, Seguti GmbH (a wholly-owned subsidiary of Prüfer GmbH). The value of the new Delticom shares was calculated on the basis of the three-month weighted average price of the Delticom share up to and including yesterday.

Through this acquisition, the European leader of the online automotive business is reinforcing his logistic competences and is expanding into promising sections of efood.

In connection with the aforementioned transaction, an agreement has been reached between Prüfer GmbH and Binder GmbH, whereby Prüfer GmbH acquired 800,000 of the Delticom shares held by Binder GmbH for an acquisition price of € 25 per share (total acquisition price: € 20 million). Prüfer GmbH reinvested the total € 18.5 million cash that the sellers received from Delticom into Delticom shares, and Prüfer GmbH acquired further Delticom shares worth € 1.5 million.

Prüfer GmbH now holds directly or indirectly 4,308,308 Delticom shares (34.57 % of the share capital), and Binder GmbH holds 2,186,861 Delticom shares (17.55 % of the share capital). The existing pooling arrangement between Prüfer GmbH, Dr. Andreas Prüfer, Binder GmbH and Mr. Rainer Binder remains in place.

Risk and Opportunities Report

As a company that operates internationally, Delticom is exposed to varying types of risk. It is important to detect opportunities at an early stage to gain these benefits. 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 organizational processes that precede actual risk management. This system is tasked to:

- identify material and critical going-concern risks at an early stage,
- analyze 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 summarized below under “risk management” in its broader sense.

Risk assessment

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

Reporting thresholds The company's equity is used as the calculation basis for reporting thresholds. As of 31.12.2015, we differentiated between going-concern risks (€ 20 million), significant risks (€ 2.5 million), and low risks (€ 0.2 million).

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

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

Risk management organization

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 organizational 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 take-over 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 and opportunities**Strategic risks****Misjudgments 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 organization. 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 organization and staff, as well as our partners in Germany and abroad.

The international alignment of our business and the opening up of further geographical areas provide an opportunity to Delticom to further reduce its dependency on developments on individual local markets and to benefit from additional sales and profit potential.

Delticom's business activities are based on the sustained acceptance of the Internet as channel for buying tyres.

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

Sector-specific risks

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

Delticom continuously enlarges its range of products. Moreover, our easily scalable infrastructure with its modular elements allows the speedy implementation of further online shops cut out specifically for various customer groups. In addition, for Delticom as an e-commerce company, there are business opportunities with digital services.

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

Unfavorable 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 over ageing.

In order to prevent over ageing, 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 over ageing. 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.

A permanent process optimization and the increasing automatization of business processes enable Delticom to continuously improve its cost position. To make the best possible use of this opportunity, the company has set up a separate department for process management and acquired a supporting software used to cross-functionally prioritize the tasks ahead.

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 internationalization 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.

In economically difficult times, consumers increasingly search the Internet for favourably priced alternatives. Given the good position of the Delticom shops in the search engines as well as our competitive offers, we see a chance for Delticom to benefit also in the future from a stronger e-commerce trend.

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

As the result of IT-supported business transactions, Delticom has access to sensitive information about customers, partners and suppliers.

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

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

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 behavior 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 cannot identify any individual risks which might jeopardize 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:

Organization

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 occurrences 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 organized centrally. Delticom AG's Group accounting function prepares the consolidated financial statements according to International Financial Reporting Standards (IFRS). For this purpose, we have set up Group guidelines for the following topics:

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

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

IT-supported work processes

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

Outlook

While expert opinion assumes marginal sales growth in the European tyre replacement business in 2015, initial estimates by the sectoral associations report that consumer demand for car replacement tyres in the German tyre trade was even lower than in the already weak year of 2014.

Forecast report

Full-year guidance revised in the further course of 2015

At the beginning of fiscal 2015, considerable uncertainty still prevailed concerning the price trend in the European replacement tyre business over the course of the year. In our full-year guidance in March, we factored in this situation and formulated our target of raising sales compared with 2014. Assuming a deflationary price environment, we nevertheless assumed that lifting sales would not necessarily result in increased revenues. In terms of our full-year revenues in 2015, we set the prior-year figure as our absolute minimum (2014: €501.7 million). In terms of earnings before interest, taxes, depreciation and amortization (EBITDA), achieving the level posted in 2014 was our minimum goal (2014: €15.3 million).

H1

Although weather conditions proved changeable at the beginning of the year, we generated revenues of €111.3 million in the first quarter, representing growth of 18.1%. Following revenue growth of 5.3% in the second quarter (Q2 15: €138.8 million, Q2 14: €131.8 million), revenues had climbed to €250.2 million by mid-year, up 10.7% compared with the previous year (H1 14: €226.1 million). EBITDA posted €6.6 million at the end of the first six months (H1 14: €6.2 million, +6.4%). Despite growth achieved in revenues and EBITDA at the end of the first six months, we retained our full-year guidance upon release of the half-yearly figures since the fourth quarter plays a very important role in terms of revenues and profitability for the entire year. Following a downturn in the summer tyre business in Germany, we considered it possible that, given another mild winter, prices in tyre trading could come under additional pressure in the second half of the year.

Q3

On the back of revenues of €104.0 million in the third quarter (Q3 14: €88.1 million, +18.1%), Group revenues had risen by 12.7% at the end of the first nine months against the comparison period. Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at €8.6 million at the end of the first nine months (9M 14: €8.0 million, +7.3%).

Guidance adjusted in November

Cold temperatures and the first snowfall in parts of Germany prompted many drivers to switch to winter tyres at the start of October. Based on further revenue growth in October, November saw us raise our full-year guidance for revenues. In our planning, we anticipated revenues of between €530 million and €540 million. The mild temperatures at the start of November caused continued uncertainty as to how business would develop at this time. At the beginning of November, we assumed that repeating the revenues achieved in 2014 might not be possible in the remaining weeks of the year.

Management affirmed its full-year guidance for earnings before interest, taxes, depreciation and amortization (EBITDA). As before, we targeted the prior-year EBITDA of € 15.3 million as a minimum.

Revenues guidance exceeded

A renewed onset of winter at the end of November triggered an increase in demand for winter tyres. In December as well, the flow of new orders slowed less strongly than we anticipated given the unusually mild weather conditions. As a result, revenues generated in 2015 as a whole came in at € 559.8 million, thereby exceeding the upper range of € 540 million in revenue guidance.

EBITDA

With full-year EBITDA of € 14.3 million, we only just missed our target of € 15.3 million. This outcome was attributable to non-recurrent personnel expenses in the fourth quarter in the context of former Board member Sascha Jürgensen leaving the company, as well as severance payments made to other former company employees.

Tirendo

For Tirendo we have assumed in our forecast at the beginning of it, due to the restructuring measures taken to reach the breakeven point during the course of the financial year, 2015. This goal we have reached the end of the previous financial year.

Future sector-specific development

Although the International Monetary Fund (IMF) reduced its economic forecast slightly at the beginning of the year, the global economy is still expected to grow moderately in 2016. According to experts, weaker development in the emerging and developing economies, lower oil prices and increased interest rates in the USA represent growing risks for the world economy.

While the beginning of the year saw a significant improvement in consumer sentiment in the Eurozone economies, which have been plagued by crises, the monetary union still faces a number of unsolved challenges. Along with the refugee crisis and the threat of a Brexit, the decline in oil prices is increasingly seen as a source of concern. Experts argue that continuing low inflation in the monetary union could have a greater negative effect on the European economy in the coming months.

Consumers in Germany continue to display confidence, thanks to the strong labour market situation. Private consumption will continue to provide significant support for the domestic economy in the current year. However, decreasing demand from emerging economies is a growing cause for concern in the export-driven German economy.

There is a high level of uncertainty at the moment regarding market and price development in the current year. Following a slight growth in sales in the European replacement tyre business in 2015, we expect to see a similar development in 2016.

Low temperatures across Europe mean that the summer tyre business has not been able to profit from an early start. Sale prices are currently down year on year. Price development in the coming weeks will largely be determined by the progress of the summer season.

Experts expect raw material prices to increase in the second half of the year. It remains to be seen the extent to which those predictions will be fulfilled. It is not possible to make reliable statements regarding price developments in the winter tyre business this early in the year.

No structural tyre shortages expected

We expected 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

The German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e.V.) has not published any estimates regarding the current year. Following a further decrease in sales figures in the financial year just ended, the hopes of the tyre trade again rest on increased demand in the current year.

2016 forecast

Positive customer acquisition trend

The market share of online retailers remains relatively low in the tyre trade, at 10-15% depending on the country. However, many drivers in Europe check tyre prices online before making a purchase. As market leader, we will benefit from this trend in the current financial year. We target additional consumer groups through our various shops. In our 2016 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 2016 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 expected to increase in the business with tyres and accessories

It is very difficult to predict price developments in the European replacement tyre business at this early stage in the year. Our aim is to achieve a further year-on-year increase in sales in 2016 and to continue extending the company's leading position in the market. We expect revenues from tyres and automobile accessories to increase to approximately € 600 million in the current financial year. Given the cost savings in the areas of personnel, marketing and logistics, we believe that a full-year EBITDA target of € 18 million is achievable if business performance is positive. In terms of the operating result, we are aiming to increase earnings before interest and taxes (EBIT) from € 5.6 million in financial year 2015 to € 13 million. This improvement is due to the fall in depreciation from PPA in the context of the Tirendo acquisition and the lack of special depreciation of property, plant and equipment.

Food

In the new E-Food division, we expect to generate revenues of between € 20 million and € 30 million, EBITDA of € –2 million and EBIT of € –5 million. As the purchase price allocation has yet to be finalised, the amount of depreciation from PPA can only be roughly estimated at the current time.

Inventories	For 2016, 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 utilization 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 2015, these investments as a share of revenues will be low in 2016. 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	As was the case in 2015, due to the threat of negative interest on demand deposits, we will engage in active liquidity management at the end of the current financial year to ensure that our accounts do not contain excessive liquid assets at the reporting date.
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 45 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.

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2015 at €20.90.

Stock markets 2015

2015 stock market

The German Equity market developed stable in 2015 despite the challenging environment. The DAX started the year at 9,764.73 points. The DAX reached its high of 12,374.73 points on 10.04.2015. On 24.09.2015 it marked a low at 9,427.64 points. It closed the year at 10,743.01 points, an overall rise of 978.28 points or 10%.

Development of the Delticom share (DEX)

Benchmarks

We use the Dow Jones STOXX Total Market Index General Retailers (DJSGR) as a benchmark for DEX. The DJSGR contains leading European non-food general retailers.

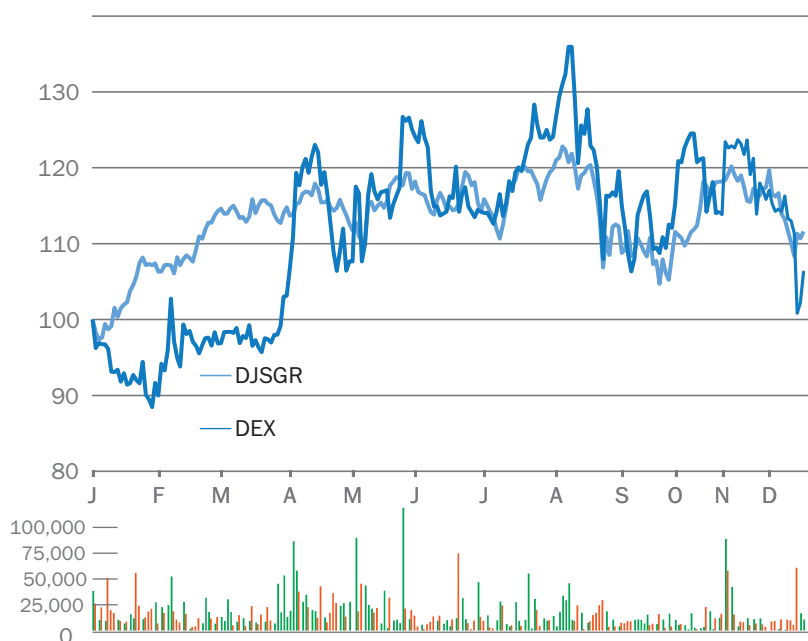
As customary, we use the performance index which takes dividend payments into account for DJSGR. When comparing the performance of DEX to the benchmark we therefore take the dividend for 2014 into consideration, amounting €0.25 per share as decided on the Annual General Meeting on 05.05.2015. The chart Share performance shows the performance of DEX and DJSGR since the beginning of 2015 over the course of the year.

DEX performance

After beginning the year at €18.61, DEX reached an annual low on 29.01.2015 at €16.46. The shares' annual high was recorded on 07.08.2015 at €25.00. DEX closed the year on €20.81. In the course of 2015 the market capitalization of DEX increased from €226.0 million to €248.6 million.

Share performance 2015

indexed, traded volume in shares (XETRA)



Index membership

Indices

Indices 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 € 0.28 (2014: € 0.24). Diluted earnings per share are € 0.28 (previous year: € 0.24).

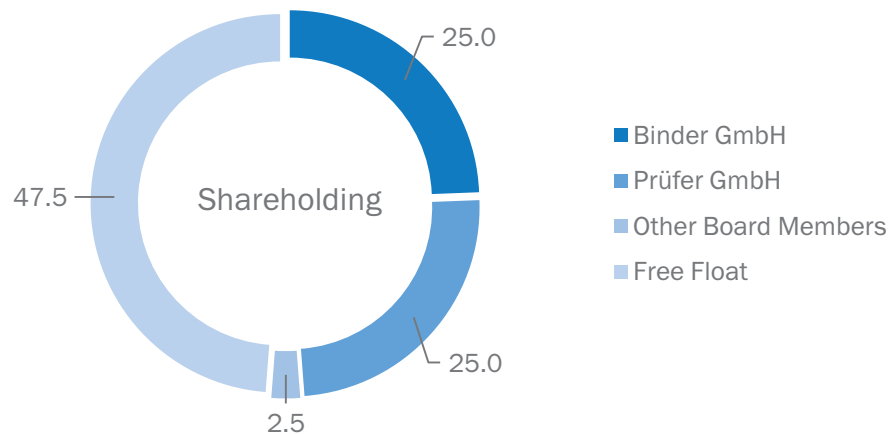
At Delticom's Annual General Meeting on 03.05.2016, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share – an increase of 100.0% compared to the dividend for financial year 2014 of € 0.25 per share.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2015.

Shareholder structure

Shareholding in % of the 11,945,250 shares outstanding, as of 31.12.2015



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2015, 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 6 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)
- Andreas Riemann, Commerzbank (Hold)
- Christoph Schlienkamp, Bankhaus Lampe (Hold)
- Christian Schwenkenbecher, Hauck & Aufhäuser (Sell)
- Marc-René Tonn, Warburg (Hold)
- Timo Buss, 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 Munich. Furthermore, we had many one-on-one talks with investors.

The Internet is an important part of financial communications. On www.delti.com/Investor_Relations/index_en.html we offer annual 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

		01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Number of shares	shares	11,945,250	11,945,250
Share price on first trading day ¹	€	18.61	30.98
Share price on last trading day of the period ¹	€	20.81	18.92
Share performance ¹	%	+11.9	-38.9
Share price high/low ¹	€	25.00 / 16.46	38.41 / 14.55
Market capitalisation ²	€ million	248.6	226.0
Average trading volume per day (XETRA)	shares	9,748	21,574
EPS (undiluted)	€	0.28	0.24
EPS (diluted)	€	0.28	0.24
Equity per share	€	4.29	4.21

(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.

On 01.03.2016, the subscribed capital increased due to registration of the implementation of an increase in share capital by partially utilizing the authorized capital I / 2011 to € 518,081 to € 12,463,331.

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 behavior 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) Authorized 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 5,919,720 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. After partial use of this authorization – the increase of the capital registered in the Commercial Register on 01.03.2016 – is still in amount of €5,401,639.

b) Contingent Capitals

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 totaling €5,300,000.00 according to the details of the terms and conditions for the convertible bonds or bonds with warrants.

This authorization may be exercised in whole or in part. In some instances, the Management Board is authorized, 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 authorizations to repurchase and reutilize treasury shares

By resolution of the Annual General Meeting of 11.05.2010, the company was authorized to acquire its own shares representing up to 10% of its share capital existing when the resolution was passed. This authorization was valid until 10.05.2015 and was repealed by resolution of the Annual General Meeting of 05.05.2015 to the extent that it had not yet been exercised.

By resolution of the Annual General Meeting of 05.05.2015, a new authorization was issued for this. It authorized the company to acquire its own shares representing up to 10% of its share capital existing when the resolution was passed or, if that amount is lower, of its share capital existing at the time of the exercise of the authorization. The authorization is valid until 04.05.2020. The authorization can be exercised in its entirety or in partial amounts, on one or several occasions and for one or several purposes by the company, by its affiliated undertakings or for its or their account by third parties. The acquisition is effected at the Management Board's option through the stock exchange or by means of a public offer addressed to all shareholders.

The price per share (without ancillary acquisition costs) paid for a stock exchange acquisition must not exceed or fall short of the average closing price on the three trading days preceding the date of the commitment to acquire the shares ("reference days") by more than 10%. The "closing price" is in respect of each trading day the closing price determined in the closing auction or, if such a closing price is not determined on the trading day concerned, the last price for the share of the company determined in continuous trading. The relevant price for all three reference days is the closing price determined in XETRA trading (or a comparable successor system) at the Frankfurt Stock Exchange or in floor trading at a German stock exchange or the last price determined in continuous trading which is based on the greatest trading volume in the ten trading days prior to the first of the three reference days.

If the acquisition is effected through a public purchase offer, the purchase price being offered per share (without ancillary acquisition costs) must not exceed or fall short of the average closing prices (as defined above) on the three trading days prior to the reference date. The “reference date” is the day of the publication of the decision of the company to make a public offer or, in case the offer is amended with respect to the purchase price, the day of the final decision of the Management Board on the amendment of the offer.

The purchase offer may be subject to conditions. If more shares are offered to the company for a repurchase than the total number offered by the company to the shareholders for the repurchase of shares, shares will be acquired by the company in the proportion of the shares being offered. Smaller numbers up to 100 shares offered per shareholder may be accepted preferentially.

The Management Board is authorized to use the own shares of the company that are acquired for all purposes allowed by law. More specifically, the Management Board may redeem the shares, transfer them in exchange for non-cash contributions, transfer them to fulfill conversion or warrant obligations under convertible bonds or bonds with warrants or in the course of the fulfillment of conversion obligations under convertible bonds, and under certain conditions also to sell them in other ways than through the stock exchange.

- No. 8 No significant agreements exist with the company which are subject to the condition of a change of control in consequence of a takeover bid.
- No. 9 Compensation agreements with the members of the Management Board or with employees in case of a takeover bid: No such agreements have been concluded by the company.

Consolidated Financial Statements of Delticom AG

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Consolidated Income Statement

in € thousand	01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Revenues	559,792	501,701
Other operating income	13,843	12,072
Total operating income	573,635	513,773
Cost of goods sold	–427,567	–378,853
Gross profit	146,068	134,919
Personnel expenses	–9,453	–15,599
Depreciation of intangible assets and property, plant and equipment	–8,685	–8,255
Other operating expenses	–122,336	–104,031
Earnings before interest and taxes (EBIT)	5,595	7,034
Financial expenses	–430	–801
Financial income	22	34
Net financial result	–408	–766
Earnings before taxes (EBT)	5,187	6,268
Income taxes	–1,822	–3,411
Consolidated net income	3,365	2,857
Thereof allocable to:		
Non-controlling interests	9	–44
Shareholders of Delticom AG	3,356	2,901
Earnings per share (basic)	0.28	0.24
Earnings per share (diluted)	0.28	0.24

Statement of Recognised Income and Expenses

in € thousand	01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Consolidated Net Income	3,365	2,857
Changes in the financial year recorded directly in equity		
Income and expense that will be reclassified to the statement of income at a later date		
Changes in currency translation	435	296
Net Investment Hedge Reserve		
Changes in current value recorded directly in equity	–13	–25
Deferred taxes relating to Net Investment Hedge Reserve	4	8
Other comprehensive income for the period	426	279
Total comprehensive income for the period	3,791	3,136
Attributable to non-controlling interests	195	–95
Attributable to shareholders of the parent	3,596	3,231

Consolidated Balance Sheet

Assets

in € thousand	31.12.2015	31.12.2014
Non-current assets	52,010	58,135
Intangible assets	43,607	47,949
Property, plant and equipment	6,474	8,978
Financial assets	425	25
Investments using equity method	392	0
Other financial assets	33	25
Deferred taxes	992	705
Other receivables	511	478
Current assets	107,963	105,872
Inventories	61,845	56,151
Accounts receivables	18,576	14,489
Other current assets	13,517	4,707
Income tax receivables	2,541	549
Cash and cash equivalents	11,484	29,975
Assets	159,974	164,007

Shareholders' Equity and Liabilities

in € thousand	31.12.2015	31.12.2014
Equity	51,270	50,293
Equity attributable to Delticom AG shareholders	49,915	49,305
Subscribed capital	11,945	11,945
Share premium	25,372	25,372
Other components of equity	554	128
Retained earnings	200	200
Net retained profits	11,844	11,659
Non-controlling interests	1,355	988
Liabilities	108,703	113,715
Non-current liabilities	12,080	16,651
Long-term borrowings	10,938	15,367
Non-current provisions	368	351
Deferred tax liabilities	775	933
Current liabilities	96,623	97,064
Provisions for taxes	1,323	845
Other current provisions	992	1,521
Accounts payable	78,200	75,920
Short-term borrowings	4,204	4,424
Other current liabilities	11,904	14,354
Shareholders' equity and liabilities	159,974	164,007

Consolidated Cash Flow Statement

in € thousand	01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Earnings before interest and taxes (EBIT)	5,595	7,034
Depreciation of intangible assets and property, plant and equipment	8,685	8,255
Changes in other provisions	–34	–226
Net gain on the disposal of assets	–93	29
Changes in inventories	–5,693	16,690
Changes in receivables and other assets not allocated to investing or financing activity	–12,534	4,642
Changes in payables and other liabilities not allocated to investing or financing activity	–429	1,631
Interest received	22	34
Interest paid	–430	–873
Income tax paid	–3,782	–563
Cash flow from operating activities	–8,693	36,655
Proceeds from the disposal of property, plant and equipment	69	44
Payments for investments in property, plant and equipment	–957	–676
Proceeds from the disposal of intangible assets	0	0
Payments for investments in intangible assets	–1,310	–993
Payments for investments in financial assets	–400	–10
Payments for the acquisition of consolidated subsidiaries (less acquired cash and cash equivalents)	0	0
Cash flow from investing activities	–2,598	–1,634
Dividends paid by Delticom AG	–2,986	–5,930
Payments from additions to capital	0	1,215
Capital transactions with non-controlling interests	0	732
Cash inflow of financial liabilities	0	10,000
Cash outflow of financial liabilities	–4,649	–22,907
Cash flow from financing activities	–7,635	–16,890
Changes in cash and cash equivalents due to currency translation	435	296
Cash and cash equivalents at the start of the period	29,975	11,323
Changes in cash and cash equivalents	–18,491	18,427
Changes in consolidation scope	0	225
Cash and cash equivalents – end of period	11,484	29,975

For information only: Net-Liquidity

in € thousand	01.01.2015– 31.12.2015	01.01.2014– 31.12.2014
Liquidity – start of period	29,927	11,500
Changes in cash and cash equivalents	–18,491	18,427
Liquidity – end of period	11,436	29,927
Net Cash – start of period	10,137	–21,197
Changes in cash and cash equivalents	–18,491	18,427
Changes in financial liabilities	4,649	12,907
Net Cash – end of period	–3,705	10,137
Net cash refer to short term financial liabilities:		
Net Cash – start of period	25,326	–10,337
Changes in cash and cash equivalents	–18,491	18,427
Changes in short term financial liabilities	220	17,236
Net Cash – end of period	7,055	25,326
Net cash refer to long term financial liabilities:		
Net Cash – start of period	14,383	285
Changes in cash and cash equivalents	–18,491	18,427
Changes in long term financial liabilities	4,429	–4,329
Net Cash – end of period	321	14,383

Statement of Changes In Shareholders' Equity

in € thousand	Sub- scribed capital	Share premium	Reserve from currency translation	Net invest- ment Hedge Reserve	Retained earnings	Net retained profits	Net Total	Non-con- trolling in- terests	Total equity
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
as of 1 January 2015	11,945	25,372	115	13	200	11,659	49,304	988	50,292
Shares of capital increase	0						0	217	217
Capital increase of issue new shares		0					0	-45	-45
Dividends paid						-2,986	-2,986	0	-2,986
Net income						3,356	3,356	9	3,365
Other comprehensive income			435	-9		-186	240	186	426
Total comprehensive income			435	-9		3,170	3,596	195	3,791
as of 31 December 2015	11,945	25,372	550	5	200	11,843	49,915	1,355	51,270

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 accessories over 245 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt – a wellknown brand in the German speaking Internet community. The group offers its product range in 45 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 dropship 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 11.03.2016. 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 2015 were prepared according to the accounting standards No. 1606/2002 prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognized in income. The requirements of the standards and interpretations (SIC / IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

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

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

Standard/interpretation	Mandatory application	EU commissions use on 31.12.2015	Impact
Annual improvements to IFRS (period 2011–2013) ²	2015	yes	none
IFRIC 21 Fees	2015	yes	no major impact

Standards issued but not yet effective:

Standard/interpretation	Mandatory application	EU commissions use on 31.12.2015	Impact
Annual improvements to IFRS (period 2010–2012) ²	01.01.16	yes	Notes
Annual improvements to IFRS (period 2012–2014) ²	01.01.16	yes	none
IAS 1 Disclosure Initiative	01.01.16	yes	none
IAS16/IAS 38 Intangible Assets – “Clarification of acceptable depreciation methods”	01.01.16	yes	none
IAS 16/IAS 41 Agriculture: Fruit-bearing plants	01.01.16	yes	none
IAS 19 Employee Benefits – “Changes in defined benefit plans: Employee contributions”	01.01.16	yes	none
IFRS 9 Financial instruments	01.01.18	none	no major impact
IFRS 10, IFRS 12/IAS 28 Investment companies: Application 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	changed	none	none
IFRS 11 Accounting for acquisitions of shares about combined business operations	01.01.16	none	none

IAS 12	Changes-recognition of deferred taxes on unrealized losses	01.01.18	none	not fore-seeable
IFRS 15	Revenues from contracts with customers	01.01.18	none	no major impact
IFRS 16	Fees	01.01.19	none	no major impact

IFRS 9 – Published in July 2014 IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new model of expected credit losses to calculate the impairment of financial assets, as well as the new general accounting rules for hedging transactions. It also takes on the guidelines for the recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for the first reporting period of January 1 in 2018 or thereafter financial year starting, with early application permitted.

IFRS 15 – establishes a comprehensive framework for determining, are recognized whether, to what extent and at what time revenues. Further regulates the accounting of contract costs. It replaces existing guidelines for the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for the first reporting period of January 1 in 2018 or thereafter financial year starting, with early application permitted.

IFRS 16 – regulates the accounting for leases and associated contractual rights and obligations. The previously required by IAS 17 distinction between finance and operating leases no longer be required for the lessee. IFRS 16 is effective on January 1, 2019 a beginning on or after the fiscal year, with early application permitted, provided IFRS 15 is also applied.

The reaction takes place no later than the first time mandatory application. The effects of IFRS 9, IFRS 15 and IFRS 16 are still being analyzed. According to current findings, we expect the adoption of IFRS 9 and IFRS 15 no significant impact on the sales and earnings figures. IFRS 16 in particular, EBITDA will increase because certain leasing expenses in future be reflected in the depreciation and net interest income.

For the other new standards is expected, with the exception of new or modified notes at the initial application with no material impact on the consolidated financial statements.

Group of consolidated companies

The consolidated group comprises Delticom AG as the parent company of seven domestic and seven foreign subsidiaries that were fully consolidated in the consolidated financial statements.

The number of consolidated companies has increased during the reporting period by the following additions due to start-ups since 01.01.2015:

- Price Genie LLC (USA)
- Giga Tyres LLC USA)
- Tireseasy LLC (USA)
- Delti-Vorrat-1 (Germany)
- Giga GmbH (Germany)
- TyresNET GmbH (Germany)
- Delticom South Africa (South Africa)

The following companies were sold in fiscal year 2015 and deconsolidated:

- Tyrepac Pte. Ltd., Singapura
- Hong Kong Tyrepac Ltd. Hong Kong
- Guangzhou Tyrepac Trading Ltd., Guangzhou (China)

In addition, Delticom holds a stake of 49% in OOO Delticom Russia (Moscow, Russia), which was nearly established in 2015. This company was included in the group of consolidated company using the equity method. Summarized financial information are not presented for reason of immateriality.

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 according to IAS 39:

- OOO Delticom Shina, Moscow (Russia)
- Tirendo France SAS, Paris (France)
- Tirendo Netherlands B.V., The Hague (Netherlands)
- Tirendo AT GmbH, Vienna (Austria)
- Tirendo Switzerland GmbH, Zug (Switzerland)
- Tirendo Poland Sp.z.o.o., Warsaw (Poland)

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. Deliveries and services within the Group were realized on standard market terms. 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 recognizable 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 in 2015 following the acquisition of the Tirendo Group in 2013.

In 2016, Delticom acquired ES Food GmbH and Gourmondo GmbH. Further information regarding this topic can be found in the section "Significant events after the reporting date"

Segment reporting

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 245 shops (previous year: 191) in 45 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 recognized in income.

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

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

Country	Mid-rate on 31.12.2015 1 € =	Weighted yearly average rate 1 € =
UK	0.7350 GBP	0.7264 GBP
USA	1.0907 USD	1.0892 USD
Romania	4.5229 RON	4.4458 RON
Russia	80.4168 RUB	79.9458 RUB
South Africa	16.9831 ZAR	16.9435 ZAR

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 realizing future tax relief. The assumptions on which the respective estimates are based are discussed for the individual items of the income statement and balance sheet. Actual values may vary in individual cases from the assumptions and estimates made. Any such deviations are recognized in income when they come to light.

Accounting and valuation principles

Accounting treatment of acquisitions

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

Goodwill

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

For the determination of the recoverable amount Delticom takes the fair value less costs to sell as a basis. 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. Plausible assumptions about future trends have been made for the subsequent years. All planning assumptions are adapted to reflect current status of knowledge.

Management believes that the assumptions used to calculate the recoverable amount – especially with regard to economic influences, margins and revenues growth – are appropriate. The input factors used are derived from market data (level 2 of the fair value hierarchy). Changes in these assumptions could lead to an impairment loss that would negatively affect net assets, the financial position and results of operations.

After the restructuring of Tirendo, the operational business, all strategic decisions and the control of Tirendo are fully in the hands of the Delticom management. Central processes which existed previously were fully integrated in the processes of Delticom. 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.

A discount rate of 7.68% and a growth rate discount of 1% are applied to measure acquire goodwill.

Intangible assets acquired for a fee are capitalized 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 recognized as expenses when these are incurred.

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

	Useful life years
Internet-Domains	20
EDV-Software	3–5
Customer relationship	5
Trademarks	5
Sales or similar rights	2

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

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

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

	Useful life in years
Leasehold improvements	12–33
Machinery	4–14
Equipment	3–15
Office fittings	3–15

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

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

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognized over the term of the lease using the annuity method. Delticom did not enter into any such leases in 2015.

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 recognized. 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 amortized cost using the effective interest method.

Realized and non-realized gains and losses from changes to the fair value of assets in the category *fair value through profit or loss* are recognized in income in the period in which they arise. Non-realized 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 capitalized as costs.

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

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

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

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

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

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realized or the deferred tax liability is expected to be paid. Deferred taxes for German companies are measured at a tax rate of 31.90 % (previous year: 31.12 %).

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 15.8 % (previous year: 15.3 %) 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 recognizable 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 amortized 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 recognized 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 recognized 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 realized when the customer takes economic ownership, the latter does have to coincide with transfer of legal ownerships. Deliveries of trading goods where a return is likely (judged on the basis of past experience) are not recognized in income.

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

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

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

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

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 optimize its capitalization, 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 01.01.2015 to 31.12.2015:

in € thousand	EU countries	USA and others	Total
Revenue	434,376	125,416	559,792

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

(2) Other operating income

in € thousand	2015	2014
Income from exchange rate differences	3,582	2,599
Insurance compensation	30	31
Book gains from the disposal of assets	69	13
Other	10,162	9,428
Total	13,843	12,072

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 €427.6 million (previous year: €378.9 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2015	2014
Wages and salaries	8,309	13,789
Social security contributions	1,119	1,769
Expenses for pensions and other benefits	24	42
Total	9,453	15,599

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, €518 thousand (previous year: €880 thousand) are recognized under personnel expenses when due.

In 2015, Delticom had an average of 129 employees (previous year: 247 employees). The decrease arises from the restructuring process within the Delticom Group.

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

in € thousand	2015	2014
Intangible assets	5,664	5,872
Property, plant and equipment	3,021	2,383
Total	8,685	8,255

Delticom closed one warehouse at the end of the current fiscal year. In this context an impairment of €950 thousand occurred in the reporting period for the sorter and packing machines used so far at this location.

No further extraordinary amortization or depreciation was required from applying impairment tests (IAS 36).

(6) Other operating expenses

in € thousand	2015	2014
Transportation costs	54,126	44,622
Warehousing costs	5,502	4,656
Credit card fees	5,020	4,257
Bad debt losses and one-off loan provisions	1,354	2,134
Marketing costs	27,231	24,203
Operations centre costs	7,555	6,051
Rents and overheads	7,244	7,137
Financial and legal costs	4,051	3,715
IT and telecommunications	2,386	1,637
Expenses from exchange rate differences	4,092	2,387
Other	3,773	3,233
Total	122,336	104,031

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

7) Financial result

in € thousand	2015	2014
Financial expenses	430	801
Financial income	22	34
Total	-408	-766

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

(8) Income taxes

The income taxes recognized in income result from:

in € thousand	Germany	Abroad	2015 Total	Germany	Abroad	2014 Total
Current income taxes	2,074	135	2,209	2,802	116	2,918
Deferred income taxes	-369	-19	-388	460	33	493
Total	1,706	116	1,822	3,262	149	3,411
thereof out-of-period	0	1	1	-14	1	-13

In the year under review, income taxes of € -3 thousand (previous year: € -6 thousand) were carried directly under equity.

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

in € thousand	Deferred tax assets	2015 Deferred tax liabilities	Deferred tax assets	2014 Deferred tax liabilities
Loss carryforwards	604	0	493	0
Intangible assets	40	171	26	480
Property, plant and equipment	16	60	12	64
Inventories	8	111	0	144
Receivables	0	12	0	12
Other assets	0	18	0	15
Long term Provisions	1	0	0	0
Short Term Provisions	135	0	99	0
Liabilities	52	415	9	323
Other equity and liabilities	259	111	277	106
Total	1,115	898	916	1,144
Balancing	-123	-123	-211	-211
Value on the balance sheet	992	775	705	933

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

in € thousand	2015	2014
Profit before income taxes	5,186	6,268
Delticom AG income tax rate	31.90%	31.12%
Expected tax expense	1,654	1,951
Differences from anticipated income tax expense		
Adjustment to different tax rate	1	70
Non-deductible operating expenses	166	351
Non-period ongoing taxation	1	-18
Effect from tax loss carry forwards	0	1,049
Other tax effects	0	8
Total adjustments	168	1,460
Actual tax expense	1,822	3,411

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 fiscal year 2014. Under this agreement, the tax loss carryforwards of Tirendo Holding GmbH as of 31.12.2014, cannot be offset against profit during the term of the PLTA. Deferred tax assets as of 31.12.2014, formed on the basis of these tax loss carryforwards, have been eliminated through profit and loss in the income statement in the previous year.

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 totaled €0.28 (previous year: €0.24). The diluted earnings per share totaled €0.28 (previous year: €0.24).

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of €3,365,072.95 (previous year: €2,857,280.93) by the 11,945,250 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,917,119 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 totaling €2,857,280.93 and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totaling 11,945,250 shares.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relationships	Trademarks	Internally generated software
Acquisition costs				
as of 01 January 2015	35,338	615	8,223	356
Additions from business combinations	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2015	35,338	615	8,223	356
Accumulated depreciation				
as of 01 January 2015	0	159	2,126	10
Additions	0	123	1,647	145
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2015	0	282	3,773	155
Residual carrying amounts as of 31 December 2015	35,338	333	4,461	202

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 01 January 2015	6,539	1,273	4,278	56,623
Additions from business combinations	0	0	0	0
Additions	0	0	1,310	1,310
Disposals	0	-1	0	0
Reclassifications	0	0	0	0
as of 31 December 2015	6,539	1,272	5,588	57,933
Accumulated depreciation				
as of 01 January 2015	4,142	539	1,699	8,674
Additions	2,344	68	1,337	5,664
Disposals	0	0	0	0
Reclassifications	0	-4	-8	-12
as of 31 December 2015	6,486	603	3,027	14,326
Residual carrying amounts as of 31 December 2015	53	666	2,561	43,607

in € thousand	Goodwill	Customer Relationships	Trademarks	Internally generated software
Acquisition costs				
as of 01 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	8,223	356
Accumulated depreciation				
as of 01 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	6,098	346

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 01 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	1,273	4,268	56,625
Accumulated depreciation				
as of 01 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	734	2,566	47,949

(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 01 January 2015	1,183	5,818	13,386	0	20,388
Additions from business combinations	0	0	0	0	0
Additions	0	300	657	0	957
Disposals	0	-297	-313	0	-610
Reclassifications	0	0	0	0	0
as of 31 December 2015	1,183	5,821	13,730	0	20,735
Accumulated depreciation					
as of 01 January 2015	172	1,939	9,298	0	11,408
Additions	24	1,271	1,726	0	3,021
Disposals	0	0	0	0	0
Reclassifications	0	0	0	0	0
Foreign currency translation	8	-3	-28	0	-23
as of 31 December 2015	204	3,207	10,849	0	14,260
Amortised cost as of 31 December 2015	979	2,614	2,882	0	6,475

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 01 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 01 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	11,409
Amortised cost as of 31 December 2014	1,011	3,880	4,089	0	8,979

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

(12) Deferred taxes

Deferred tax assets amounting to € 528 thousand (previous year: € 531 thousand) will be realized after more than 12 months.

(13) Other non-current receivables

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

Current assets

(14) Inventories

in € thousand	2015	2014
Tyres	47,972	47,525
Other accessories	3,137	881
Goods in Transit	10,736	7,745
Total	61,845	56,151

The goods in transit have partially already been resold on the key date. Stored goods totaling 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 2015, € 257,205 thousand of inventories were carried as expenses (previous year: € 278,832 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	2015	2014
Accounts receivable	18,576	14,489
thereof receivables with associated companies and related parties (category: persons in key positions)	2	0
thereof receivables with associated companies and related parties (category: not consolidated subsidiary companies)	0	0

Trade receivables	Carrying amount	Overdue on balance sheet date and not written down	Not written down and overdue since the following periods					Written down
			< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	
as of 31.12.2015	18,756	5,251	4,318	718	208	5	2	2,596
as of 31.12.2014	14,489	7,926	5,941	1,450	528	4	3	2,205

The write-downs for trade receivables were as follows:

in € thousand	2015	2014
Write-downs – balance on January 1	2,205	2,227
Changes in the consolidated companies	0	0
Additions (expenses for write-downs)	1,327	2,074
Reversals	-6	-85
Use of write-downs	-930	-2,011
Write-downs – balance on December 31	2,596	2,205

in € thousand	2015	2014
Expenses for full write-off of receivables	-11	-60
Income from the receipt of written-off receivables	14	16

(16) Other current receivables

in € thousand	2015	2014
Refund claims from taxes	11,645	3,290
Credits with suppliers	862	611
Deferrals	499	442
Other cash and cash equivalents	0	0
Other current receivables	511	365
Total	13,517	4,707

The other current receivables comprise € 57 thousand receivables from derivative financial instruments (previous year: € 48 thousand).

(17) Income tax receivable

The income tax receivables are mainly related 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	2015	2014
Cash	5	3
Bank balances	11,479	29,972
Total	11,484	29,975

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. On 01.03.2016, the subscribed capital increased by € 518,081 to € 12,463,331 through the registration of an increase of the share capital through the partial utilization of the authorized capital I/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 5,919,720 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. Having been partially utilized – the capital increase was entered in the commercial register on 01.03.2016 –, this authorization remains effective in the amount of € 5,401,639.

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 totaling € 5,300,000.00 according to the details of the terms and conditions for the convertible bonds or bonds with warrants.

This authorization may be exercised in whole or in part. In some instances, the Management Board is authorized, 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's assent (respectively the Supervisory Board instead of the Management Board in case 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 warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. The Contingent Capital I/2014 was entered in the commercial register on 11.06.2014.

By resolution of the Annual General Meeting of 11.05.2010, the company was authorized to acquire its own shares representing up to 10% of its share capital existing when the resolution was passed. This authorization was valid until 10.05.2015 and was repealed by resolution of the Annual General Meeting of 05.05.2015 to the extent that it had not yet been exercised.

By resolution of the Annual General Meeting of 05.05.2015, a new authorization was issued for this. It authorized the company to acquire its own shares representing up to 10% of its share capital existing when the resolution was passed or, if that amount is lower, of its share capital existing at the time of the exercise of the authorization. The authorization is valid until 04.05.2020. The authorization can be exercised in its entirety or in partial amounts, on one or several occasions and for one or several purposes by the company, by its affiliated undertakings or for its or their account by third parties. The acquisition is effected at the Management Board's option through the stock exchange or by means of a public offer addressed to all shareholders.

The price per share (without ancillary acquisition costs) paid for a stock exchange acquisition must not exceed or fall short of the average closing price on the three trading days preceding the date of the commitment to acquire the shares ("reference days") by more than 10%. The "closing price" is in respect of each trading day the closing price determined in the closing auction or, if such a closing price is not determined on the trading day concerned, the last price for the share of the company determined in continuous trading. The relevant price for all three reference days is the closing price determined in XETRA trading (or a comparable successor system) at the Frankfurt Stock Exchange or in floor trading at a German stock exchange or the last price determined in continuous trading which is based on the greatest trading volume in the ten trading days prior to the first of the three reference days.

If the acquisition is effected through a public purchase offer, the purchase price being offered per share (without ancillary acquisition costs) must not exceed or fall short of the average closing prices (as defined above) on the three trading days prior to the reference date. The "reference date" is the day of the publication of the decision of the company to make a public offer or, in case the offer is amended with respect to the purchase price, the day of the final decision of the Management Board on the amendment of the offer.

The purchase offer may be subject to conditions. If more shares are offered to the company for a repurchase than the total number offered by the company to the shareholders for the repurchase of shares, shares will be acquired by the company in the proportion of the shares being offered. Smaller numbers up to 100 shares offered per shareholder may be accepted preferentially.

The Management Board is authorized to use the own shares of the company that are acquired for all purposes allowed by law. More specifically, the Management Board may redeem the shares, transfer them in exchange for non-cash contributions, transfer them to fulfill conversion or warrant obligations under convertible bonds or bonds with warrants or in the course of the fulfillment of conversion obligations under convertible bonds, and under certain conditions also to sell them in other ways than through the stock exchange.

(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	€12.33	€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 31.12.2015	0	0	0	0
Exercisable on 31.12.2015	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 2015	€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%

No further stock options exist since Frank Schuhardt exercised the granted stock options in 2014.

(21) Gains and losses recognized directly in equity

The accounting currency translation differences for the subsidiaries Delticom Tyres Ltd., Delticom OE S.R.L., Delticom North America Inc. and its subsidiaries 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) Financial 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	01.01.2015	Taken up	Reversal	Additions	31.12.2015
Provisions for taxes	845	0	0	477	1,323
Other non-current provisions	351	110	0	127	368
Other provisions	1,521	808	48	327	992
Total	2,718	918	48	931	2,683

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 long-term 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 € 247 thousand (previous year: € 480 thousand)

(27) Trade accounts payable

in € thousand	2015	2014
Accounts payable	78,200	75,920
thereof liabilities with associated companies and related parties (category: persons in key positions)	232	24
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:

	Valuation categories acc. to IAS 39	Book Value 31.12.14	Balance sheet valuation according to IAS 39			Fair Value 31.12.14
			amortized cost	Fair value not affecting income	Fair value affecting income	
in € thousand						
Assets						
Cash and cash equivalents	LaR	29,975	29,975			29,975
Accounts receivables	LaR	14,489	14,489			14,489
Other receivables	LaR	1,241	1,241			1,241
Other financial assets						
Available for Sale Financial Assets	AfS	25		25		25
Derivative financial assets						
Derivate not use 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						
Derivate 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 amortized cost (FLAC)		98,329	98,329			98,329
Financial Liabilities Held for Trading (FLHfT)		11			11	11
	Valuation categories acc. to IAS 39	Book Value 31.12.15	Balance sheet valuation according to IAS 39			Fair Value 31.12.15
			amortized cost	Fair value not affecting income	Fair value affecting income	
in € thousand						
Assets						
Cash and cash equivalents	LaR	11,484	11,484			11,484
Accounts receivables	LaR	18,576	18,576			18,576
Other receivables	LaR	1,872	1,872			1,872
Other financial assets						
Available for Sale Financial Assets	AfS	33		33		33
Derivative financial assets						
Derivate not use for hedging (Held for Trading)	FAHfT	57			57	57
Liabilities						
Accounts payable	FLAC	78,200	78,200			78,200
Other current liabilities	FLAC	4,837	4,837			4,837
Other original financial liabilities	FLAC	15,145	15,145			15,145
Derivative financial liabilities						
Derivate not used for hedging (Held for Trading)	FLHfT	104			104	104
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		31,932	31,932			31,932
Available for Sale Financial Assets (AfS)		33		33		33
Financial Assets Held for Trading (FAHfT)		57			57	57
Financial liabilities measured at amortized cost (FLAC)		98,182	98,182			98,182
Financial Liabilities Held for Trading (FLHfT)		104			104	104

Net profits and losses from financial instruments are as follows:

in € thousand	2015	2014
Loans and receivables (LaR)	-1,835	-1,425
Financial Assets and Liabilities Held for Trading (FAHfT + FLHfT)	-11	201
Financial liabilities measured at amortised cost (FLAC)	-1,370	-1,216
thereof interests	-389	-615
Sum	-3,215	-2,440

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 € 425 thousand, in category *assets held for trading* total € 57 thousand and those designated to the category *liabilities held for trading* total € 104 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. As the Group's financial position and the interest terms on which it can borrow have not changed significantly, the carrying amount of financial liabilities approximates their fair value (Level 2 of the fair value hierarchy). Financial instruments to which measurement methods are applied for which the significant inputs do not result from data derived from observable markets (Level 3 of the fair value hierarchy) exist only in the case of non-current financial liabilities.

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 recognized in profit or loss of the loans 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 amortized cost* arise from gains or losses from the disposal or currency translation.

(29) Other current liabilities

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

This balance sheet item also contains € 104 thousand of liabilities arising from derivative financial instruments (previous year: € 11 thousand).

All current liabilities are due within one year.

in € thousand	2015	2014
Sales tax (VAT)	5,213	4,831
Payments received on account of orders	3,769	5,255
Customer credits	835	2,603
Social security contributions	4	9
Income and church tax	39	269
Other current liabilities	2,044	1,387
Total	11,904	14,354

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	2015	2014
Order commitments for goods	8,056	8,006
Other financial commitments	29,202	49,111
Total	37,258	57,117

Delticom rents office premises and parking spaces in Hanover and warehouses for trading goods in 2 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. The agreements for the warehouses run until 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	2015	2014
up to one year	3,951	6,408
2 years to 5 years	12,938	22,635
more than 5 years	7,608	10,864
Total	24,498	39,907

Accounting for derivative financial instruments

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

The remaining maturities of the forward exchange transactions were all less than 6 months on the balance sheet date (previous year: 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 these risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a correspond-

ing 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 31.12.2015)	Result +10% in thousand €	Result –10% in thousand €
CHF	1.0822	–215	215
CZK	27.0283	–19	19
DKK	7.4616	–14	14
GBP	0.7350	–158	142
HRK	7.6514	–14	14
HUF	315.2762	–15	15
LTL	3.4528	–1	1
NOK	9.5991	–16	16
PLN	4.2636	–157	156
RON	4.5229	–13	13
SEK	9.1831	–138	156
SGD	1.5397	–56	56
USD	1.0892	–822	718
Other	n/a	–29	29

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 € 2,110 thousand (previous year: € 1,639 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 consolidation subsidiaries were eliminated during consolidation and are not discussed in these notes.

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

- Binder GmbH (number of shares 2,986,861, 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), Hanover, and for Prüfer GmbH and Seguti GmbH to Andreas Prüfer (Board member), 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	2015	2014
to associated companies and related parties (category: persons in key positions)	2	3
to associated companies and related parties (category: not consolidated subsidiary companies)	0	0

Purchase of goods and services

in € thousand	2015	2014
from associated companies and related parties (category: persons in key positions)	232	321

The item relating to the purchasing of goods and services from key management individuals includes € 38 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.

2015 the **Management Board** had the following members:

- Susann Dörsel-Müller, Peine: Fitting partner, Truck, Specialty
- Philip von Grolman, Hemmingen: Purchasing, Operations, North America
- Sascha Jürgensen, Hanover: DeltiParts, Business Development (until 20.10.2015)
- Andreas Püfer, Hanover, 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

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	106	139	106	139	139	139
Additional compensation	0	0	0	0	0	0
Total	106	139	106	139	139	139
One-year compensation	0	0	0	0	0	0
Multi-year compensation	8	10	7	16	0	500
Components with long-term incentive effect	8	10	7	16	0	500
Total	114	149	113	155	139	639
Pension expense	0	0	0	0	0	0
Total compensation	114	149	113	155	139	639

Philip von Grolman
Purchase / Operations/ North America

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	270	243	270	243	243	243
Additional compensation	0	0	0	0	0	0
Total	270	243	270	243	243	243
One-year compensation	0	0	0	0	0	0
Multi-year compensation	57	70	48	114	0	500
Components with long-term incentive effect	57	70	48	114	0	500
Total	327	313	318	357	243	743
Pension expense	0	0	0	0	0	0
Total compensation	327	313	318	357	243	743

Sascha Jürgensen
DeltiParts / Business Development

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	175	177	175	221	221	221
Additional compensation	4	8	0	2	2	2
Total	179	185	175	223	223	223
One-year compensation	35	0	0	540	540	540
Multi-year compensation	10	13	9	0	0	500
Components with long-term incentive effect	10	13	9	0	0	500
Total	224	198	184	773	763	1,263
Pension expense	0	2	0	1	1	1
Total compensation	227	200	184	774	764	1,264

Thierry Delesalle
Deltiparts/Marketing/Tirendo/Pricing/Business Unit/Distribution

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	0	158	0	158	158	158
Additional compensation	0	0	0	0	0	0
Total	0	158	0	158	158	158
One-year compensation	0	27	0	27	0	27
Multi-year compensation	0	0	0	8	0	500
Components with long-term incentive effect	0	0	0	8	0	527
Total	0	185	0	185	158	685
Pension expense	0	0	0	0	0	0
Total compensation	0	185	0	185	158	685

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

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	475	475	475	475	475	475
Additional compensation	0	0	0	0	0	0
Total	475	475	475	475	475	475
One-year compensation	0	0	0	0	0	0
Multi-year compensation	0	32	97	227	0	750
Components with long-term incentive effect	0	32	97	227	0	750
Total	475	507	572	702	475	1,225
Pension expense	0	0	0	0	0	0
Total compensation	475	507	572	702	475	1,225

Rainer Binder (Exit 31.12.2013)
CEO

In € thousand	Inflows		Donations			
	2014	2015	2014	2015	2015 (Min)	2015(Max)
Fixed compensation	238	0	238	0	0	0
Additional compensation	0	0	0	0	0	0
Total	238	0	238	0	0	0
One-year compensation	0	0	0	0	0	0
Multi-year compensation	114	89	0	0	0	500
Components with long-term incentive effect	114	89	0	0	0	500
Total	352	89	238	0	0	500
Pension expense	0	0	0	0	0	0
Total compensation	352	89	238	0	0	500

The remuneration of the Board shall consist of a performance-related, performance-related component and a component with long-term incentives.

in € thousand	Non-performance based compensation		Performance based compensation		Long term incentive	
	2014	2015	2014	2015	2014	2015
Susann Dörsel Müller	106	139	0	0	7	16
Philip von Grolman	270	243	0	0	48	114
Sascha Jürgensen	175	221	0	0	9	0
Andreas Prüfer	475	475	0	0	97	227
Thierry Delesalle	0	158	0	27	0	8
Total	1,026	1,236	0	27	161	365

Frank Schuhardt was paid in 2014 severance payment of € 700 thousand. In addition, he received in the course of the exercise of stock options (remuneration of long-term incentives) € 1,720 thousand. Rainer Binder received within the multiannual variable remuneration from its former Board activities in 2015 almost € 89 thousand.

With that, short-term benefits for the board management of € 1,263 (2014: € 1,026), compensations of € 584 thousand (previous year: € 700 thousand) as well as other long-term performance-related remuneration of € 365 thousand (2014: € 161 thousand) accrued in 2015. As of 31.12.2015, provisions for long-term benefits of € 325 thousand existed as well as liabilities for severance payments to Sascha Jürgensen of € 584 thousand. The monetary compensation will become effective in 2016.

During fiscal year 2015, 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 2015, remuneration totaled € 35 thousand (previous year: € 35 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 05.05.2015 resolved to pay a dividend in the amount of € 5,929,720.00 from Delticom AG's 2014 net retained profits (€ 0.25 per share, previous year € 0.50 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 € 6,231,665.50 or € 0.50 per share from Delticom AG's net retained profits of € 18,344,480.61, carrying € 12,112,815.11 forward to new account.

Shareholdings

Consolidated subsidiaries:

Name, registered office, country	Fixed capital interest %	
	2015	2014
Delticom Tyres Ltd., Oxford, United Kingdom	100	100
Delticom O.E. S.R.L., Timisoara, Romania	100	100
Delticom South Africa, Durban, South Africa – 100 % subsidiary of Delticom OE S.R.L.	100	0
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	75
Wholesale Tire and Automotive Inc., Benicia, California, USA – 100 % subsidiary of Delticom North America Inc.	100	100
Tyreseasy LLC, Wilmington Delaware, USA – 100 % subsidiary of Delticom North America Inc.	100	0
Price Genie LLC, Benicia, California, USA – 100 % subsidiary of Delticom North America Inc.	100	0
Giga Tyres LLC, Benicia, California, USA – 100 % subsidiary of Delticom North America Inc.	100	0
Pnebo Gesellschaft für Reifengrosshandel und Logistik mbH, Hanover, Germany	100	100
Tirendo Holding GmbH, Berlin, Germany	100	100
Deltiparts GmbH, Hanover, Germany	100	100
Reife tausend1 GmbH, Germany	100	100
Tirendo Deutschland GmbH, Berlin, Germany – 100 % subsidiary of Tirendo Holding GmbH	100	100
TyresNET GmbH, Munich, Germany	90	0
Delti-Vorrat-1 GmbH, Hanover, Germany	100	0
Giga GmbH, Hanover, Germany	100	0

At equity consolidated subsidiaries

Name, registered office, country	Fixed capital interest %		Shareholders' equity in thousand	Earnings from the last year		Record day from the information 2015
	2015	2014		Currency	Currency	
Delticom Russland, Moskau, Russland	49	0	31,487	RUB	0	RUB 31.12.2015

Not consolidated subsidiaries:

Name, registered office, country	Fixed capital interest %		Shareholders' equity in thousand	Currency	Earnings from the last year		Record day from the information
	2015	2014			in thousand	Currency	
OOO Delticom Shina, Moscow, (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 2015 and 2014, the following fees were recorded for the auditor Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Hanover:

in € thousand	2015	2014
Audits of the financial statements	130	110
Other confirmation and valuation services	29	23
Tax consulting services	45	43
Other services	0	0
Total	203	176

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 17.03.2015, 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.

Events after the balance sheet date

On February 23, 2016, Delticom AG acquired a 90% interest in Gourmondo Food GmbH, Munich, Germany ("Gourmondo"), and a 100% interest in ES Food GmbH ("ES Food"), Hannover, Germany. Both companies are active in the online food retailing area. Gourmondo and ES Food operate more than 10 domains, including gourmondo.de, gourmondo.nl, alnatura-shop.de, lebensmittel.de and supermarket.at. Moreover, ES Food operates an advanced, state-of-the-art automated warehousing system.

At the same time, Delticom acquired Ringway GmbH, an 80 percent subsidiary of ES Food that has developed and markets an innovative 3D online shop.

Concurrently with the execution of the acquisition agreement, Delticom AG acquired a shareholder loan granted to Gourmondo Food GmbH, as well as software rights required for the operation of the online eFood shops.

The sellers were Prüfer GmbH, Hannover, Germany, and direct or indirect wholly-owned subsidiaries of Prüfer GmbH.

The purchase price totaled € 30 million and includes the assets of ES Food GmbH worth approximately € 21.4 million, half of which in property, plant and equipment and the other half in intangible assets, the purchase price of approximately € 2 million for 90% of Gourmondo Foods GmbH, as well as a loan of around € 6.6 million granted to Gourmondo Foods GmbH. The purchase price allocation is currently being carried out and will be finalized in the coming weeks.

€ 18.5 million of the total purchase price of € 30 million were paid in cash, € 1.5 million were rendered through assuming the bank borrowings of Gourmondo, and € 10 million rendered through issuing 518,081 new Delticom shares to one of the sellers, Seguti GmbH (a wholly-owned subsidiary of Prüfer GmbH). The value of the new Delticom shares was calculated on the basis of the three-month weighted average price of the Delticom share up to and including 22.02.2016. On 23.02.2016 the Management Board and the Supervisory Board decided to issue new shares against contribution in kind through partial use of authorized capital 2011.

Through this acquisition, the European leader of the online automotive business is reinforcing his logistic competences and is expanding into promising sections of efood.

In connection with the aforementioned transaction, an agreement has been reached between Prüfer GmbH and Binder GmbH, whereby Prüfer GmbH acquired 800,000 of the Delticom shares held by Binder GmbH for an acquisition price of € 25 per share (total acquisition price: € 20 million). Prüfer GmbH reinvested the total € 18.5 million cash that the sellers received from Delticom into Delticom shares, and Prüfer GmbH acquired further Delticom shares worth € 1.5 million.

Prüfer GmbH now holds directly or indirectly 4,308,308 Delticom shares (34.57% of the share capital), and Binder GmbH holds 2,186,861 Delticom shares (17.55% of the share capital). The existing pooling arrangement between Prüfer GmbH, Dr. Andreas Prüfer, Binder GmbH and Mr. Rainer Binder remains in place.

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, 11 March 2016

(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 recognized 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, 2015 to December 31, 2015. 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, 11 March 2016

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer

ppa. Thomas Monecke

Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Group revenues (€m)	559.79	501.70	505.54	456.38	480.01	419.58	311.26	258.98	215.50	173.13	129.23
Group EBITDA (€m)	14.28	15.29	22.18	35.31	55.05	48.91	30.44	16.93	12.60	10.43	5.83
EPS (€/share)	0.28	0.24	0.97	1.87	3.04	2.77	1.71	0.99	0.71	0.66	0.36
Number of outstanding shares (million)	11.95	11.95	11.86	11.85	11.85	11.84	11.84	11.84	11.84	11.84	9.00
Dividend per share (€/share)**	0.50	0.25	0.50	1.90	2.95	2.72	1.70	1.00	0.67	0.40	0.37
Number of employees	129	247	179	144	116	101	87	81	75	62	48
Number of fitting partners (thousand)*	41.9	39.3	36.0	33.3	29.7	25.7	21.9	17.8	13.3	9.1	5.6
Number of shops*	245	163	137	128	126	120	105	100	88	78	72
Number of customers (customer base, thousand)*	9.583	8,319	7,314	6,160	5,310	4,389	3,431	2,626	1,930	1,305	758

* Number at the closing date 31.12

** Dividend per share paid for fiscal year

