



Annual Report 2016

Profile

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

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

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

In 2016, Delticom AG generated sales in excess of € 600 million. The E-Commerce specialist operates in 68 countries with over 380 onlineshops and online distribution platforms, serving over 10 million customers. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models of sedans, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the 43,000 service partners of Delticom AG around the world.

Our range also encompasses over 300,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

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

Highlights 2016

Revenues € **> 600** million

revenues (2015: € 559.8 million)

Consolidated net income

€ **4.5** million.

€ 0.36 earnings per share

Planned dividend of

€ **0.50** per share
(previous year: € 0.50)

More than

1,297,000

new customers

More than

700,000

customers made a repeat purchase with us

Highlights Q1 2017

More than

25 new online shops

in over 15 countries

3 new shop brands:

AutoPink-Shop, Cheesemondo & Coffeemondo

Launch of

Autoreifenonline.de app

More than

145,000

new customers

More than

207,000

customers made a repeat purchase with us

Variety of products

expanded in the area of rims and complete wheels

Key Figures

		01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015	–/+ (%, %p)
Revenues	€ million	606.6	559.8	+8.4
Total income	€ million	627.2	573.6	+9.3
Gross margin ¹	%	23.2	23.6	–0.5
Gross profit ²	€ million	140.5	132.2	+6.2
EBITDA	€ million	15.1	14.3	+5.5
EBITDA-Marge	%	2.5	2.6	–0.1
EBIT	€ million	7.2	5.6	+28.9
EBIT margin	%	1.2	1.0	+0.2
Net income	€ million	4.5	3.4	+32.4
Earnings per share ³	€	0.36	0.28	+27.6
Total assets	€ million	183.3	160.0	+14.6
Inventories	€ million	62.7	61.8	+1.5
Investments ⁴	€ million	33.1	2.7	+1141.4
Equity	€ million	58.5	51.3	+14.0
Equity ratio	%	31.9	32.0	–0.1
Return on equity	%	7.6	6.6	+1.1
Liquidity position ⁵	€ million	6.7	11.0	–39.4
Operating cash flow	€ million	19.7	–8.7	
Free cash flow ⁶	€ million	–3.2	–11.7	

(1) Gross profit ex other operating income in % of revenues

(2) Gross profit ex other operating income

(3) Undiluted

(4) Investments in tangible and intangible assets

(5) Liquidity position = cash and cash equivalents + liquidity reserve

(6) Free cash flow = Operating cash flow – Cashflow from investing activities

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Letter to Our Shareholders

Dear shareholders, colleagues and friends,

We look back on a successful fiscal year. In 2016, we raised our revenues by more than 8 % compared with the year-earlier period and, at € 606.6 million, generated the highest revenue volume in the history of our company. In addition, we raised annual net income to € 4.5 million, reflecting an increase of more than 30 % in a year-on-year comparison. Our earnings before interest, taxes, depreciation and amortization (EBITDA) of € 15.1 million were also higher than in 2015 (€ 14.3 million). However, we did not quite achieve the figures planned at the beginning of 2016 for revenues and EBITDA when we set a revenue range of between € 620 million and € 630 million and a target of € 16 million for EBITDA. This was attributable above all to the mild temperatures in the winter season with the impact on revenues on the one hand and non-recurrent expenses of € 700 thousand on the other hand.

The latter were mainly incurred by legal and consultancy fees in the course of acquiring the efood and logistics companies Gourmondo and DeltiTrade (formerly ES Food) in February of the fiscal year ended and by the acquisition of the material assets of AutoPink in November. The moderate increase in EBITDA in fiscal 2016 also resulted from the negative EBITDA of the newly acquired business lines. If these two factors are excluded, we achieved operating earnings before depreciation and amortization of € 18.7 million from our core business, which represents a significant increase compared with the previous year's figure of € 15.9 million that was adjusted for non-recurrent expenses. This increase in profit is also the result of our cost cutting program introduced in 2015, which bore fruit in the fiscal year ended. The volume-induced cost increases and the aforementioned non-recurrent expenses were therefore partly compensated by reduced marketing and rental expenses.

The business model of your Delticom has delivered renewed proof of its efficacy. We are increasingly successful in leveraging the considerable potential of electronic trade. As one of the leading providers of solutions in the area of E-Commerce, we make an extensive range of products and services at optimised prices available to our customers. Through our entry into the efood business and the associated enhancing of our logistics know-how, also through the acquisition of the material assets of French car dealer AutoPink, we have developed further analog business lines for the world of electronic trading. These new acquisitions mean that we operate in two large markets whose online potential is currently a long way away from being exhausted. With these new businesses, we are striving to evolve from a pure online retailer into a holistic provider of E-Commerce solutions. The full integration of our newly acquired business lines into the Group will be at the forefront of our activities in the near term, the aim being to benefit from further know-how transfer along our entire E-Commerce value chain. We therefore do not have any plans to make significant new acquisitions in the current and the following fiscal year.

Despite the addition of new business lines, the sale of tyres and automotive accessories will remain our core business in the medium term. In the fiscal year elapsed, the hopes of many tyre dealers for a trend reversal were dashed again: Selling tyres to consumers in Germany once again proved to be in decline. While, in its initial estimates, the German Tyre Retailer and Vulcanization Trade Association (BRV) assumes a downturn in the sales volume of 1 % in the most important segment of car tyres, the German Rubber Industry Trade Association (WdK) puts the decrease at almost 3 %.



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

Contrary to this general market trend, we succeeded in raising revenues in our core business. Even though the summer tyre business only picked up momentum after the Easter holidays at the end of March due to the long spell of cold weather, we succeeded in raising our consolidated revenues by 10 % to € 275 million in the first six months of the year under review. In the first half of 2016 we focused on growth in volumes and revenues in order to reinforce our market position in a competitive environment. At € 6.1 million, EBITDA dropped 7.6 % below the figure posted in the first half-year of 2015. The second half of the fiscal year 2016, with the winter tyre business that is essential for revenues and profitability, was determined by warm temperatures through to the end of September. As many motorists were prompted to switch to winter tyres only at this stage when road conditions effectively deteriorate due to the weather, the winter tyre business commenced comparatively late: Business peaked for the season only in mid-November, which is four weeks later than in 2015. In the remaining weeks of the year the winter was unusually mild in many regions. Due to the low price elasticity of consumer demand in the final quarter of fiscal 2016, we decided to redirect our focus on profitability, thereby largely foregoing discount campaigns designed to stimulate consumption. Revenues that came in at € 332 million in the second half of 2016 were 7 % higher than in the previous year. EBITDA was raised by 15.6 % to € 8.9 million in the final six months of 2016.

In terms of the full year, we were not only able to raise our EBITDA compared with 2015, but also earnings before interest and taxes (EBIT) that advanced by 28.9 %: Operating profit came in at € 7.2 million in fiscal year 2016 compared with EBIT of € 5.6 million in 2015, which brings the EBIT margin to 1.2 % in 2016, up from 1.0 % the year before. The significant increase in EBIT results from the lower level of appreciation and amortization compared with 2015.

We raised consolidated profit by 32.4 % to € 4.5 million (previous year: € 3.4 million). As a result, earnings per share climbed from € 0.28 to € 0.36. We reduced our long-term borrowing by repaying € 3.8 million in the fiscal year now ended and increased our current liabilities by only € 8.5 million. The sum total of current and non-current financial liabilities amounted to € 19.9 million as of the reporting date (31.12.2015: € 15.1 million). The comparatively low proportion of 11 % in interest-bearing borrowing in the reporting year is a clear reflection of Delticom's strong internal financing capability, which allows us to enable our shareholders to participate in the company's success in this year as well. The Management Board and the Supervisory Board will therefore be submitting a proposal to the Annual General Meeting of shareholders on 02.05.2017, to pay dividend of € 0.50 per share, unchanged from 2015.

The sale of goods via the Internet as a sales channel generates steady growth rates. Of all people in the world aged over 15 years, 45 % currently have access to the Internet. In Europe and North America, this proportion is significantly higher at 75 % and 78 % respectively. The business model of electronic trading is becoming increasingly important. As a result, many large retail companies are already focusing on the online business: 80 % of the 50 largest online retailers also rank among the world's 250 retailers producing the highest revenues. An estimated 7 % of global retail revenues are already generated online. For the first time, German consumers spent more than € 100 billion online in 2016, which corresponds to more than one fifth of the entire market volume in the domestic retail sector.

These figures suggest that the trend of our business lines in the direction of E-Commerce will continue to hold strong in the current year. Industry experts anticipate that the share of tyres sold online will rise from 13 % at present to between 15 % and 20 % by 2020. Our core business therefore has the potential to grow further. In the market for automotive replacement parts and accessories, the share of online business is currently comparatively low. The latest penetration rate of 5 % offers us further sales potential in this business as well in the coming years. The German used cars market was estimated at just under € 78 billion in 2015. This market has increased at an annual average growth rate of 8 % since 2010. Around 70 % of buyers are already using the Internet today as a source of information, and approximately 35 % have chosen it as a channel in the buying process. With the emergence of increasingly Internet-inclined groups of buyers from digital natives in Germany and the whole of Europe, this trend is likely set to accelerate. In terms of European online trading in food and beverages, market observers anticipate a market volume of € 10 billion in the current fiscal year, which corresponds to an E-Commerce share of around 1 %.

Against the backdrop of this socio-demographic consumer trend and the ability of the Delticom Group to effectively apply its E-Commerce core competences to other business lines, we expect revenues to rise by more than 7 % to € 650 million compared with 2016. We anticipate an EBITDA of at least € 16 million.

Our company is excellently positioned for further growth. Finally, our thanks go out to you as our valued shareholders for the trust you have placed in Delticom. An exciting and profitable future lies ahead of us. We look forward to charting the course together with you.

Hanover, 21 March 2017



Susann Dörssel-Müller

Philip v. 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. Scope and contents of the reports had been defined beforehand. Furthermore, the Supervisory Board took the opportunity to engage the Management Board in lively exchanges of information and ideas. As in the years before we also had regular telephone calls and meetings with individual members of the Management Board to discuss current events and developments.

In addition, outside of the meetings the members of the Supervisory Board provided consulting to the Management Board. In instances where decisions were needed to be made quickly we took them in circulation procedure. Outside of the meetings on 22.02.2016 and 23.02.2016, all resolutions were unanimously approved during the period under review, with the exception of the acquisition of Gourmondo Food GmbH and ES Food GmbH when Mr. Binder abstained from voting. No member of the Supervisory Board took part in less than half of the Supervisory Board meetings in the fiscal year.

During the reporting period, Mr. Rainer Binder (Chairman), Mr. Michael Thöne-Flöge (Vice Chairman) and Mr. Alan Revie were members of the Supervisory Board. The election of the new Supervisory Board took place as part of the regular Annual General Meeting of Shareholders (AGM) on 03.05.2016. In the constituent meeting of the Supervisory Board immediately following the AGM, Mr. Binder was elected as Chairman of the Supervisory Board and Mr. Michael Thöne-Flöge as Vice Chairman and independent financial expert. The criterion provided for under Section 100 (5) of the German Stock Corporation Act (AktG) concerning the independence of financial experts was deleted effective 17.06.2016. Section 100 (5) of the German Stock Corporation Act now provides for an additional criterion requiring that members of a supervisory board as a whole must be familiar with the sector in which a company operates. In the opinion of its members, this criterion is already also fulfilled by the company's Supervisory Board although the definitive transition regulation is currently not yet mandatorily applicable to the Supervisory Board of Delticom AG.

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

Main topics of Supervisory Board consultation

Important recurrent issues that claimed the attention of the Supervisory Board concerned the company's strategic development and strategy. The main topic involved expanding the business model to include the online food retail business and services in the area of logistics. The opportunities as well as the challenges for the products and business models that this would give rise to were discussed at length.

All in all, consensus was reached that online trading in food is interesting due to the huge size of the market and the great potential for growth.

With the acquisition of 90 % of the shares in Gourmondo Food GmbH and 100 % of the shares in ES Food GmbH, Delticom has taken an important step in this area. Delticom has strengthened its competences in the field of logistics and its activities in the promising area of online food shopping. The Supervisory Board gave its approval for this transaction on 23.02.2016.

Meetings of the Supervisory Board

There were four regular Supervisory Board meetings in 2016. Each of the meetings were attended by all members, partly by means of conference calls. Twelve resolutions were passed by way of written circulation procedure.

At our first ordinary meeting on 15.03.2016 we concerned ourselves with the financial statements and management reports of Delticom AG and the Group for fiscal year 2015, as well as with the appropriation of the balance sheet profit achieved in 2015. A further topic was the annual corporate governance statement and the declaration of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda for the Shareholders' General Meeting on 03.05.2016. In addition, we raised the basis for calculating the variable component of the employment contracts of Ms. Dörsel-Müller and Mr. Delesalle.

In the meeting on 03.05.2016, the Supervisory Board initially elected a chairman and a vice chairman from the ranks of its members following the election of new members by the Annual General Meeting. The Management Board then reported on the Group's development of business and of employment.

In its meeting on 20.09.2016, the Management Board reported on the current performance and financial position of the Group at the end of the second quarter of fiscal 2016. Moreover, as recommended by Code item 5.6 of the German Corporate Governance Code, we carried out an audit of the efficiency of our work based on a catalog of questions. In addition, we gave our approval to the public tender for the external auditor, taking account of the requirements of the changed European Audit Directive 2014/56/EU (AP-RiLi), EU Directive No. 537/2014 (EU-VO) and their domestic implementation regarding the separate and consolidated financial statements for fiscal 2017, and to a minor change in the Management Board's portfolio of responsibilities.

In the last regular meeting on 15.11.2016, the Management Board reported on the course of business. Moreover, we deliberated on the Management Board's medium-term and investment planning for Delticom AG and gave our approval.

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

This concerned the following: redistribution of the Management Board's executive portfolio (25.01.2016), various decisions in connection with the acquisition of the online grocery stores Gourmondo Food GmbH and ES Food GmbH (resolution on 22.02.2016, and two resolutions on 23.02.2016),

founding of Gigatires LLC (25.04.2016), raising the basic remuneration of two members of the Management Board (16.06.2016), the granting of a loan to ES Food GmbH (19.08.2016), measures in the context of a rescissory action against resolutions of the Annual Shareholders' Meeting (12.09.2016), the acquisition of major assets of the online second-hand car dealer AutoPink (11.10.2016), amendments to a transaction agreement concerning the aforementioned acquisition of the online grocery stores (29.11.2016), as well as the introduction of share option plans both for employees of Delticom AG and for the members of the Management Board of Delticom AG, and the invitation to those entitled to subscribe (27.12.2016 and 28.12.2016). The option rights were issued and the exercise price determined following the end of the reporting year.

Corporate Governance

On 15.03.2016, together with the Management Board, we issued a declaration stating that all Delticom's activities are in conformity with Section 161 of the German Corporate Governance Code. The declaration has been made permanently available on the Delticom AG web page (www.delti.com/CG) and will be updated every year after the accounts review meeting of the Supervisory Board, or earlier if the necessity arises.

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

The Supervisory Board reports as follows about conflicts of interest that arose in the 2016 financial year, and how they were handled:

Since, at the same time and contingent on the signing of the purchase agreement with Delticom AG concerning the sale of the online grocery stores Gourmondo Food GmbH and ES Food GmbH by Binder GmbH, whose sole shareholder is Mr. Rainer Binder, Delticom's Supervisory Board Chairman, Prüfer GmbH planned to purchase a significant number of shares in Delticom AG, Mr. Binder abstained from voting on all resolutions pertaining to the acquisition of these companies due to his direct involvement and the associated potential conflict of interest.

Audit of annual and consolidated financial statements

The meeting with the auditor to discuss its audit reports of the financial statements was held on 17.03.2017. The auditor identified no errors, going-concern risks, or infringements against either the law or the articles of incorporation.

In its accounts review meeting on 21.03.2017 the Supervisory Board discussed in detail the documentation relating to the financial statements and the auditor's report for fiscal year 2016. Particular attention was paid to the annual financial statements of Delticom AG (prepared according to the regulations of the HGB – German Commercial Code), and the consolidated financial statements of the Delticom Group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of which had a reporting date of 31.12.2016. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2016 fiscal year as well as the dependent company report. The auditor's reports, the annual financial statements for the AG

and the consolidated financial statements prepared by the Management Board, the dependent company report and the management reports for Delticom AG and for the group as well as the Management Board's proposal for the use of net retained profits, in each case for the 2016 financial year, were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, audited the annual financial statements. There are no concerns regarding the auditor's independence.

In the auditor's opinion, the parent company single-entity annual financial statements and the consolidated financial statements for fiscal year 2016 present a true and fair view of the financial and assets position, results of operations, as well as the cash flows, of both the company and the Group, in accordance with the accounting regulations. The auditor's review of the dependent company report for fiscal year 2016 resulted in no reservations. The auditor has issued an unqualified audit certificate for both areas. The auditor's certificate for the dependent company report contains the following wording: "Following our audit and assessment in accordance with our duties, we confirm that the actual statements made in the report are correct, and that the consideration paid by the company in legal transactions listed in the report was not inappropriately high, or that disbenefits were compensated for."

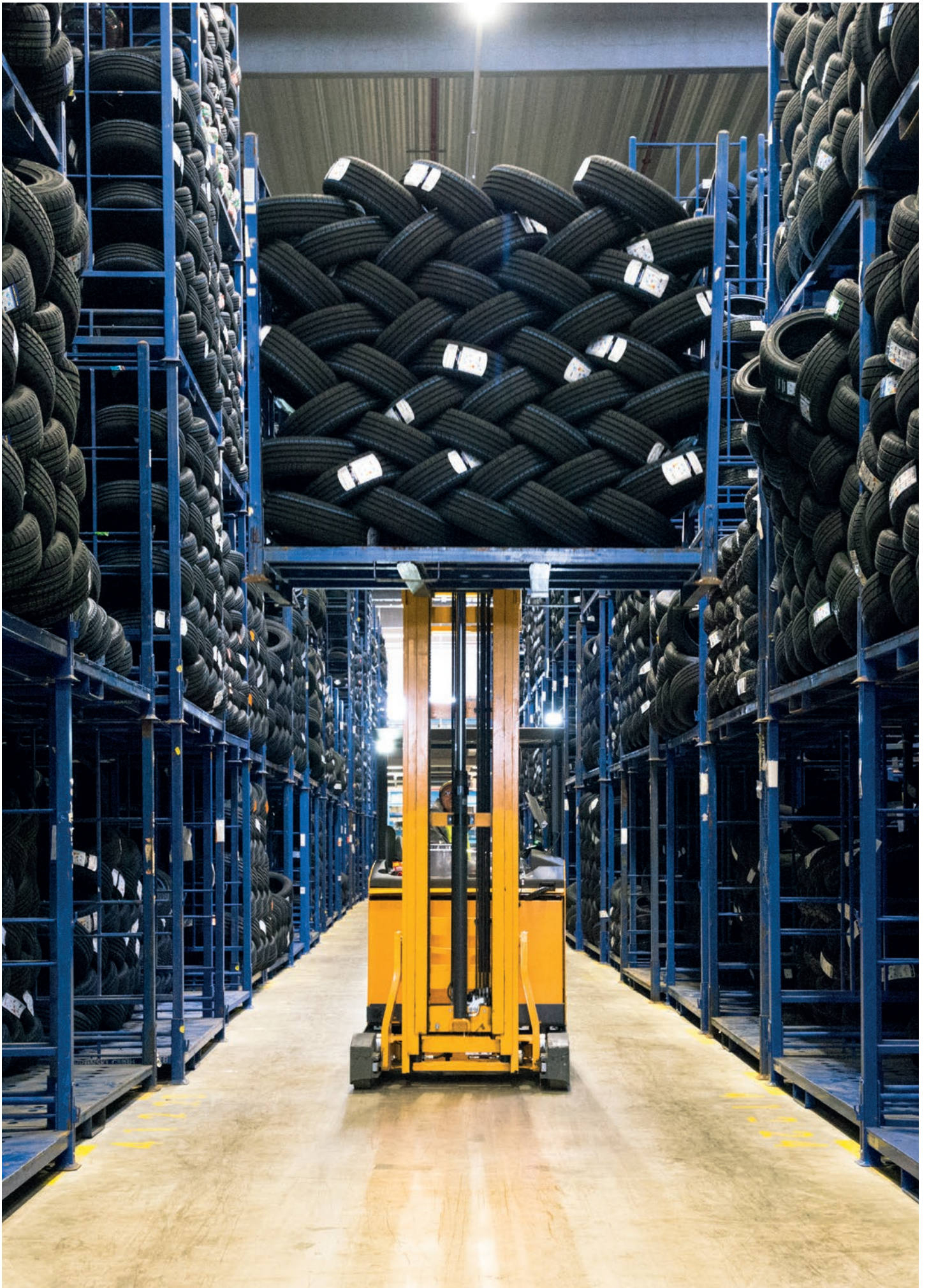
As part of its assessment of the risk management system, the auditor confirmed that the Management Board had implemented the measures required pursuant Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) for identifying risks which could jeopardise the company as a going concern at an early juncture. At the meeting on 21.03.2017 representatives of the auditor were present, to report on key audit results, and to be available to provide supplementary information to the Supervisory Board. Independently of the auditors, the Supervisory Board reviewed the annual financial statements, the consolidated financial statements, the management reports and the dependent company report, in each case for fiscal year 2016. The Supervisory Board followed the views of the auditors fully. With this, the annual financial statements for fiscal year 2016 of Delticom AG have been adopted. The Supervisory Board has followed the Management Board's proposal for the appropriation of the net retained profits of 2016.

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

Hanover, 21 March 2017



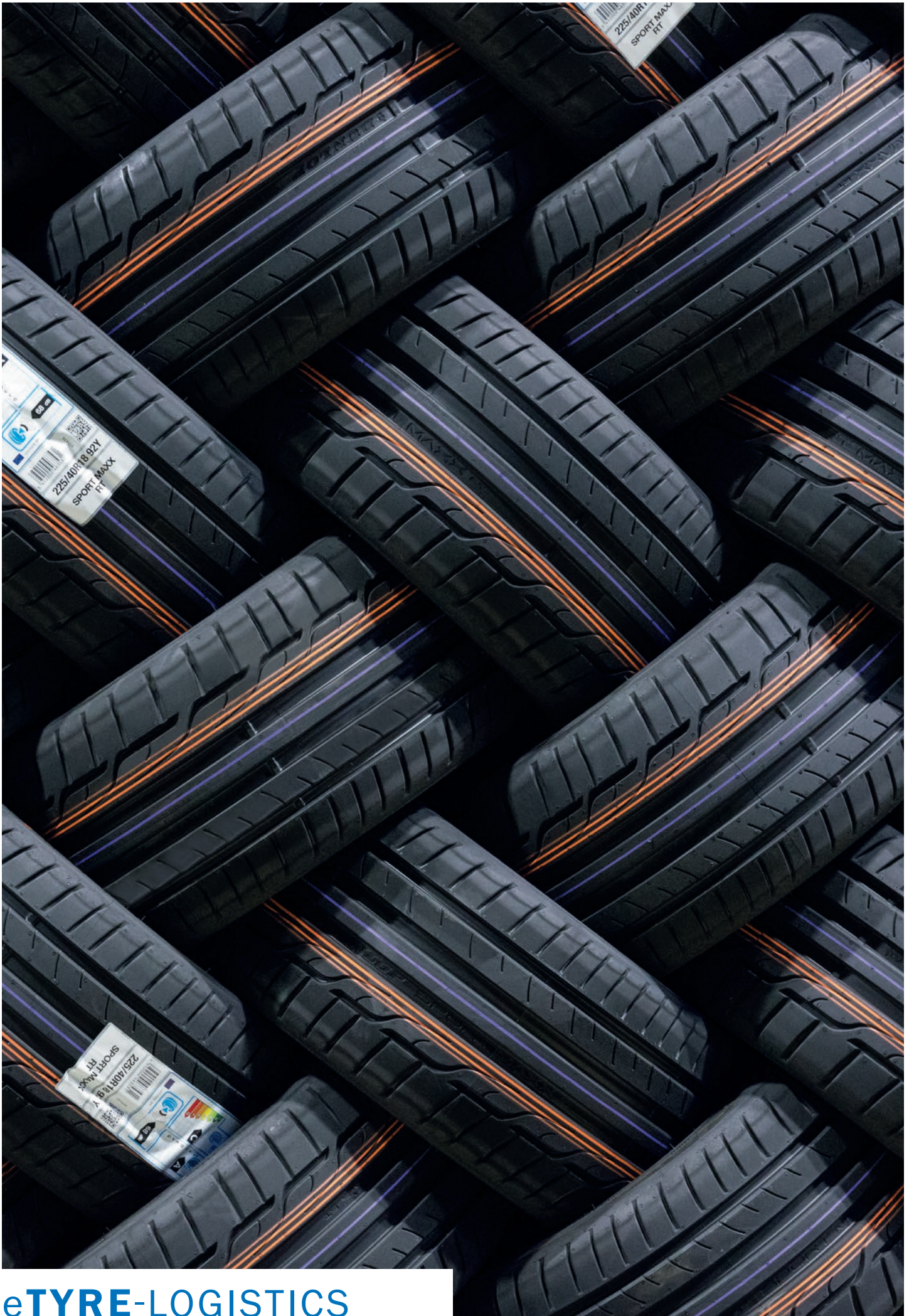
Rainer Binder



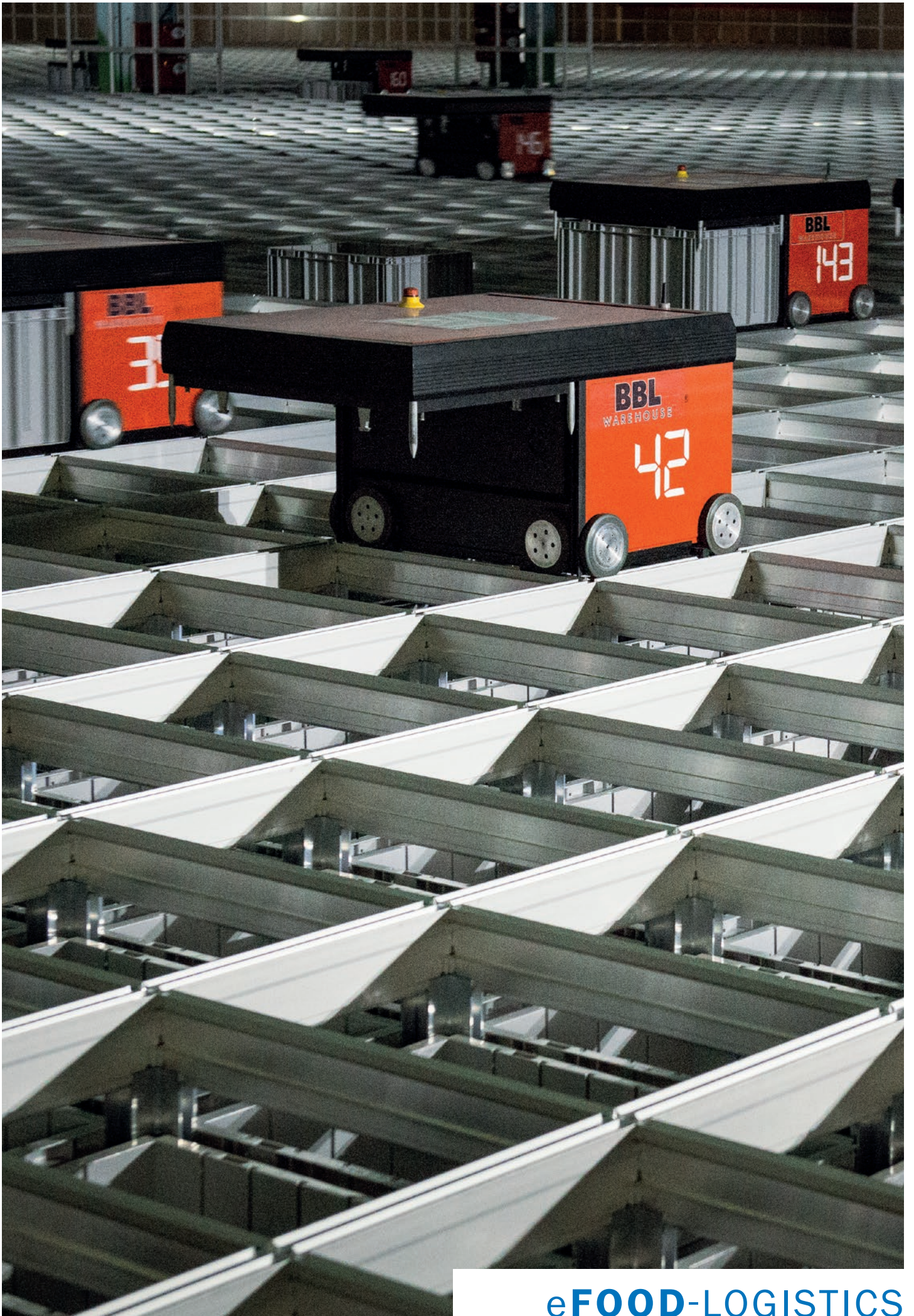
eTYRE-LOGISTICS



e**FOOD**-LOGISTICS



eTYRE-LOGISTICS





eTYRE-LOGISTICS

A close-up photograph of a cardboard box on a conveyor belt in a warehouse. The box is brown and has the word "gourmondo" printed in a bold, black, sans-serif font. To the right of the word, the number "90" is partially visible. The box is moving along a metal track supported by a series of rollers. In the background, there are blue metal shelving units and other boxes, all slightly out of focus.

gourmondo

90

Management-Interview

Delticom strengthens its E-Commerce world and extends its vertical integration

Interview on the takeover of the efood and logistics companies and on Delticom AG's strategic focus

Mrs. Dörsel-Müller, as a member of the Management Board you played a key role in providing support for the acquisition of Gourmondo and ES Food at the start of 2016. Can you tell us how the operations of Europe's largest online retailer for tyres and automotive spare parts and accessories and online food retailing complement one another and how significant synergy potential can be realized through the combination of these two seemingly very different areas of business.

Susann Dörsel-Müller: Delticom AG is an E-Commerce company at heart that, since its founding in 1999, has extended its extensive industrial expertise in the tyre business by developing online shops. These activities have given us in-depth know-how in the field of cross-border online selling, online customer acquisition, Internet marketing and efficient storage and distribution logistics. We have meanwhile achieved a position of market leadership in online tyre trade. Thanks to our comprehensive partner network, we have in addition evolved from a pure online retailer into an end-to-end solutions provider serving specific customer requirements. This means that we combine the digital online world, on the one hand, with the analog off-line world, on the other.

We have gradually extended our core competencies to other product segments: initially to automotive accessories and then to groceries with the focus on gourmet items and, at the end of 2016, to the online used car business line in France. Delticom has considerable expertise in designing efficient and fully integrated system-supported processes, in particular in the case of order and logistics chains. Our extensive E-Commerce expertise has enabled Delticom AG to develop from a start-up into Europe's leading online solutions provider for tyres and automotive accessories with revenues of more than € 600 million.

Once you have reached this kind of leading position in an area, the percentage growth prospects are inevitably more moderate than at the beginning. In the case of Delticom, this is explained not only by the revenue volume achieved, but also by the limited market penetration in the online tyre business estimated today at around 13 % for the European passenger car tyre market. According to independent analyst forecasts, this market penetration rate will amount to between 15 and 20 % in the medium term. In order to ensure further strong participation in the general trend toward E-Commerce, it is only natural for an ambitious company such as Delticom AG to leverage the expertise it has gained over many years through acquiring further industry know-how.

Thierry Delesalle adds: Although, at first glance, tyres and automotive accessory do not necessarily go together with food, a closer look shows that the processes necessary for success in the online business are the same or at least similar. In both areas, there is considerable potential for synergy effects in the order and logistics chain that we wish to exploit. In acquiring Gourmondo and ES Food (now operating as "DeltiTrade"), we placed emphasis not only on the online food business, but also on the acquired cutting-edge and efficient small item logistics facility. The seller invested considerable amounts in developing the logistics facility that we now own and that can achieve a revenues volume of up to € 100 million a year. At the same time, the know-how of many years has gone into the facility.

This facility is naturally not only used in the grocery business, but also strengthens and improves our logistics competence in the automotive accessories sector. Optimizing efficiency in the area of automotive parts distribution played an important role for us in the context of the acquisition. We are convinced that the small item logistics facility will enable us to take the automotive accessories into a new phase of growth. With a view to vertical integration, we plan to gradually make logistics operations and online solutions available to external parties as well. Along with professional E-Commerce logistics, a combination with marketing know-how would also be feasible. A successful real life example is Al-natura, one of our customers on whose behalf we design and operate the online shop alnatura-shop.de.

In addition we see further interesting synergies between automotive and food. We therefore consider the online marketing competencies that Delticom AG has developed in the context of the tyre retail business and can now integrate into food retail as very promising. Delticom AG has years of experience in international shop building. Along with the design, providing product descriptions as well as extensive customer service in the language of the respective country form part of this expertise. We know precisely how cross-border E-Commerce works and can therefore efficiently establish new shops within the EU and outside it.

In the takeover of the operations of AutoPink in November last year, considerations similar to those applied to the market entry into the efood business played a key role. At the same time, this acquisition represented a logical consequence in terms of expanding the value chain. It naturally rounds off the Automotive sector in which we successfully operate through the tyre business with an established pan-European partner network, the automotive spare parts business, as well as efficient logistics competence.

With regard to the online used car trade, there is also significant synergy potential arising from our core business. The extension to further business lines therefore makes sense. Along with tyres, automotive accessories, used car trade and food, there may well be further add-ons to the online product range. There are, however, no plans to do this at present.

Some shareholders and journalists expressed concern about the acquisition of the online retail business because the seller was also a member of the buyers Management Board as well as being one of the largest shareholders of Delticom AG. Do you see why?

Michael Thöne-Flöge (Supervisory Board member): Yes, of course, I quite see that related party business gives rise to questions in the first instance. Please rest assured that we were aware of this fact from the start of the transaction. We therefore approached the individual processes of the transaction with the greatest caution beyond the scope of what is required. Over and above the statutory requirements and good corporate governance, we had expert opinions prepared and took special care that the person in question did not have a say nor were they present in the essential decision rounds. Let me put it like this: the entire transaction process was handled at arm's length as an acquisition by an external third party would be.

In addition, we examined the companies acquired and their assets in detail and conducted a full due diligence. We also dealt intensively with the strategy and valuation of the two companies and consulted

external consultants from a firm with a leading global reputation. Ernst & Young, one of the “big four” accounting firms, undertook an independent valuation in connection with an extensive fairness opinion.

The seller was of course not involved in the negotiations on the buyer’s side nor in the decision making process either - strict segregation was practiced. Tough price negotiations were also conducted. Ultimately the total purchase price of € 30 million was invested in Delticom shares, with an amount of € 10 million financed through new Delticom shares from a capital increase. When the new shares were issued, an impairment test was naturally carried out on the non-cash contribution by Ebner Stolz, an audit firm mandated by the court. The remaining amount of € 20 million was mainly paid in cash. The investment of virtually the entire cash purchase price in Delticom shares was one of several non-negotiable conditions that Delticom placed on the seller. Mr Prüfer even went beyond what was contractually required by acquiring Delticom shares for € 20 million.

Not realizing the acquisition only due to the relationship of the seller with the company would have meant not taking full advantage of business potential. Accordingly, it was and is the right decision for Delticom AG. Incidentally, this is one of the reasons why transactions with related parties may be executed. I can confirm that right up until the deal was actually signed it wasn’t clear whether the transaction would take place at all.

Why did the public only find out about the transaction on February 23, 2016, which meant that Delticom made full use of the time permitted by legal regulations ? All the parties involved knew about it anyway.

Michael Thöne-Flöge: As already mentioned, we applied above-average thoroughness to this transaction. In addition, right up until publication, there was no assurance that the purchase contract would actually be signed. Even before the first strategic considerations, we ensured from a legal standpoint that Mr. Prüfer as a member of the Management Board of Delticom AG did not conduct any negotiations on behalf of the company in the context of the transaction. As from this date, Mr. Prüfer exclusively represented the interests of the seller – he was consistently excluded from all internal deliberations and meetings on the buyer side. Extensive due diligence and a careful assessment of the companies to be taken over were carried out.

Upon finalization of the requisite documents and the final negotiations with the seller, the purchase agreement was signed on February 23, 2016, and the necessary capital increase approved by the Management Board and the Supervisory Board of Delticom AG. This constituted the legal preconditions for the acquisition. Directly after the contract was signed and the requisite legal provisions, the transaction was communicated to the public. Going public before the purchase agreement had been signed would have been premature.

Where do you see Delticom in ten years?

Thierry Delesalle: As already described, Delticom AG will now be applying the know-how it has in E-Commerce to the companies acquired in 2016. For historical reasons, the company is still perceived today as an online tyre retailer. In essence, the business of online tyre trading is still the mainstay of revenues. With the new product groups, we have begun to counteract the seasonal fluctuations in the

tyre business. We see swifter growth rates in the medium to long term in efood in particular compared with the online tyre business where Delticom has meanwhile attained market leadership in Europe. To put it another way: We will be striving to achieve the best possible growth rates with our most important product of tyres in the future as well. At the same time, however, the share in the revenues of other products, such as spare parts, used cars and food, will raise our overall revenues.

The prospects for online business remain unfailingly positive. This is particularly applicable to markets that are still in the development phase, examples being the food or used car businesses. Online food retailing currently accounts for a mere 1 % of the entire food market in Germany that is worth more than € 170 billion. In other European countries, such as France or the UK, the online share is already significantly higher at 4 to 5 %. Steady development is therefore also anticipated for Germany. Not least, large retail corporations are aspiring to online food shipment and contribute to consumers' general acceptance of this sales channel.

With the acquisition of Gourmondo Food GmbH and DeltiTrade GmbH, Delticom AG is already well positioned with its own cutting-edge logistics facility in this market with its promising outlook. According to expert analysis, the efood market volume will be greater than that of e-automotive by 2020.

Delticom AG will not be repositioning itself in the future but will instead be applying its know-how to other business lines: Delticom is an E-Commerce specialist with an integrated online sales and delivery process chain, including efficient logistics, with in-depth industry expertise in various areas of business. The aim is to offer a comprehensive solution for specific customer requirements through combining our core competences in E-Commerce, flanked by the steady development of our industry know-how and our partner network in all our business lines. This puts clear blue water between us and the competition.

At the same time, we will work on continuously improving our integrated process chain, as in previous years. The E-Commerce world of Delticom, with the numerous web platforms that set to increase, will become even more diverse.

Growth will always be the focal point, along with raising profitability through leveraging the synergies released from the individual business lines, thereby sustainably enhancing the company's value.

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, Delticom is Europe's leading E-Commerce company of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics. The Delticom group operates 387 onlineshops and online distribution platforms in 68 countries.

Organisation

Delticom group is a highly efficient company with an average of 156 employees. We are supported by partners in the warehouses and transportation logistics. Manual routine work is passed to operation centres. The highly automated business processes form a company-wide, scalable value chain. Partnering with other companies allows us to fulfil the overall needs of our customers.

Legal Structure

The following section lists the subsidiaries that are fully consolidated in the consolidated financial statements as of 31.12.2016:

- DeltiCar SAS, Paris (France)
- Delticom North America Inc., Benicia (California, USA)
- Delticom OE S.R.L., Timisoara (Romania)
- Delticom SA, Durban (South Africa)
- Deltiparts GmbH, Hanover (Germany)
- Delti-Vorrat-1 GmbH, Hanover (Germany)
- DeltiTrade Ltd., Oxford (United Kingdom) (formerly: Delticom Tyres Ltd.)
- DeltiTrade GmbH, Hanover (Germany) (formerly: ES Food GmbH)
- Extor GmbH, Hanover (Germany)
- Giga GmbH, Hamburg (Germany)
- Gigatires LLC, Benicia (California, USA)
- Gourmondo Food GmbH, Munich (Germany)
- MobileMech GmbH, Hanover (Germany) (formerly: Reife tausend1 GmbH)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Price Genie LLC, Benicia (California, USA)

- Ringway GmbH, Hanover (Germany)
- Tireseasy LLC, Benicia (California, USA)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Tirendo Holding GmbH, Berlin (Germany)
- Toroleo Tyres GmbH, Gadebusch (Germany)
- Toroleo Tyres TT GmbH & Co.KG, Gadebusch (Germany)
- TyresNet GmbH, Munich (Germany)
- Wholesale Tire and Automotive Inc., Benicia (California, USA)

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 at least 20 percent. The proportion of women is to be zero percent (Supervisory Board) and at least 20 percent (Management Board) also as per 30.06.2017.

External factors influencing the course of business

Business expansion

During the reporting period, Delticom was able to complete its automotive product range with the acquisition of the material assets of AutoPink, a French online used-car dealership. In addition, the company has also been operating the online shops for Gourmondo, an online retailer of high-quality food products, since last year. With the acquisition of all shares in DeltiTrade GmbH (formerly ES Food GmbH), Delticom has been able to complement its competence in high efficiency E-Commerce logistics. Owing to the high proportion of online tyre retailing in the Group's revenues, the key factors of influence for the car tyre replacement business in particular are described in the following.

Increasing Internet penetration

The growing importance of the Internet as a sales channel is the key factor of our business success. According to the "Global B2C E-commerce Report 2016", it is estimated that 7 % of global retail sales in 2015 were achieved online. 45 % of the world's population above the age of 15 already have access to the Internet. In Europe and North America this rate is much higher at 75 % and 78 % respectively. The demographic shift means that increasing numbers of Internet-savvy consumers can be reached.

Vehicle stock, mileage, replacement cycle

Due to the high share of online tyre revenues Delticom group is not fully independent of the tyre market's underlying volume growth. Currently there are more than 249 million cars on Europe's roads and highways. The average age of this vehicle stock is around 10 years. Approximately 63 % of these cars are less than 10 years old. Today, vehicles are ever more durable and longer lasting. As a result, even in case of declines in new car registrations, the number of vehicles being driven will continue to increase in years to come.

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

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

Price and mix

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

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

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

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

Weather-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 characterised by two peak periods – the purchase of summer tyres in spring and winter tyres in early winter.

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

The third quarter is a transitional quarter between the summer and winter business, with sales volumes somewhat weaker than in the 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 group is often able to at least partially compensate for weaker sales in some countries with growth in other markets. Extending its range of products and services will lead to a reduction in seasonality in the medium-term.

Regulatory effects

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

EU tyre labelling

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

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

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

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

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

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

Tyre Pressure Monitoring System (TPMS) A tyre pressure monitoring system (TPMS) is a system designed to monitor air pressure inside pneumatic tyres on vehicles. Since 01.11.2012, all new type-approved cars and camper vans that are sold within the EU must be equipped with a TPMS. Since 01.11.2014, all cars and camper vans with initial registrations must also have a TPMS. The aim of this EU regulation is to increase motoring safety, prevent excessive fuel consumption due to sub-optimal 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.

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

Hazard Analysis and
Critical Control Points
concept (HACCP)

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

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

Competitive position

Low barriers to entry

With barriers to entry being low, Delticom competes with many smaller, regionally specialised online dealers. E-Commerce now constitutes a 3 % share of Europe's overall gross domestic product. In the medium term, competition will become tougher, as the Internet as a sales channel is gaining momentum.

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

First mover

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

Cross-border

Many E-Commerce companies find the challenges of transnational business very daunting. Many activities play a decisive role in its success, such as adapting website design to local demands, describing products and providing customer service in the local language, processing payments in foreign currencies, offering the correct range of common and secure methods of payment as well as dealing with transnational shipping, customs regulations and local tax laws. Delticom group has many years of experience in transnational online trade and currently distributes its products in 68 countries.

Streamlined value chain Because we focus on online trading, we have no need for physical sales outlets with labour-intensive on-site service. Delticom maintains a tightly-knit network of more than 43,000 professional fitting partners who stand ready to change our customers' tyres on request.

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

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

Market environment

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

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

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

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

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

Online tyre dealing

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

However, the share of tyre sales made online is still relatively low. Experts estimate that online tyre sales have accounted for nearly 13 % of European sales to end customers in 2016.

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

Additionally, Delticom has a unique network of over 43,000 service partners that take customer requirements in terms of tyre changes into full consideration.

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

Online replacement parts

Experts value the annual volume of the European replacement parts market at over € 100 billion. Nevertheless, at under 5 % Internet penetration, this is considerably lower than for the tyre trade. Delticom has been distributing selected automotive replacement parts and accessories in the online shops for many years. With the acquisition of the small parts warehouse in the last financial year, we have been able to further optimise the replacement parts logistics processes and improve cost efficiency. This will allow us to profit from an increase in the online share in the coming years.

eFood & logistics

The European retail food industry achieves annual sales of approximately € 1 trillion. In 2016, online grocery sales across Europe amounted to around € 9 billion, representing a penetration rate of almost 1 %. Growth rates and market penetration currently vary greatly between the various European countries. Great

Britain currently sits in first place on the EU food rankings with an online retail grocery share of 5 %, closely followed by France with around 4 %. In Germany, the largest single grocery market in Europe, the online share of sales is currently only around 1 %, i.e. small in comparison.

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

Used passenger vehicle market The used car market generates an annual market volume of approximately € 300 billion. Many car buyers have now come to use online sales platforms as an important source of information. In Germany, around 70 % of used car buyers already seek information on Internet portals prior to purchase. According to recent studies, at least one quarter of all car buyers in this country could imagine buying a car for personal use on the Internet if the price represented value for money. This proportion is significantly higher in the case of the younger, Internet-savvy target group.

Important business processes

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

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

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

Customer Capital Since the company's founding more than 10.8 million customers have made purchases in our online shops (previous year: 9.5 million, double counting not excluded). Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances.

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

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

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

Products

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

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

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

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

Used vehicles The used vehicle market is one of the largest markets that has yet to penetrate the Internet as a single comprehensive process. Every year around 28 million used vehicles are sold in Western Europe. As approximately half of all European

used car sales are executed via advertisements - and therefore without dealers - not every vehicle vendor necessarily achieves the best outcome. In France Delticom operates the domains AutoPink.com and Facilicar.com.

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

Business Model

Delticom group sells tyres, automotive accessories, used vehicles and groceries to private and commercial end customers via 387 onlineshops and online distribution platforms. The main focus of our business is online tyre sales. The online tyre shop with the greatest turnover is www.reifendirekt.de. Both ReifenDirekt and Tirendo are well-known brands in the German-speaking E-Commerce space. With the Gourmondo online shops, offering high quality gourmet and organic foods, Delticom is one of the leading online gourmet food retailers in Germany. In France the company operates leading domains for online used vehicle sales for private and commercial customers.

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

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

The group offers its product range in 68 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, focusing mainly on the USA.

Employees

174 employees

On 31.12.2016, the company employed a total of 174 employees (incl. trainees). In the reporting period on average 156 staff members were employed at Delticom (previous year: 129). This calculation is based on the number of employees taking into account the number of hours worked.

Education and training

Delticom offers its staff both personal and professional development opportunities with targeted education and further training programs. Salaries are supplemented

by performance bonuses wherever possible. The company provides an employee pension scheme for its staff members.

We offer training to junior staff both in business and IT areas. A total of 11 young people completed their apprenticeships in our company in the 2016 financial year. A total of 11 trainees were employed as of the end of 2016 (previous year: 7).

Individual responsibility

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

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

IT infrastructure

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

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

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

Compensation System

The Supervisory Board is responsible for determining the structure of the compensation system as well as the compensation of the individual members of the Management Board. The Supervisory Board reviews the appropriateness of the compensation system on a regular basis. In its meeting of 20 March 2012, the Supervisory Board of Delticom decided to adopt a new system for compensation of the members of the Management Board of Delticom AG, one which satisfies the requirements of the Act on the Appropriateness of Management Board

Compensation (VorstAG). The Annual General Meeting on 30.04.2012 approved this new compensation system. The Management Board's remuneration comprises three components:

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

The performance-related components for all the members of the Management Board are based on Delticom group'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 2016.

One of the flexible components with a long-term motivational impact is the issue of rights options to Executive Board members (share options).

Taking the resolution regarding the specifications for the essential characteristics passed at the Ordinary Annual General Meeting of the company held on 29 April 2014 into account, the Supervisory Board of the company has resolved to invite members of the Board of Directors of the company to exercise the right to no par value share options in several tranches. On 5 January 2017, the Supervisory Board of Delticom AG resolved to issue the first tranche of option rights to acquire no par value shares in the company to the members of the board of directors of the company in equal allotments.

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

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

[Corporate Governance Statement](#)

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

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

Management by Objectives

Financial objectives

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

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

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

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

Liquidity

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

Non-financial objectives

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

Customer numbers

The development of the customer numbers exert a significant impact on the company's revenues and earnings. Accordingly, the success and efficiency of marketing measures are closely controlled in our daily business. In 2016 the number of 1,297 thousand new customers was higher than in 2015 (1,264 thousand). In addition, customers who repeatedly come back contribute to the success of the business. In the past year 704 thousand of those customers (2015: 685 thousand) made repeat purchases at Delticom. Since the company was founded more than 10.8 million customers have made purchases in our online shops.

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

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

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

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

Strategy

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

Focus We focus on selling tyres and accessories to European private and business end customers. By continually expanding our range of products and services we are also expanding our core competencies to other spheres of business. This will contribute immensely to the success of the business in the medium term.

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

Optimised sourcing A large part of revenues is generated by the sale of goods from the company's own warehouses (stock-and-ship). Buying in bulk in low season guarantees good purchasing conditions and allows us to deliver tyres to the end customers in high season. Using drop-ship fulfilment, the company also delivers from third party warehouses. Each method of delivery has its own advantages. Therefore we shall continue to use both.

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

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

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

Research and Development

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

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

Test markets As Delticom operates on an international basis, the impact of innovations in the shops (such as different order routes, types of payment and service offers) have first to be assessed in test markets before allowing the changes to be rolled out on a global basis. Additionally, Delticom always enters new geographical markets with a test phase. Only after successful completion of the tests the business is

ramped up in the respective country. We regularly adjust our processing and customer communication to regional specifics.

Report on economic position

General conditions in 2016

The global economy is set to continue on its course of moderate growth for the whole year. One contributing factor is the reduced but slowly improving economic performance of the European Union. Similarly, the economy of the United States has picked up in the second half of 2016. In addition, China is trending toward lower growth albeit still relatively high.

Macroeconomic development

Europe

The Brexit vote, a rise in terror threats in Europe, the failed constitutional referendum in Italy and the continuing refugee crisis presents the community of states with new challenges in 2016. Nevertheless, the euro zone economy demonstrated robust growth in the last financial year. However, development in the individual member states was highly varied as always. The upward trend was underpinned by France and Spain with their slightly improved growth rates thanks to falling unemployment.

Germany

The strongest growth of the German economy in five years, i.e. 1.9 %, was attributable to private consumption last financial year: Low inflation and interest rates, rising wages and a historically favourable labour market resulted in a positive environment for consumption. Government spending for housing and integrating hundreds of thousands of refugees provided further buoyancy to the domestic economy.

Sectoral developments

E-Commerce

E-Commerce as a business model is becoming increasingly important. Germany's E-Commerce and Distance Selling Trade Association (bevh), for instance, reports growth in online trading in the country of 12.5 % to around € 53 billion in fiscal 2016. Along with apparel, customers were also especially keen on buying electronic equipment and telecommunications on line. The to date weaker selling goods segments, such as food and basic consumables, also reported growth.

Replacement tyre business

Experts cannot agree on forecasts for the replacement tyre sales trends for passenger vehicles sold to private end customers. For instance, the German Tyre Retail and Vulcanisation Trade Association (BRV e.V.) has initially predicted a domestic drop in sales of 1 % in the passenger vehicle tyre segment (most important in terms of sales volume), whereas the organisation of the German manufacturers of tyres and technical elastomers products (WdK) is assuming a decline of almost 3 %.

Summer tyre sales

Thanks to ongoing cold temperatures early in the year, the tyre industry was not able to benefit from an early start to the summer tyre business. Many drivers postponed refitting their vehicles until Easter. Despite catching up somewhat in

April, the negative sales trend continued. With respect to the full year, the WdK predicts the commercial sale of passenger vehicle summer tyres to consumers, including all-year tyres, to be 2.9 % below the corresponding period in 2015 in this country.

Winter tyre sales

Continuing warm weather in September prevented an early start to the winter season in 2016. Consequently, according to the WdK, German tyre retailers sold 20 % fewer winter tyres to consumers in September and 15 % fewer in October compared to the corresponding months of the previous year. Despite the catch up affect in November, the WdK is estimating the retail sale of winter tyres to consumers for the full year to be 2.7 % lower than the comparable period in 2015.

Food

Thanks to the eagerness of German consumers, domestic retailers boosted sales in 2016 in comparison to the corresponding period in 2015. In the grocery sector alone, around € 176 billion of sales were registered for the year according to German market researcher GfK, up 2 % compared to the corresponding period in the preceding year.

Business performance and earnings situation

Acquisitions

On 23 February 2016, Delticom AG acquired 90 % of shares in Gourmondo Food GmbH, Munich, Germany ("Gourmondo") and 100 % of shares in ES Food GmbH, Hanover, Germany. ES Food GmbH was renamed into DeltiTrade GmbH ("DeltiTrade") in the course of the current fiscal year. DeltiTrade is primarily a logistics company with an efficient warehousing, order picking and shipping system for small goods. The company also operates the online shop Lebensmittel.de. Gourmondo has been an online provider of gourmet and speciality foodstuffs, wine and other high-quality foods via gourmondo.de since 2002. It also operates Alnatura-shop.de.

Delticom has enhanced its logistics expertise with the acquisition of the two companies and taken an important strategic step to further expand its future market position in European E-Commerce. Delticom is now able to efficiently market small goods and thanks to Gourmondo, also gained new product groups for its E-Commerce business.

In November, Delticom acquired the significant assets of AutoPink, a French online second-hand car dealer, for approximately € 500 thousand. The assets acquired are essentially the two brands AutoPink and Facilicar, together with their corresponding domains, the customer base and the existing IT systems and contracts.

Revenues

Group

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

components and accessories, used cars, premium gourmet and organic food as well as services complete the product offering.

Over the course of 2016, Delticom group generated revenues of € 606.6 million, an increase of 8.4 % from prior-year's € 559.8 million.

Regional split

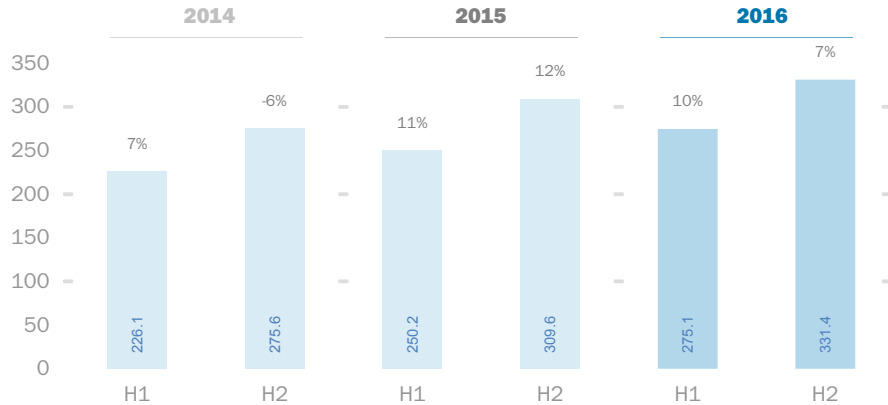
The group offers its product range in 68 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 470.3 million (2015: € 434.4 million, +8.3 %). Operations in Europe are not restricted to EU member states but also include European non-EU countries and the USA. Across all countries outside the EU the revenue contribution for 2016 was € 136.3 million (2015: € 125.4 million, +8.7 %). The company doubled its revenues in the USA in a year-on-year comparison. The increase in revenues in non-EU countries is mainly attributable to the positive development of business in the USA.

Seasonality

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

Revenues trend

semi annual revenues in € million



1st half year

In view of the long period of cold temperatures, the 2016 summer tyre business only picked up momentum after the Easter vacation at the end of March that brought spring temperatures. In the first six months of the fiscal year elapsed, the company generated revenues of € 275.1 million, reflecting an increase of 10.0 % compared with the prior year period (H1 15: € 250.2 million).

2nd half year

Summer temperatures still prevailed in many parts of Europe at the end of the third quarter. Along with 2006, September 2016 was the warmest September month in Germany since nationwide weather records began in 1881. Through upfront marketing expenses and offers for early buyers, Delticom succeeded in drawing greater attention to its online shops in Q3 16 and, despite unusually

mild weather, in prompting some motorists to purchase new winter tyres at an early stage. With the advent of colder temperatures and more difficult driving conditions, many motorists realized the necessity of purchasing new winter tyres from October onward. Mid-November, four weeks later than in the preceding year, saw the winter tyre business peak for the season. In the remaining weeks of the year the winter was mild in many regions. The company managed sales in its online shops during the second half of the year in accordance with its shipments and results planning for the 2016 financial year. Revenues came in at € 331.5 million in the second half of the year, up 7.1 % year on year (H2 15: € 309.6 million).

Key expense positions

Cost of goods sold	The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold goods. Group COGS increased by 9.0 % from € 427.6 million in 2015 to € 466.1 million in 2016. Compared with the prior-year period, the ratio of cost of goods sold to revenues increased slightly from 76.4 % to 76.8 %.
Personnel expenses	On 31.12.2016, the group had a total of 174 employees (including trainees). In the reporting period on average 156 staff members were employed at Delticom group (previous year: 129). Personnel expenses amounted to € 10.1 million (2015: € 9.5 million). The personnel expenses ratio (staff expenditures as percentage of revenues) remained with 1.7 % nearly unchanged compared to the previous year (2015: 1.7 %).
Transportation costs	Among the other operating expenses, transportation costs is the largest line item. The 11.5 % increase in transportation costs from € 54.1 million to € 60.4 million reflects the higher business volumes and the country-mix. The share of transportation costs against revenues went up from 9.7 % in 2015 to 9.9 % in 2016.
Rents and overheads	Rents and overheads decreased in 2016 by 17.7 %, from € 7.2 million to € 6.0 million. Since February of the previous year, the company has also operated a cutting-edge small item warehouse alongside the two tyre warehouses. Cost savings of € 1.3 million achieved in 2016 resulted from the scheduled closing of a tyre warehouse at the end of fiscal 2015.
Direct warehousing costs	Stocking costs increased in the reporting period from € 5.5 million to € 7.2 million (+30.5 %). This increase was mainly attributable to higher turnover in the tyre warehouses and the addition of the small item warehouse. Furthermore, at the start of fiscal 2016, one-off costs were incurred in connection with the closure of a tyre warehouse at the end of 2015. The ratio of stocking costs against revenues of 1.2 % was almost unchanged compared with the previous year (2015: 1.0 %).

Marketing costs In the reporting period, costs for advertising totalled € 26.0 million, after € 27.2 million in 2015. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 4.3 % (2015: 4.9 %). TV adverts were still broadcast for the Tirendo shops in the first half-year. As the advertising agreement expired at mid-year and was not renewed, the company benefited from the respective cost savings over the full year, in line with planning.

Financial and Legal Expenses for finance and legal fees amounted to € 4.8 million in the period under review (2015: € 4.1 million). The increase of € 0.8 million or 19.6 % essentially resulted from non-recurrent costs of € 0.6 million for legal and consultancy fees in connection with acquiring the efood and logistics companies.

Depreciation Depreciation for 2016 fell by 9.6 % from € 8.7 million to € 7.8 million. The decline of € 0.8 million resulted mainly from the non-recurrence of impairment write-downs: In preparation for the closure of a warehouse in 2015, Delticom applied an impairment loss of € 950 thousand to sorting and packaging machines deployed at this warehouse location.

The additional PPA depreciation on the acquired assets of the efood and logistics companies are fully compensated by PPA depreciation on sales and similar rights from Tirendo ceased at the end of fiscal 2015. An overview of the intangible assets identified as part of the purchase price allocation (PPA) and their expected useful lives can be found in the group notes of this annual report.

Earnings position

Gross margin The gross margin (trade margin ex other operating expenses) for the full year was 23.2 % after 23.6 % in the prior-year period. During the first six months of the financial year elapsed, Delticom group focused clearly on volume and revenue expansion to further extend its market position in a competitive environment. From this position of strength, the company managed sales in its online shops during the second half the year in accordance with its shipments and results planning for the 2016 financial year.

Other operating income Other operating income increased in 2016 by 48.9 % to € 20.6 million (2015: € 13.8 million), thereof gains from exchange rate differences to the order of € 3.2 million (2015: € 3.6 million). FX losses have been accounted for as line item in the other operating expenses (2016: € 3.0 million, 2015: € 4.1 million). In the reporting period the balance of FX income and losses totalled € 0.2 million (2015: € -0.5 million).

Gross profit Altogether, the gross profit increased in the reporting period by 10.3 % year-on-year, from € 146.1 million to € 161.1 million. Gross profit in relation to total income of € 627.2 million (2015: € 573.6 million) amounted to 25.7 % (2015: 25.5 %).

EBITDA

EBITDA for the reporting period increased from € 14.3 million to € 15.1 million. The 5.5 % rise resulted principally from the cost savings achieved in marketing expenses and rents that served to compensate for the higher level of revenue and volume-induced costs. The EBITDA margin for the fiscal year stood at 2.5 % (2015: 2.6 %). Excluding non-recurrent costs of € 0.6 million for legal and consultancy fees incurred in connection with the acquisition in February 2016, full-year EBITDA would have been proportionately higher.

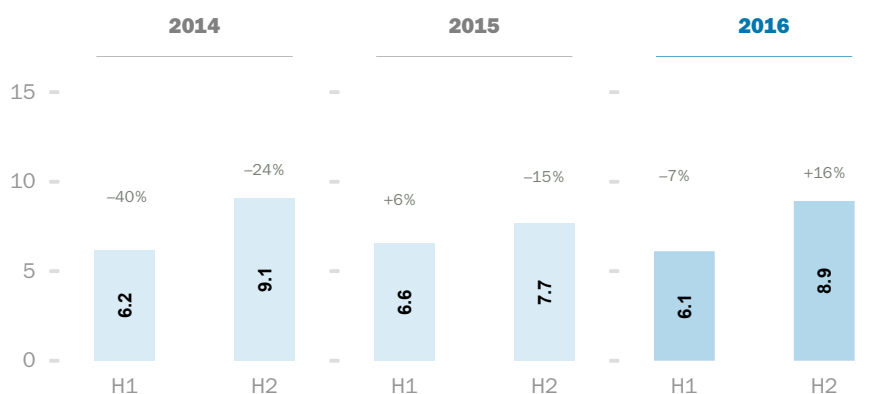
In the first six months 2016, EBITDA came in at € 6.1 million, which is 7.6 % lower compared with the prior year period. H1 16 EBITDA margin stood at 2.2 % (H1 15: 2.6 %). In the second half of the year, the company raised EBITDA by 15.6 % from € 7.7 million to € 8.9 million, which corresponds to an EBITDA margin of 2.7 % in H2 16 (H2 15: 2.5 %).

EBIT

EBIT increased in the reporting period due to lower depreciation by 28.9 % to € 7.2 million (2015: € 5.6 million). This equates to an EBIT margin of 1.2 % (2015: 1.0 %).

EBITDA

per half year, in € million

**Financial income**

Financial income for the reporting period amounted to € 22 thousand (2015: € 22 thousand). Financial expenses increased to € 632 thousand (2015: € 430 thousand), leading to a financial result of € -610 thousand (2015: € -408 thousand).

Income taxes

In 2016 the expenditure for income taxes was € 2.1 million (2015: € 1.8 million). This equates to a tax rate of 32.5 % (2015: 35.1 %).

Net income and dividend

Consolidated net income for 2016 rose from € 3.4 million to € 4.5 million. This corresponds to earnings per share (EPS) of € 0.36 (diluted and undiluted, 2015: € 0.28), an increase of 27.6 %.

At Delticom's Annual General Meeting on 02.05.2017, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share – unchanged compared to the dividend for financial year 2015 of € 0.50 per share.

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

Abridged profit and loss statement

in € thousand

	2016	%	+	2015	%
Revenues	606,586	100.0	8.4	559,792	100.0
Other operating income	20,619	3.4	48.9	13,843	2.5
Total operating income	627,205	103.4	9.3	573,635	102.5
Cost of goods sold	-466,106	-76.8	9.0	-427,567	-76.4
Gross profit	161,099	26.6	10.3	146,068	26.1
Personnel expenses	-10,057	-1.7	6.4	-9,453	-1.7
Other operating expenses	-135,982	-22.4	11.2	-122,336	-21.9
EBITDA	15,060	2.5	5.5	14,279	2.6
Depreciation	-7,847	-1.3	-9.6	-8,685	-1.6
EBIT	7,213	1.2	28.9	5,595	1.0
Net financial result	-610	-0.1	49.5	-408	-0.1
EBT	6,604	1.1	27.3	5,187	0.9
Income taxes	-2,149	-0.4	18.0	-1,822	-0.3
Consolidated net income	4,455	0.7	32.4	3,365	0.6

Overall statement on the earnings position

In the fiscal year ended, Delticom again benefited from the growing trend toward E-Commerce. At € 606.6 million, representing an increase of € 46.8 million or 8.4 % compared with 2015, we achieved the highest revenues in the history of the company.

Over the course of the year, EBITDA improved from € 14.3 million to € 15.1 million. As planned, the cost cutting program launched in fiscal 2015 therefore delivered the desired outcome in the reporting year and made a definitive contribution to compensating for the increase in revenue- and volume-induced costs. In total, the consolidated net profit amounted to € 4.5 million or € 0.36 per share – an increase of 32.4 % after a prior-year result of € 3.4 million.

The international orientation of our business and our extended product and service 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.

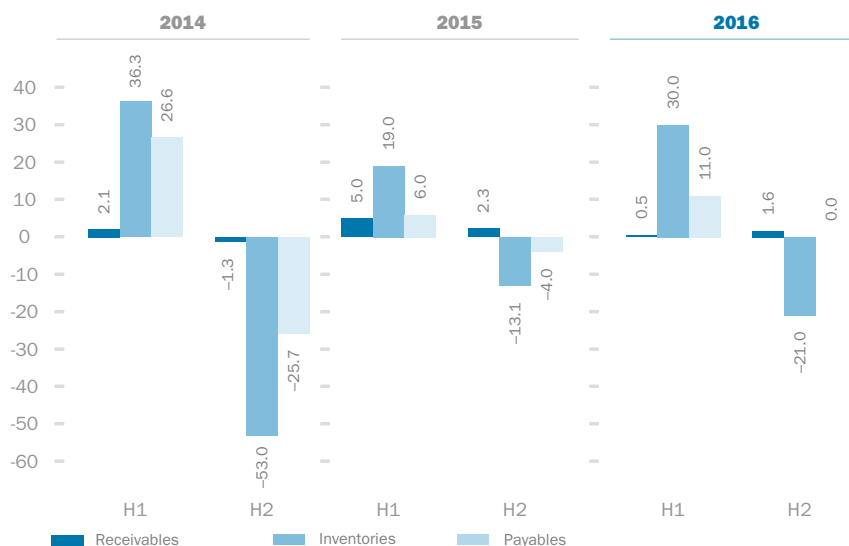
Financial and assets position

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

Acquisitions	<p>Investments</p>	<p>On February 23, 2016, Delticom acquired 90 % of the shares in Munich-based Gourmondo Food GmbH ("Gourmondo") and 100 % of the shares in Hanover-based ES Food GmbH at a purchase price totaling € 30 million. ES Food GmbH was renamed as DeltiTrade GmbH ("DeltiTrade") in the current fiscal year. Moreover, in November of the previous year Delticom acquired the material assets of Autopink, an online vendor of used cars domiciled in France, by way of an asset deal at a price of around half a million euros.</p>
Property, plant and equipment		<p>The reported investments of € 10.7 million in property, plant and equipment in 2016 (2015: € 1.0 million) primarily relate to the automated storage system purchased in the context of the acquisition in February 2016 for the efficient order picking and storage of single items and small parts. In order to take advantage of economies of scale and learning effects in warehousing logistics, we constantly invest in the expansion of our tyre warehouses' information, conveying and packaging technology.</p>
Intangible Assets		<p>Delticom also invested € 22.4 million in intangible assets. This mainly concerned the acquired assets from Gourmondo and DeltiTrade. A detailed list of the assets acquired has been included on page 95 in the Notes to the financial statements.</p>
Working Capital	<p>Working Capital</p>	<p>We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. In 2016 the Net Working Capital decreased from € –1.5 million by € 8.1 million to € –9.6 million.</p>
		<p>The chart <i>Working Capital</i> illustrates the changes in the components of Net Working Capital half-year-to-half-year for the last three years.</p>

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 € 20.4 million on the reporting date (31.12.2015: € 18.6 million). 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 2015, more orders paid for by customers were already fulfilled as of 31.12.2016. This led to a decrease of prepayments received, amounting to € 3.4 million (31.12.2015: € 3.8 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 € 0.9 million (31.12.2015: € 0.8 million).

In total, working capital commitment in receivables increased from € 14.0 million as of 31.12.2015 to € 16.1 million as of 31.12.2016. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) increased from 6.7 to 9.1 days.

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year their value went up by € 0.9 million to € 62.7 million (31.12.2015: € 61.8 million). The slight increase is mainly attributable to the additional stocks in the small item warehouse, including those of Gourmondo.

At the onset of the winter quarter the inventory value totalled € 97.5 million, € 2.1 million lower than the previous year's figure of € 99.5 million. Despite mild weather conditions we were able to sell most of the tyres bought in the preceding quarters.

Due to lower inventory levels during the year and the positive sales development, average Days Inventory Outstanding for 2016 (DIO, average inventory level divided by average cost of sales) came down over the course of the past financial year, from 50.4 days in 2015 to 48.9 days in 2016.

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 € 88.4 million by € 11.0 million higher than the previous year (31.12.2015: € 77.3 million).

Cash flow

Operating cash flow Due to the working capital development, the 2016 cash flow from operating business activities (operating cash flow) of € 19.7 million was significantly better than in the comparison period (2015: € –8.7 million).

Investing activities Delticom paid € 19.9 million for the efood and logistic companies in cash. Investments into property, plant and equipment have been € 0.6 million (2015: € 1.0 million). In the reporting period, Delticom also invested € 2.5 million in intangible assets (2015: € 1.3 million). As a result, the cash flow from investment activities totalled € –22.9 million (previous year: € –2.6 million).

Financing activities In the reporting period, Delticom group recorded a cash flow from financing activities amounting to € –1.5 million (2015: € –7.6 million), thereof the dividend payout for the last financial year of € 6.2 million and disbursements due to redemption of loans of € 3.8 million. The cash outflow was offset by inflows from short-term financial liabilities of € 8.5 million.

Liquidity according cash flow The starting point is the liquidity position as of 31.12.2015 amounting to € 11.5 million. The balance of effective changes in cash funds during the reporting period totalled € –4.7 million. On 31.12.2016 liquidity totalled € 6.7 million. On 31.12.2016, the group's net cash position (liquidity less liabilities from current accounts) amounted to € –6.2 million (31.12.2015: € 7.1 million).

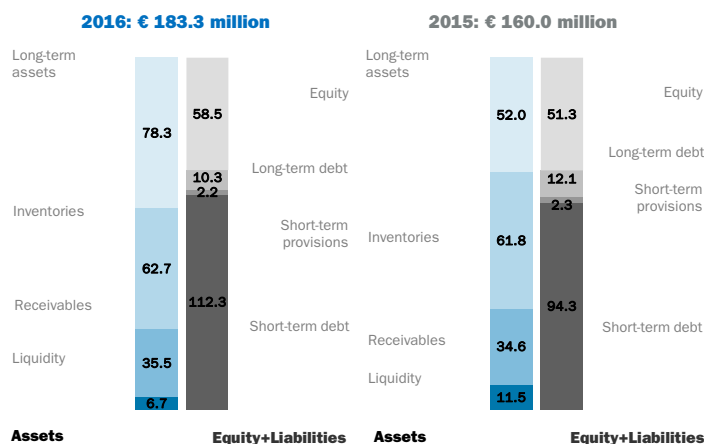
Free cash flow The free cash flow (operating cash flow less cash flow from investing activities) increased from € –11.3 million to € –3.2 million.

Balance sheet structure

As of 31.12.2016 the balance sheet total amounted to € 183.3 million (31.12.2015: € 160.0 million, +14.6 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged Balance Sheet

in thousand €

	31.12.16	%	+	31.12.15	%	+	31.12.14	%
Assets								
Non-current assets	78,298	42.7	50.5	52,010	32.5	2.9	58,135	35.4
Fixed assets	74,003	40.4	46.5	50,507	31.6	2.3	56,952	34.7
Other non-current assets	4,295	2.3	185.6	1,504	0.9	22.0	1,183	0.7
Current assets	104,967	57.3	-2.8	107,963	67.5	49.0	105,872	64.6
Inventories	62,746	34.2	1.5	61,845	38.7	60.9	56,151	34.2
Receivables	35,535	19.4	2.6	34,634	21.6	10.4	19,745	12.0
Liquidity	6,686	3.6	-41.8	11,484	7.2	101.0	29,975	18.3
Assets	183,264	100.0	14.6	159,974	100.0	34.0	164,007	100.0
Equity and Liabilities								
Long-term funds	68,811	37.5	8.6	63,350	39.6	-2.5	66,943	40.8
Equity	58,471	31.9	14.0	51,270	32.0	-6.0	50,293	30.7
Long-term debt	10,340	5.6	-14.4	12,080	7.6	12.4	16,651	10.2
Provisions	341	0.2	-7.3	368	0.2	-14.5	351	0.2
Liabilities	9,999	5.5	-14.6	11,712	7.3	13.3	16,300	9.9
Short-term debt	114,453	62.5	18.5	96,623	60.4	58.0	97,064	59.2
Provisions	2,156	1.2	-6.9	2,315	1.4	108.6	2,367	1.4
Liabilities	112,297	61.3	19.1	94,308	59.0	56.7	94,698	57.7
Equity and Liabilities	183,264	100.0	14.6	159,974	100.0	34.0	164,007	100.0

Non-current assets

On the assets side of the balance sheet, the non-current assets increased from € 52.0 million to € 78.3 million. The increase in fixed assets from € 50.5 million to € 74.0 million is mainly due to the increase in intangible assets from € 43.6 million by € 15.4 million to € 59.0 million in the course of the acquisitions. The purchase of the small item logistics facility also resulted in an increase of € 8.3 million in property, plant and equipment that rose from € 6.5 million to € 14.8 million. On 31.12.2016 property, plant and equipment were 8.1 % of the balance sheet total (previous year: 4.0 %).

An important single line item in the other non-current assets (31.12.2016: € 4.3 million, 31.12.2015: € 1.5 million) were deferred taxes of € 3.8 million (31.12.2015: € 1.0 million). These tax assets mainly result from losses carried forward in the subsidiaries of Delticom.

Inventories

Among the current assets, the inventories are the biggest line item. They were increased by € 0.9 million or 1.5 % to € 62.7 million. The chapter *Financial and assets position – Working Capital* presents the reasons for the increase in detail.

Receivables

At year-end the accounts receivable amounted to € 20.4 million, up from last-year € 18.6 million by 10.0 %. As part of the other current assets of € 12.6 million (2015: € 13.5 million) the refund claims from taxes decreased by 13.5 %, from € 11.6 million to € 10.1 million. This change arises from a lower VAT surplus as of the year-end. Tax receivables remained with € 2.5 million nearly unchanged compared to the previous year (2015: € 2.5 million). In total, the receivables position increased by 2.6 % to € 35.5 million (previous year: € 34.6 million).

Liquidity position

Cash and cash equivalents registered net outflows of € 4.8 million. On 31.12.2016 liquidity totalled € 6.7 million (prior year: € 11.5 million). Owing to the seasonal nature and the payment terms and conditions in tyre retailing, liquidity is subject to significant fluctuations over the course of the year. Delticom Group had cash and cash equivalents of € 60 million at the seasonal peak of business in 2016.

In total, current assets came down from € 108.0 million by 2.8 % to € 105.0 million. The decline of € 3.0 million is mainly attributable to lower net cash position on the reporting date. The share of current assets of balance sheet total decreased from 67.5 % to 57.3 %.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments increased by € 17.8 million or 18.5 % to € 114.5 million (31.12.2015: € 96.6 million). Provisions decreased by € 0.2 million or 6.9 % to € 2.2 million (prior-year: € 2.3 million), thereof provisions for taxes valuing € 1.5 million (previous year: € 1.3 million). The increase is mainly due to corporate tax provisions for the profit of Delticom AG in 2016.

As part of the € 112.3 million in short-term liabilities as of 31.12.2016, € 89.0 million were recorded as accounts payable, corresponding to a share of 48.6 % of balance sheet total. Compared to the position of € 78.2 million from the prior-year period, accounts payable increased by 13.8 %.

In the other current liabilities of € 10.6 million (previous year: € 11.9 million) € 3.4 million are attributable to payments received on account of orders (previous

year: € 3.8 million) and € 0.9 million to customer credits (previous year: € 0.8 million).

Long-term liabilities

The long-term debt of € 10.3 million (previous year: € 12.1 million) is composed of long-term interest-bearing debts of € 7.2 million (31.12.2015: € 10.9 million), non-current provisions to the order of € 341 thousand (31.12.2015: € 368 thousand) and deferred tax liabilities of € 2.8 million (31.12.2015: € 0.8 million). This significant rise in deferred tax liabilities mainly results from the acquisition of the efood & logistics companies.

During the reporting period, Delticom increased short-term financial liabilities by € 8.5 million. Long-term financial liabilities of € 3.8 million were reduced.

The sum total of non-current and current financial liabilities amounted to € 19.9 million on the reporting date, reflecting an increase of € 4.8 million in a balance sheet date comparison (31.12.2015: € 15.1 million). The comparatively low proportion of interest-bearing financial liabilities in the total assets (31.12.2016: 11.0 %, 31.12.2015: 9.4 %) underscores the company's strong internal financing capability. Although an amount of € 18.5 million of the purchase price for the efood and logistics companies was paid in cash and another € 1.5 million in liquid funds for the repayment of a bank loan assumed, Delticom did not enter into any long-term borrowing following the acquisition.

Equity and equity ratio

On the liabilities side of the balance sheet the equity position went up by € 7.2 million or 14.0 % from € 51.3 million to € 58.5 million.

An amount of € 10 million of the purchase price for the efood and logistics companies was financed through the issuing of 518,081 new Delticom shares in a nominal value of € 1 per share. The company's subscribed capital therefore rose by € 518,081 through this measure. As of the purchase date on February 23, 2016, the closing price of the Delticom share posted € 17.15. The difference of € 8.4 million between the nominal amount and the closing price was transferred to the capital reserve. The structure of the liabilities and shareholders' equity shows a slight decrease in the equity ratio, from 32.0 % to 31.9 %. As of 31.12.2016 the coverage ratio of fixed assets and inventories totalling € 136.7 million to long-term funding was 50.3 % (prior year: 56.4 %).

Off-balance-sheet items

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

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

Overall statement on the financial and assets position

Significant financial flexibility

Delticom can rely on its healthy financial and assets position. Payment terms granted to Delticom by its suppliers are in line with market conditions. Additionally, the company can make use of credit lines during the year to help funding the inventory.

Solid balance sheet as basis for further growth

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

Financial Statements of Delticom AG

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

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

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

The German Accounting Directive Implementation Act (BilRUG) has been mandatorily applicable since January 1, 2016. Retrospective restatement of the separate financial statements for fiscal 2015 has not been carried out.

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 2016 financial year, Delticom continued to purchase merchandise goods from third-party suppliers, selling them to Pnebo on the date on which they are shipped to the warehouse. The resultant revenues amounted to € 273.0 million (2015: € 252.0 million). In order to provide a more realistic presentation of the progression of business and of the results of operations, the following section utilizes sales revenues figures that have been reduced to reflect the amount of € 273.0 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 796.1 million (2015: € 769.6 million), adjusted revenues amounted to € 523.1 million.

Through the implementation of BilRUG in the reporting period, selected positions under other operating income were reposted to revenues. Revenues in 2016 are almost € 20 million higher due to this reclassification.

Other operating income Other operating income registered a sharp decrease of 79.9 % in the period under review to € 4.4 million (2015: € 22.0 million). The strong year-on-year change results mainly from the initial application of BilRUG in the reporting year which entailed a large part of other operating income being reclassified under revenues. The largest items in the other operating income are gains from currency exchange rate differences in an amount of € 2.5 million (2015: € 3.3 million). Delticom

reports currency losses within other operating expenses (2016: € 2.3 million, 2015: € 3.8 million). The net balance of currency gains and currency losses stood at € 0.2 million in the period under review (2015: € –0.6 million).

Key expense positions

The revenues relating to the sale of merchandise from Delticom to Pnebo in an amount of € 273.0 million results in distorted year-on-year comparability in the area of costs of materials. The cost of materials ratio amounts to € 273.0 million (cost of materials in relation to total revenues). The warehouse purchases realized by Delticom in 2016 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 € 377.4 million in the period under review (2015: € 391.8 million, –3.7 %). Compared with the previous year, the cost of materials ratio fell from 75.7 % to 72.2 %.
Transportation costs	Transportation costs comprise the largest individual item within other operating expenses. The 7.0 % million increase in transportation costs from € 51.3 million to € 54.9 million reflects the higher business volumes. The transportation costs' share of adjusted revenues amounted to 10.5 % (2015: 9.9 %).
Warehousing costs	Expenses for warehousing increased by 15.9 % in the period under review, from € 5.4 million in the previous year to € 6.3 million. The ratio of warehousing costs to adjusted revenues was 1.2 % (2015: 1.0 %).
Personnel expenses	The company employed an average of 109 staff in the period under review (2015: 115). Personnel expenses amounted to € 7.2 million (2015: € 8.1 million). The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 1.4 % in the period under review (2015: 1.6 %).
Marketing	Marketing costs amounted to € 19.0 million in the reporting period, compared with € 19.3 million in 2015. This corresponds to a ratio of 3.6 % in relation to adjusted revenues (2015: 3.7 %).
Depreciation	Depreciation and amortization of intangible assets and property, plant and equipment decreased by 27.5 % in the period under review from € 5.6 million to € 4.1 million. The decrease is mainly attributable to the expiry of the amortization recognized for sales and similar rights in 2015.

Earnings position

Gross margin

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

Gross profit

Gross profit increased by 1.6 % in the period under review, from € 147.8 million in the comparable prior-year period to € 150.1 million. Gross profit in relation to adjusted total operating income of € 527.5 million (2015: € 539.6 million) amounted to 28.5 % (2015: 27.4 %).

EBITDA

EBITDA increased by 75.4 % in the period under review, from € 16.0 million to € 28.0 million.

EBIT

EBIT amounted to € 23.9 million in the period under review (2015: € 10.3 million, +131.6 %). This is equivalent to a return on sales of 4.6 % (2015: 2.0 %).

Financial income

Financial income stood at € 3.4 million in the period under review (2015: € 3.2 million). This includes income from holdings in subsidiaries in an amount of € 2.1 million (2015: € 3.1 million). The expenses from the transfer of losses derived from subsidiaries where a profit and loss transfer agreement exist.

Income taxes

The income tax expense amounted to € 4.4 million in the reporting period (2015: € 1.4 million). This corresponds to a tax rate of 31.9 % (2015: 34.6 %).

Income and dividend

Earnings in 2016 amounted to € 9.5 million, compared with € 2.6 million in the previous year. This corresponds to earnings per share of € 0.76 for the financial year under review (2015: € 0.22).

in € thousand	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Revenues	796,098	769,621
Other operating income	4,413	21,960
Cost of materials	–650,418	–643,823
Personnel expenses	–7,223	–8,121
Depreciation	–4,092	–5,645
Other operating expenses	–114,844	–123,660
Income from participating interests	2,122	3,144
Other interest received and similar income	62	23
Expenses from loss transfers	–12,872	–8,974
Paid interest and similar expenses	–573	–537
Income from profit transfer agreements	1,220	0
Expenses from loss transfers	–4,427	–1,382
Earnings after taxes	9,465	2,607
Profit carried forward	12,113	15,737
Balance sheet profit	21,578	18,344

Financial and assets position Delticom AG

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

Investments

In order to exploit as best as possible economies of scale and learning effects in warehousing logistics, we invest constantly in expanding information, conveying and packaging technology in the warehouses that we rent. The reported investments in property, plant and equipment of € 0.2 million in 2016 (2015: € 0.4 million) relate mainly to investments to equip the warehouses and offices that we operate. In addition, Delticom invested a total of € 2.1 million in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Investments of € 32.6 million in financial assets (2015: € 1.0 million) are mainly accounted for by the participating investments of € 22.1 million in Gourmondo and DeltiTrade (formerly ES Food) and by intercompany loans granted to subsidiaries in the amount of € 10.5 million.

Balance sheet structure

Total assets of € 218.3 million as of 31.12.2016 were 22.2 % above the previous year's € 178.6 million.

Non-current assets	<p>On the assets side of the balance sheet, long-term assets increased from € 62.0 million to € 92.7 million. The 49.6 % rise is almost exclusively attributable to the participating investments in Gourmondo and DeltiTrade and granted inter-company loans to subsidiaries.</p>
Inventories	<p>Inventories amounted to € 7.5 million in the reporting period (2015: € 10.7 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 2015.</p>
Receivables	<p>The largest item within short-term assets comprise receivables due from associated companies in an amount of € 99.3 million (2015: € 76.9 million). Receivables against Pnebo GmbH amount to € 82.9 million, and comprise the largest item within receivables. Trade receivables of € 12.2 million are 24.0 % higher than the previous year (2015: € 9.9 million).</p> <p>Within other assets of € 4.8 million (2015: € 13.4 million), tax refund claims reduced by 80.5 %, from € 12.1 million to € 2.4 million. This change results mainly from the reduced VAT surplus of the year-end.</p>
Liquidity	<p>Liquid assets recorded a net reduction of € 4.1 million. "Balance sheet liquidity" amounted to € 1.1 million as of 31.12.2016 (2015: € 5.1 million, -79.1 %).</p> <p>Overall, total current assets increased by 7.6 % from € 116.0 million to € 124.9 million. This increase mainly results from higher receivables from associated companies at the balance sheet date.</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 (2015: € 0.1 million).</p>
Provisions and liabilities	<p>On the equity and liabilities side of the balance sheet, provisions and liabilities increased by 21.7 % or € 26.5 million, from € 121.9 million to € 148.4 million. Provisions rose by 8.1 % or € 0.3 million to € 3.6 million (previous year: € 3.3 million).</p> <p>Within the € 144.8 million of current liabilities as of 31.12.2016, € 78.9 million, equivalent to 36.2 % of total equity and liabilities, was attributable to trade payables. Compared with the previous year's € 70.8 million this amount went up by € 8.2 million or 11.5 %.</p>

Liabilities due to banks The increased liabilities due to banks of € 19.9 million (2015: € 15.1 million) include long-term financial debts of € 7.2 million (2015: € 10.9 million). The remaining part of the financial liabilities are of a current nature.

Equity On the equity and liabilities side of the balance sheet, equity increased by € 13.2 million or 23.3 % to € 69.9 million (2015: € 56.7 million). This growth resulted from the issuing of 518,081 new shares in an overall value of € 10 million to one of the sellers in the context of acquiring Gourmondo and DeltiTrade. Allocation to capital reserve will be made based on the three-month weighted average price of the Delticom share up until and including February 22, 2016. The structure of equity and liabilities reflects a year-on-year increase in the equity ratio from 31.8 % to 32.0 %.

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	31.12.2016	31.12.2015
Fixed Assets	92,743	61,975
Intangible assets	6,568	7,110
Property, plant and equipment	3,486	4,743
Financial assets	82,690	50,122
Current Assets	124,864	116,050
Inventories	7,455	10,702
Accounts receivables	12,222	9,858
Receivables from affiliated companies	99,324	76,942
Other receivables and other assets	4,790	13,407
Cash and cash equivalents	1,072	5,141
Deferred item	538	402
Deferred taxes	148	148
Aktiva	218,293	178,575

in € thousand	31.12.2016	31.12.2015
Equity	69,938	56,704
Subscribed capital	12,463	11,945
Share premium	35,696	26,215
Retained earnings	200	200
Balance sheet profit	21,578	18,344
Provisions	3,559	3,293
Provisions for taxes	1,068	0
Other Provisions	2,490	3,293
Liabilities	144,794	118,532
Liabilities to banks	19,888	15,142
Payments received on account of orders	2,568	3,260
Accounts payable	78,966	70,769
Payables to affiliated companies	38,939	25,183
Other liabilities	4,433	4,179
Deferred item	2	46
Shareholders' Equity and Liabilities	218,293	178,575

Overall statement on the financial and assets position

Significant financial flexibility

Delticom's financial position and net assets are healthy. The company shows a high level of self-financing power and 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.

Extension board management employment contracts

The contracts for the members of the executive board were extended at the beginning of the year by Delticom's Supervisory Board as follows:

- Thierry Delesalle was reappointed as a member of the company's Management Board with effect as of 1 January 2018 and extending inclusively until 31 December 2021.
- Susann Dörsel-Müller was reappointed as a member of the company's Management Board with effect as of 20 March 2018 and extending inclusively until 19 March 2021.
- Philip von Grolman was reappointed as a member of the company's Management Board with effect as of 9 August 2017 and extending inclusively until 8 August 2020.
- Andreas Prüfer was reappointed as a member of the company's Management Board with effect as of 1 January 2018 and extending inclusively until 31 December 2020.

Granting stock options

Taking account of the instructions on the key features of the Stock Option Plan 2014 in the resolution passed by the company's Annual General Meeting on April 29, 2014, the company's Management Board, with the consent of the Supervisory Board, introduced a stock option plan for employees of the company and, based on a resolution approved by the Supervisory Board, a stock option plan for members of the company's Management Board.

Based on these plans, 8,000 stock options were issued to Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer as members of the company's Management Board on January 5, 2017, and a total of 16,003 stock options were issued to the company's employees on January 10, 2017.

The vesting period for all stock options is four years, starting with the respective date of issue. The stock options are therefore currently not yet exercisable. The option rights have a maximum life of ten years as from the day when the respective option right originated.

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

Risk and Opportunity Report

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

Definitions

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

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

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

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

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

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

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

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

Risk assessment

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

Reporting thresholds The company's equity is used as the calculation basis for reporting thresholds. As of 31.12.2016, 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 organisation

Delticom's risk management is based on these three pillars: Risk Support Team, Risk Management, and Management Board.

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

Risk manager The Risk Manager 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 No significant risks that could threaten the existence of Delticom AG could be identified with respect to any subsidiaries. The parent company is responsible for controlling risks. As the subsidiaries are mainly sales organisations, no separate risk consideration is undertaken for the subsidiaries. This decision is re-

assessed annually by the risk manager. The significant risks are essentially attributable to our core business due to the higher proportion of sales achieved by the online tyre business. The operational risks for the business areas newly acquired in 2016 do not differ in essence from the risks found in the tyre business. The subsidiaries are included under the risk management process via the directors.

Communication and reporting

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

Software

Delticom employs special software 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

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

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

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

This creates a natural hedge for end-customer business; we accept the residual currency translation risk.

Misjudgements of future market trends may result in market share losses.

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

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

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

Customers could find themselves with payment difficulties. The payment behaviour of our customers is usually good but can deteriorate in difficult times. If the current situation in Europe continues to bear on consumers 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.

Other key individual risks and opportunities grouped by risk category

Strategic risks

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

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

Sector-specific risks

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

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

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

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

In order to prevent overageing, the condition of warehoused tyres is reviewed regularly. Stocks older than a predefined threshold are then offered at a discount in our online shops (with an explanation for the price break), or sold in our Wholesale business. In the past years, Delticom has not had to write down any stock due to overageing. There are no 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 replace-

ments. 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.

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

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

Competition risks

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

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

Macroeconomic risks

Maintaining a vehicle is often a major expense item for a private household. Private saving efforts could lead to a decrease in mileage driven, thus

causing car owners to put off their next tyre purchase. 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.

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

Personnel risks

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

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

IT risks

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

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

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

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

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

Legal risks

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

Overall statement on the risk situation

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

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

Accounting-related ICS and RMS

Description of key characteristics of the accounting-related internal controlling system (ICS) and risk management system (RMS) with respect to the (Group) accounting process (§ 289 Paragraph 5 and § 315 Paragraph 2 Number 5 HGB – German Commercial Code)

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

Organisation	The accounting-related internal controlling system covers the controlling, legal, accounting and corporate treasury functions, whose areas of responsibility are clearly delineated within the controlling system. The controlling system comprises all requisite principles, procedures and measures to ensure that accounting is effective, economically efficient and duly complying with relevant statutory regulations.
Role of the Management and Supervisory Boards	The Management Board is responsible for implementation and compliance with statutory regulations. It reports regularly to the Supervisory Board on the overall financial position of Delticom. The Supervisory Board oversees the efficacy of the internal controlling system. In accordance with the agreement, the auditor immediately reports to the Chairman of the Supervisory Board on all key findings and occurrences arising from the audit which are of significance to the work of the Supervisory Board.
Group accounting	<p>Due to the great importance of Delticom AG in the Group the accounting process is organised centrally. Delticom AG's Group accounting function prepares the consolidated financial statements according to International Financial Reporting Standards (IFRS). For this purpose, we have set up Group guidelines for the following topics:</p> <ul style="list-style-type: none"> • 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 <p>The Group guidelines also contain specific instructions as to how Group intercompany transactions should be mapped, invoiced, and how corresponding balances should be cleared.</p>
IT-supported work processes	The consolidated companies' financial statements are compiled using IT-supported working processes. These include an authorisation concept, audit routines and version controls. Along with manual process controls applying the "four eyes" principle, we also use software to enforce parallel process controls. We utilise an integrated bookkeeping and consolidation system for the actual calculations.

Outlook

For the current business year, the Delticom group anticipates full year sales of € 650 million, accompanied by an increase in EBITDA to at least € 16 million. At the present time, there is still uncertainty regarding the development of the European replacement tyre markets in the current year. We are planning an increase in group sales for the current year of more than 7 % compared to the previous year. Irrespective of additional costs for expanding new areas of business, the company plans to maintain the EBITDA margin at last year's level.

Forecast report

Full-year guidance 2016

At the beginning of the year we declared that our aim was to increase unit sales in 2016 from 2015. We planned whole year sales for the Delticom Group to range between € 620 - 630 million, accompanied by an EBITDA of € 16 million, following the € 14.3 million the previous year.

H1 Although the summer tyre business only picked up following the Easter holidays at the end of March due to the ongoing cold temperatures, Delticom was able to boost sales by 10 % to € 275 million in the first six months of 2016. Our focus in the first half of the year lay clearly on growing volume and turnover with the intention of building out our market position in a competitive environment. The EBITDA of € 6.1 million achieved in the first half year was 7.6 % below that of the comparable period in the previous year.

H2 As a result of continued warm temperatures in September, the winter tyre business only reached its seasonal peak in mid-November - four weeks later than in the previous year. In many places the winter was mild thereafter in the remaining weeks of the year. In line with its sales and results planning for the 2016 business year, the company guided sales in the online shops in the second half of the year through pricing policy. With sales of € 332 million, H2 16 turnover was 7 % higher than the previous year. EBITDA increased by almost 16 % to € 8.9 million in the second half of the year.

Whole year In the 2016 business year, the company was able to utilise the opportunities that arose to increase sales and the earnings contribution thanks to our many years of market experience and our flexible responses to sudden changes in customer behaviour and the competitive situation. Although due to the mild winter we did not quite reach our sales target at the beginning of the year, with sales of € 607 million, we were still able to grow sales for 2016 by more than 8 %. Delticom grew its core business, bucking the market trend.

The cost reduction program initiated in 2015 produced the desired results last financial year. The 5.5 % increase in EBITDA over the previous year was largely

the result of a reduction in marketing and rental costs that more than compensated for the rise in absolute costs as a function of the increased volume. The major reason for the EBITDA of € 15.1 million for the whole year falling below our original planning was the one-off expenses during the reporting period, largely legal and consulting costs amounting to € 0.6 million in connection with the acquisition of the efood and logistics companies.

Future macroeconomic environment

Experts are proceeding on the assumption that the global economy will continue on its moderate growth path again in 2017. Nevertheless, China's slowing economy and the uncertainties surrounding the future direction of US economic policy following the election of a new president constitute an increased risk for global economic activity.

The International Monetary Fund (IMF) is expecting a 1.6 % growth in euro zone economic performance, also thanks to a drop in unemployment figures in the current year. In light of the pending negotiations on the planned exit of Great Britain from the European Union, the increasing risk of inflation as a result of rising oil prices, the pending elections in France and Germany, as well as possible re-elections in Italy and Spain, it is possible that the mood of European consumers may darken during the course of the year.

In Germany, the economic recovery is anticipated to continue in 2017. Thanks to rising employment, government expenditure and positively minded consumers are likely to remain as the dominant forces underpinning the German economy again this year.

Future sector-specific development

E-Commerce

45 % of the world's population over 15 years of age already has access to the Internet. This proportion is already at 75 % in Europe, Delticom's core market geographically. With increasing digitalisation, more and more consumers around the world are discovering the advantages of online shopping. It is estimated that 7 % of current global retail sales are already achieved online. Germany is one of the three largest E-Commerce markets in Europe. The E-Commerce and Distance Selling Trade Association (behv) forecasts a double-digit growth rate of around 11% for domestic online sales in 2017.

Automotive

The European replacement tyre business was unable to profit from a turnaround in the trend last financial year. Due to the mild 2016/2017 winter and the associated weakness in the market for winter tyres, experts do not expect sales figures for the whole year to catch up with the weakness of the previous year. While online penetration in Europe for the replacement tyre business is already around 13 %, the online share in the market for automotive replacement parts and accessories remains comparatively small at the current figure of around 5 %.

The German Tyre Retail and Vulcanisation Trade Association (BRV) is assuming that the share of online tyres sales will increase to 15-20 % by 2020. This equates to continued potential for growth in our core market. The acquisition of the considerable assets of AutoPink, a French online used vehicle dealer, meant that Delticom was able to expand its automotive product range last year. The German used vehicle market had a market volume of around € 80 billion in 2015, with approximately 70 % of buyers searching online for information prior to purchase and 35 % currently using the Internet specifically as part of the buying process.

e-Food & Logistics

According to the German retail association (HDE), retail sales in this country are set to rise by 2 % to € 492 billion in 2016. This assumption also applies to grocery retailing. Experts agree that in the coming years efood will gain in significance. However, a considerable barrier to the online grocery business is currently still the high cost of picking products and distributing them. Delticom has been operating a state-of-the-art small item warehouse and offers its efficient E-Commerce logistics services to third parties.

2017 forecast

Positive customer acquisition trend

Thanks to its multi-shop approach, the Delticom Group addresses different customer groups, fulfilling the various demands of online shoppers. With our extended range of products and services and our international orientation we expect to be able to convince more than 1 million new customers of the value of our offerings in the current financial year.

Repeat Customers

More than 10.8 million customers have bought products in one of our online shops since the company was established. In the current financial year, we expect that a proportion of the new customers from last year will return to our online shops. Consequently, this year we are anticipating a positive development in the number of repeat customers.

Net sales

Our goal for the current financial year is to integrate the newly acquired businesses more fully into the overall company in order to profit from transferring the extended expertise along our entire E-Commerce value-added chain. We also anticipate that due to the extension of our range of products and services and our international orientation that we will profit again this year from the increasing acquisition of Internet-savvy target groups. Consequently, we are predicting net sales for the current business year to reach € 650 million.

EBITDA

At the present time, predictions regarding price trends in our core business of tyres are subject to considerable uncertainty. Nevertheless, Delticom is expecting EBITDA for the current financial year to be at least € 16 million.

Investments

In order to continue improving capacity in our warehouses and our logistics processes, we are continually investing in the expansion of information, transporta-

tion and packaging technology in the warehouses we lease. We are expecting replacement investments of € 1 million in this area for the current financial year. In addition, we are planning investments for other areas of our E-Commerce business, such as for instance in IT. The total value of investments in the current year is expected to be € 3 million.

Liquidity

In line with our sales planning for the current year, we will both increase and decrease inventory accordingly in the coming quarters. Cashflow and liquidity are expected to develop positively towards the end of the year, though.

Medium term outlook

Against the backdrop of the steadily increasing popularity of the Internet as a retail channel, Delticom will also benefit from the steadily increasing E-Commerce trend in the medium term. The expansion of our product range and the launch of new online shops in other countries, combined with our many years of E-Commerce distribution competence, offer further potential for growth in future.

Europe is core market

Delticom currently operates onlineshops and online distribution platforms in 68 countries around the world. In the coming year, we plan to expand our market position in these countries. Delticom is already represented with online tyre shops in newly industrialised countries outside Europe. These markets will become increasingly attractive in the medium term thanks to rising numbers of new passenger vehicle registrations. Despite this potential for expansion, we see our company's geographical focus remaining in Europe in the medium term.

The Delticom Group business model is robust. The company has a solid balance sheet. We are able to grasp opportunities that offer themselves in a flexible manner, continuing to expand our market position in the various sectors in future.

Delticom is currently undertaking preliminary research into the establishment of a state-of-the-art tyre logistics centre in the Germany/France/Switzerland triangle and is likely to commence the multi-year planning process in the current business year.

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2016 at € 17.89.

Stock markets

2016 stock market

Equity markets developed stable in 2016 despite the challenging environment. The DAX started the year at 10,283 points. The DAX reached its high of 11,481 points on 30.12.2016. On 11.02.2016 it marked a low at 8,753 points. It closed the year at 11,481 points, an overall rise of 1,198 points or 11.6 %.

Development of the Delticom share (DEX)

Benchmarks

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

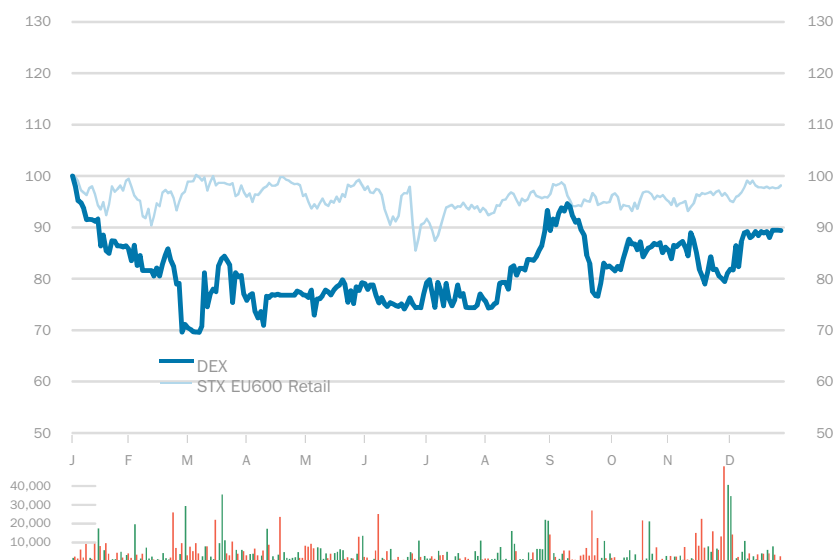
As customary, we use the performance index which takes dividend payments into account for SXP. When comparing the performance of DEX to the benchmarks we therefore take the dividend for 2015 into consideration, amounting € 0.50 per share as decided on the Annual General Meeting on 03.05.2016. The chart *Share performance* shows the performance of DEX and SXP since the beginning of 2016 over the course of the year.

DEX performance

After beginning the year at € 20.83, DEX reached an annual low on 07.03.2016 at € 14.49. The shares' annual high was recorded on 04.01.2016 at € 20.83. DEX closed the year on € 17.89. In the course of 2016 the market capitalisation of DEX decreased from € 248.8 million to € 223.0 million.

Share performance 2016

indexed, traded volume in shares (XETRA)



Index membership

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

- Classic All Share
- DAXplus Family Index
- DAXsubsector Retail Internet
- DAXsubsector All Retail Internet
- GEX (German Entrepreneurial Index)
- NISAX 20
- Prime All Share

Earnings per share and dividend recommendation

Undiluted earnings per share are € 0.36 (2015: € 0.28). Diluted earnings per share are € 0.36 (previous year: € 0.28).

The calculation of the earnings per share was based on net income after taxes totalling € 4,454,802.83 (previous year: € 3,365,072.95) and the weighted av-

verage number of shares outstanding during the fiscal year totalling 12,389,319 shares (previous year: 11,945,250 shares).

At Delticom's Annual General Meeting on 02.05.2017, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share – unchanged compared to the dividend for financial year 2015 of € 0.50 per share.

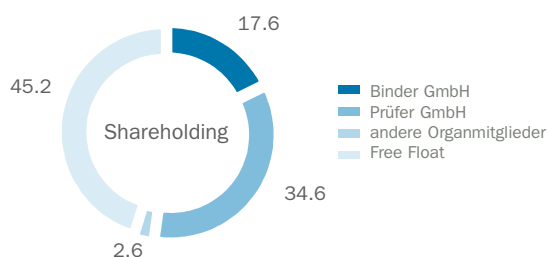
Shareholder structure

In the spring of 2016, Delticom AG acquired the two e-food and logistics companies Gourmondo and DeltiTrade (formerly ES Food). Of the purchase price totaling € 30 million, an amount of € 10 million was financed through the issuing of 518,081 new Delticom shares to Seguti GmbH (a wholly owned subsidiary of Prüfer GmbH), one of the sellers. As a result, the capital stock rose from 11,945,250 to 12,463,331 shares. In addition, Prüfer GmbH acquired 800,000 Delticom shares from Binder GmbH for a purchase price of € 25 per share (total purchase price: € 20 million)

Upon completion of the transaction and of the stock purchase agreement between Binder GmbH and Prüfer GmbH, as well as the entry of the non-cash capital increase in the commercial register, Prüfer GmbH now holds 4,292,547 Delticom shares directly and indirectly (34.64 % of the capital stock) and Binder GmbH holds 2,196,061 Delticom shares (17.62 % of the capital stock).

Shareholder structure

Shareholding in % of the 12,463,331 shares outstanding, as of 31.12.2016



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2016, 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 4 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 10.03.2016):

- Frank Schwope, NORD/LB (Sell)
- Christoph Schlienkamp, Bankhaus Lampe (Sell)
- Marc-René Tonn, Warburg (Hold)
- Tim Busse, 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 a road show in USA. Furthermore, we had many one-on-one talks with investors.

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

The investor relations department gladly answers any further questions:

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Stock key information

		01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Number of shares	shares	12,463,331	11,945,250
Share price on first trading day ¹	€	20.83	18.61
Share price on last trading day of the period ¹	€	17.89	20.81
Share performance ¹	%	-14.1	11.9
Share price high/low ¹	€	20.83 / 14.49	25 / 16,46
Market capitalisation ²	€ million	223.0	248.6
Average trading volume per day (XETRA)	shares	5,724	9,748
EPS (undiluted)	€	0.36	0.28
EPS (diluted)	€	0.36	0.28

(1) based on closing prices

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

Disclosures required by Takeover Law (Sections 289 (4), (5) and Section 315 (2) item 5, (4) of the German Commercial Code (HGB))

The Management Board of Delticom AG reported as set out below on information in the management report on Delticom AG and on the Group for fiscal 2016, taking account of the knowledge and events up until the time when this report was prepared in accordance with Section 289 (4) and (5) and Section 315 (2) item 5, (4) of the German Commercial Code, as follows:

No. 1: Composition of subscribed capital

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

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

On March 1, 2016, subscribed capital rose owing to an increase in the capital stock from € 518,081 to € 12,463,331 partly by way of using Authorized Capital I/2011.

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

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

No. 3: Interests exceeding 10% of voting rights

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

Section 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG). The pooling agreement, whose parties are Prüfer GmbH, Binder GmbH, Mr. Rainer Binder and Dr. Andreas Prüfer, also results in a mutual attribution of voting rights in the meaning of Section 22 Paragraph 2 Clause 1 of the German Securities Trading Act (WpHG).

No. 4 Holders of shares with special rights conveying controlling powers: There are no shares with special rights which grant the holders controlling powers.

No.5 Voting rights control in the case of employee interests: Employees do not participate in equity so that employees cannot directly exercise their controlling rights.

No.6: Appointment and recall from office of Management Board members, amendments to articles of incorporation Management Board members are generally nominated and recalled from office pursuant to Sections 84 ff. of the German Stock Corporation Act (AktG). In addition, Section 6 Paragraph 1 Clause 3 of Delticom AG's articles of incorporation stipulates that Management Board members must not have exceeded their 65th birthday when ending the period of office for which they were appointed. Pursuant to Section 6 Paragraph 2 Clause 2 of the articles of incorporation, the Supervisory Board determines the number of Management Board members in line with statutory regulations. Pursuant to Section 17 Paragraph 3 Clause 1 of Delticom AG's articles of incorporation, amendments to the articles of incorporation require a simple majority of votes submitted, and, by way of divergence from Section 179 Paragraph 2 Clause 1 of the German Stock Corporation Act (AktG), only a simple majority of share capital represented to the extent that a larger capital majority is not mandatory according to the law.

No. 7: Management Board authorizations, especially to issue and repurchase shares The regulations that authorize the Management Board to issue shares are set out in section 5 "Level and division of share capital" of the articles of incorporation of Delticom AG, and those concerning the repurchase of shares in Sections 71 ff. of the German Stock Corporation Act (AktG) and corresponding authorization resolutions passed by the Annual General Meeting.

a) Authorised Capital 2011 Authorized Capital 2011 under Article 5 (5) of the Articles of Association expired at midnight on May 2, 2016. Authorized capital does not otherwise exist.

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

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

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

Taking account of the instructions on the key features in the resolution of the company's Annual General Meeting of 29.04.2014, the company's Supervisory Board took the decision to invite members of the company's Management Board to subscribe to option rights to 135,000 shares in total in several tranches.

On 05.01.2017, Delticom AG's Supervisory Board approved the issuing of the first tranche of option rights of 32,000 new no-par value registered shares of the company for subscription by members of the company's Management Board in equal portions. With the subscription declaration off 06.01.2017, which entitles each of member of the company's Management Board to subscribe to 8,000 new no-par registered shares, Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Dr. Andreas Prüfer exercised this right.

The option rights each have a maximum life of ten years as from the day when the respective option right originated based on a resolution passed by the company's Supervisory Board under which the offer of granting the beneficiary the respective option right is accepted. The beneficiaries may exercise their option rights at the earliest after a vesting period of four years beginning on the date of issuance.

Exercisable option rights for the subscription of 103,000 in total of the company's new no-par registered shares that have not yet been exercised by 28.04.2019 will retain their validity.

In accordance with the applicable rules and regulations, the Management Board and the Supervisory Board will report in detail on the option rights granted and the exercising of option rights in each fiscal year in the notes to the separate financial statements, the notes to the consolidated financial statements or in the

management report. The period of validity of the stock option plan ends on 28.04.2019. After this date, issuing stock options under this stock option plan is no longer permitted.

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

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

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

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

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

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

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

price, the day of the Management Board's final decision on the amendment to the offer.

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

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

No. 8

Significant agreements by the company that are subject to a change of control following a takeover offer: Through resolutions passed by the Management Board on 25.12.2016, and by the Supervisory Board on 27.12.2016 a stock option plan for employees of the company and a stock option plan for members of the company's Management Board were introduced based on a resolution passed by the company's Supervisory Board on 28.12.2016.

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

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

No. 9

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

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Consolidated Income Statement

in € thousand	Notes	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Revenues	(1)	606,586	559,792
Other operating income	(2)	20,619	13,843
Total operating income		627,205	573,635
Cost of goods sold	(3)	–466,106	–427,567
Gross profit		161,099	146,068
Personnel expenses	(4)	–10,057	–9,453
Depreciation of intangible assets and property, plant and equipment	(5)	–7,847	–8,685
Other operating expenses	(6)	–135,982	–122,336
Earnings before interest and taxes (EBIT)		7,213	5,595
Financial expenses		–632	–430
Financial income		22	22
Net financial result	(7)	–610	–408
Earnings before taxes (EBT)		6,604	5,187
Income taxes	(8)	–2,149	–1,822
Consolidated net income		4,455	3,365
Thereof allocable to:			
Non-controlling interests		–278	9
Shareholders of Delticom AG		4,733	3,356
Earnings per share (basic)	(9)	0.36	0.28
Earnings per share (diluted)	(9)	0.36	0.28

Statement of Recognised Income and Expenses

in € thousand	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Consolidated Net Income	4,455	3,365
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	56	435
Changes in current value recorded directly in equity	53	–13
Deferred taxes relating to Net Investment Hedge Reserve	–17	4
Other comprehensive income for the period	92	426
Total comprehensive income for the period	4,547	3,791
Attributable to non-controlling interests	–236	195
Attributable to shareholders of the parent	4,783	3,596

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2016	31.12.2015
Non-current assets		78,298	52,010
Intangible assets	(10)	58,998	43,607
Property, plant and equipment	(11)	14,758	6,474
Financial assets		247	425
Investments using equity method		246	392
Other financial assets		2	33
Deferred taxes	(12)	3,796	992
Other receivables	(13)	499	511
Current assets		104,967	107,963
Inventories	(14)	62,746	61,845
Accounts receivable	(15)	20,425	18,576
Other current assets	(16)	12,567	13,517
Income tax receivables	(17)	2,543	2,541
Cash and cash equivalents	(18)	6,686	11,484
Assets		183,264	159,974

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2016	31.12.2015
Equity		58,471	51,270
Equity attributable to Delticom AG shareholders		57,351	49,915
Subscribed capital	(19)	12,463	11,945
Share premium	(20)	33,739	25,372
Other components of equity	(21)	647	554
Retained earnings	(22)	200	200
Net retained profits	(23)	10,302	11,844
Non-controlling interests		1,120	1,355
Liabilities		124,793	108,703
Non-current liabilities		10,340	12,080
Long-term borrowings	(24)	7,188	10,938
Non-current provisions	(25)	341	368
Deferred tax liabilities	(26)	2,811	775
Current liabilities		114,453	96,623
Provisions for taxes	(25)	1,516	1,323
Other current provisions	(25)	641	992
Accounts payable	(27)	89,003	78,200
Short-term borrowings	(24)	12,700	4,204
Other current liabilities	(29)	10,594	11,904
Shareholders' equity and liabilities		183,264	159,974

Consolidated Cash Flow Statement

in € thousand	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Earnings before interest and taxes (EBIT)	7,213	5,595
Depreciation of intangible assets and property, plant and equipment	7,847	8,685
Changes in other provisions	–455	–34
Net gain on the disposal of assets	11	–93
Changes in inventories	1,460	–5,693
Changes in receivables and other assets not allocated to investing or financing activity	148	–12,534
Changes in payables and other liabilities not allocated to investing or financing activity	7,506	–429
Interest received	22	22
Interest paid	–632	–430
Income tax paid	–3,396	–3,782
Cash flow from operating activities	19,724	–8,693
Proceeds from the disposal of property, plant and equipment	22	69
Payments for investments in property, plant and equipment	–551	–957
Payments for investments in intangible assets	–2,533	–1,310
Payments for investments in financial assets	0	–400
Payments for the acquisition of consolidated subsidiaries (less acquired cash and cash equivalents)	–19,858	0
Cash flow from investing activities	–22,920	–2,598
Dividends paid by Delticom AG	–6,232	–2,986
Cash inflow of financial liabilities	8,500	0
Cash outflow of financial liabilities	–3,754	–4,649
Cash flow from financing activities	–1,486	–7,635
Changes in cash and cash equivalents due to currency translation	–116	435
Cash and cash equivalents at the start of the period	11,484	29,975
Changes in cash and cash equivalents	–4,682	–18,491
Cash and cash equivalents - end of period	6,686	11,484

For information only: Net-Liquidity

in € thousand	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Liquidity – start of period	11,484	29,975
Changes in cash and cash equivalents	–4,682	–18,491
Liquidity – end of period	6,686	11,034
Net Cash – start of period	–3,705	10,137
Changes in cash and cash equivalents	–4,682	–18,491
Changes in financial liabilities	–4,710	4,649
Net Cash – end of period	–13,213	–3,705
Net cash refer to short term financial liabilities:		
Net Cash – start of period	7,055	25,326
Changes in cash and cash equivalents	–4,682	–18,491
Veränderungen der kurzfristigen Finanzschulden	–8,496	220
Net Cash – end of period	–6,240	7,055
Net cash refer to long term financial liabilities:		
Net Cash – start of period	321	14,383
Changes in cash and cash equivalents	–4,682	–18,491
Veränderungen der langfristigen Finanzschulden	3,750	4,429
Net Cash – end of period	–727	321

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	Total	Non-con- trolling in- terests	Total equity
as of 1 January 2015	11,945	25,372	115	13	200	11,659	49,305	988	50,293
Dividends paid						-2,986	-2,986		-2,986
First-time consolidation sub- sidiaries								217	217
Transaction deconsolidation sub- sidiaries		0						-45	-45
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	4	200	11,843	49,915	1,355	51,270
as of 1 January 2016	11,945	25,372	550	5	200	11,844	49,916	1,355	51,271
Shares of capital increase	518						518		518
Capital increase of issue new shares		8,367					8,367		8,367
Dividends paid						-6,232	-6,232		-6,232
Net income						4,733	4,733	-278	4,455
Other comprehensive income			56	36		-42	50	42	92
Total comprehensive income			56	36		4,691	4,783	-236	4,547
as of 31 December 2016	12,463	33,739	606	41	200	10,303	57,352	1,119	58,471

see also Notes 19-23

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General notes

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

Delticom is Europe's leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models of sedans, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the 43,000 service partners of Delticom AG around the world. Our range also encompasses over 300,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

The group offers its product range in 68 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, with the main focus on the USA.

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

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

The Management Board had authorized these consolidated financial statements on 21.03.2017. 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 2016 were prepared according to the

accounting standards No. 1606/2002 prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognised in income. The requirements of the standards and interpretations (SIC / IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

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

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

Standard / interpretation	Mandatory application	EU commissions use on 31.12.16	Impact
Annual improvements to IFRS (period 2010-2012)	01.01.16	yes	none
Annual improvements to IFRS (period 2012-2014)	01.01.16	yes	none
IAS 1 Disclosure Initiative	01.01.16	yes	none
IAS 16/ IAS 38 Intangible Assets - "Clarification of acceptable depreciation methods"	01.01.16	none	none
IAS 16/ IAS 41 Agriculture: Fruit-bearing plants	01.01.16	none	none
IFRS 10, IFRS 12/ Investment companies: Application of consolidation exception	01.01.16	none	none
IAS 28			
IFRS 11 Accounting for acquisitions of shares about combined business operations	01.01.16	none	none

Standards that were not yet adopted by EU:

Standard / interpretation	Mandatory application	EU commissions use on 31.12.16	Impact
IAS 1 Disclosure Initiative	01.01.17	none	no major impact
IAS 12 Recognition of deferred tax assets for unrealised losses	01.01.17	none	no major impact
IFRS 2 Classification and measurement of share-based payment transactions	01.01.18	none	no major impact
IAS 19 Employee Benefits - "Changes in defined benefit plans: Employee contributions"	01.01.16	none	none
IFRS 4 Financial Instruments with IFRS 4 Insurance contracts	01.01.18	none	none
IFRS 14 Regulatory deferral accounts	01.01.16	none	none
IFRS 15 Revenues from contracts with customer	01.01.18	yes	no major impact
Clarifications of IFRS 15 - Revenues from contracts with customers	01.01.18	none	no major impact
IFRS 10/ IAS 28 Disposal and contribution of assets between an investor and an associated company or joint venture	01.01.16	postponed indefinitely	none
IFRS 16 Leases	01.01.19	none	major impact
Annual improvements to IFRS (period 2014-2016)	01.01.16	none	no major impact
IFRIC 22 IFRIC Interpretation 22 Foreign currency Transactions and Advance Consideration	01.01.18	none	no major impact
IAS 40 Classification of Investment	01.07.18	none	none
IFRS 9 Financial Instruments: classification and measurement	01.01.18	yes	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. He 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 group of consolidated companies comprises Delticom AG as controlling company, fourteen domestic and nine foreign subsidiaries, all fully consolidated in the annual financial accounts.

The group of fully consolidated companies has changed in the reporting period due to acquisitions and new establishments by the following entries since 01.01.2016:

- DeltiTrade GmbH (formerly ES Food GmbH), Hanover (Germany)
- Ringway GmbH, Hanover (Germany)
- Extor GmbH, Hanover (Germany)
- Gourmondo Food GmbH, Munich (Germany)
- DeltiCar SAS, Paris (France)

In addition, Delticom holds a stake of 49 % in OOO Delticom Russia (Moscow, Russia), which was newly 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 pursuant to IAS 39.

- Tirendo Netherlands B.V., Den Haag (Netherlands)
- 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. Minority interests in equity and the earnings of subsidiaries that are controlled by the parent company are shown separately.

Business combinations in accordance with IFRS 3

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

Acquisition of the efood and logistic companies

On February 23, 2016 Delticom acquired 100 % of the shares of ES Food GmbH and 90 % stake of Gourmondo Food GmbH. The purchase price was € 22.3 million. At the acquisition date ES Food held 80 % of the shares in Ringway GmbH. In addition, a shareholder and a bank loan of Gourmondo GmbH with an amount of € 6.6 million were purchased. The purchase price determined in accordance with IFRS 3 was € 28.9 million and was paid with € 20.0 million in cash and by issuing 518,081 new shares of Delticom AG. The sellers of the companies were Prüfer GmbH, Hanover, Germany, and direct or indirect wholly-owned subsidiaries of Prüfer GmbH (related parties).

The acquisition of the companies is part of the development strategy of the E-Commerce division, through which Delticom has enhanced its logistics expertise. Delticom is now able to efficiently market small goods and thanks to Gourmondo, also gains new product groups for its e-commerce business. The companies are operating in Germany, Austria and the Netherlands, and further internationalization in course.

The first consolidation was carried out in the acquisition date.

The fair values of the identifiable assets and liabilities at the date of final consolidation arise.

in € thousand	Fair Vaues at acquisition date
Non-current assets	30,848
Deffered Taxes	1,022
Current Assets	
Inventories	2,361
Accounts receivable	304
Other current assets	28
Cash and cash equivalents	142
	33,683
Liabilities	
Deferred tax liabilities	2,827
Other current provisions	78
Bank loans and overdrafts	1,500
Liabilities to affiliated companies	5,117
Payment received	124
Accounts payable	1,651
Other current liabilities	48
Liabilities total	11,345
Net assets	22,338
Badwill	-62
Minority shares	-8
Purchase price	22,268
Discharged loans	6,617
Purchase price total*	28,885

*Adjustment on the closing price on the aquisition date (€ 1,115 thousand)

As part of the purchase price allocation, negative goodwill of € 62 thousand was calculated and recognized through profit and loss.

Identified within the scope of purchase price allocation long-term fixed assets with a value of € 29.8 million and their expected useful lives are presented in the following table:

in € thousand	Fair Value	Useful life years
Domains	1,801	3
Customer Relationships	3,577	3
Brands	2,683	10
Software and Licenses	12,006	3-10
Mechanical equipment	9,759	10
Total	29,826	

The gross amounts of purchased receivables correspond to their fair values. The non-controlling interests are measured at their share of the identifiable net assets. Acquisition-related costs of € 0.6 million are recognized in the Income Statement.

Between the acquisition date and 31 December 2016, the acquired companies contributed € 16.0 million to sales and € -5.0 million to the profit of Delticom. If the acquisition had occurred at the beginning of the fiscal year, the companies had a contribution to sales of € 18.1 million and to profit of € -5.1 million.

Non-recurrent expenses of € 0.7 million were incurred in 2016, including legal and consultancy fees of € 0.6 million in connection with the acquisition, and non-recurrent costs of € 0.1 million through downstream activities incurred by the closure of a warehouse. Excluding these non-recurrent expenses and the negative EBITDA of the new business lines, Delticom achieved operating earnings before depreciation and amortization of € 18.7 million in its core business (2015: € 15.9 million net of non-recurrent expenses).

Acquisition AutoPink

The acquisition dated 18 November 2016 when Delticar SAS (France) owned 100 % by Delticom AG acquired the material assets of AutoPink France through an asset deal for a total price of 570 thousand Euro from the insolvency estate. The material assets included: two brands AutoPink and Facilicar also the corresponding domains, the customer base as well as existing IT-systems and contracts. AUTOPINK is an online-dealer for used cars located in France. The company was founded in 2008 and operates the domains AutoPink.com and facilicar.com.

Owing to the minor significance of the transaction for the Delticom group's financial position, net assets and results of operations, a detailed purchase price allocation was waived for reason of immateriality.

Segment reporting

Delticom is a one-segment company: The company focuses on selling tyres, automotive accessories as well as efood online and also provides logistics services to third parties. In the E-Commerce field, goods are sold to dealers, workshops and end users via 387 onlineshops and online distribution platforms in 68 countries. EBITDA is a key parameter for management and control at group level. Revenues and sales growth are also recorded for the individual areas of business. There are no other divisions that could constitute segments with a separate reporting requirement.

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

Currency translation

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

The items included in the financial statements of each company of the Group are measured based on the currency which is the currency of the primary economic environment in which the company operates (functional currency). The foreign companies which form part of the Delticom Group are, as a

rule, independent sub-units, whose financial statements are translated to euros using the functional currency concept.

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

Country	Mid rate on 31.12.2014 € 1 =	Weighted yearly average rate € 1 =
UK	0.8526 GBP	0.8189 GBP
USA	1.0520 USD	1.1069 USD
Romania	4.5383 RON	4.4912 RON
Russia	64.4543 RUB	74.1410 RUB
South Africa	14.4541 ZAR	16.2903 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 realising future tax relief. The assumptions on which the respective estimates are based are discussed for the individual items of the income statement and balance sheet. Actual values may vary in individual cases from the assumptions and estimates made. Any such deviations are recognised in income when they come to light.

Accounting and valuation principles

Accounting treatment of acquisitions

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

Goodwill

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 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.

A discount rate of 6.7 % and a growth rate discount of 1.0 % are applied to measure the acquired goodwill.

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

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

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

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

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

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

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

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

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

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

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognised over the term of the lease using the annuity method. Delticom did not enter into any such leases in 2016.

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 re-

ceivable, cash and cash equivalents, trade accounts payable and certain other assets and liabilities resulting from contractual agreements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realised or the deferred tax liability is expected to be paid. Deferred taxes for German companies are measured at a tax rate of 32.54 % (previous year: 31.90 %). The effects of the changed tax rate are immaterial.

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

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

The German companies are subject to trade tax of 16.7 % (previous year: 15.8 %) of trade income. In the reporting period, the corporation tax rate was 15.0 % (previous year: 15.0 %) plus the solidarity surcharge of 5.5 % (previous year: 5.5 %) on corporation tax.

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

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

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

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

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

Income is recognised if it is probable that the economic benefits associated with the corresponding transaction will accrue to the enterprise and the amount of the revenues can be reliably measured.

As a rule, income from services is recognised on a pro rate basis over the period in which the service is performed. Revenues are carried less any price reductions and bulk rebates. For sales of trading goods, revenues are realised when the customer takes economic ownership, the latter does have to coincide with transfer of legal ownerships. Deliveries of trading goods where a return is likely (judged on the basis of past experience) are not recognised in income.

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

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

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

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

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

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

Capital risk management

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

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

Notes to the income statement

(1) Revenues

Other income is carried under other operating income.

For the period from 01.01.2016 to 31.12.2016:

in € thousand	EU Countries	USA and others	Total
Revenue	470,321	136,265	606,586

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

(2) Other operating income

in € thousand	2016	2015
Income from exchange rate differences	3,157	3,582
Insurance compensation	164	30
Book gains from the disposal of assets	22	69
Other	17,275	10,162
Total	20,619	13,843

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

(3) Cost of sales

The cost of sales amounted to € 466.1 million (previous year: € 427.6 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2016	2015
Wages and salaries	8,676	8,309
Social security contributions	1,309	1,119
Expenses for pensions and other benefits	71	24
Total	10,057	9,453

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, € 397 thousand (previous year: € 518 thousand) were recognised under personnel expenses when due.

In 2016, Delticom had an average of 156 employees (previous year: 129 employees). The increase arises from the acquisition of the new companies.

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

in € thousand	2016	2015
Intangible assets	5,449	5,664
Property, plant and equipment	2,398	3,021
Total	7,847	8,685

No extraordinary amortisation or depreciation was required in 2016 from applying impairment tests (IAS 36). In the previous year, impairment of € 950 thousand was applied to sorting and packaging machines due to the closure of a warehouse at year-end.

(6) Other operating expenses

in € thousand	2016	2015
Transportation costs	60,355	54,126
Warehousing costs	7,180	5,502
Credit card fees	5,307	5,020
Bad debt losses and one-off loan provisions	2,395	1,354
Marketing costs	25,955	27,231
Operations centre costs	8,992	7,555
Rents and overheads	5,959	7,244
Financial and legal costs	4,846	4,051
IT and telecommunications	4,618	2,386
Expenses from exchange rate differences	2,950	4,092
Other	7,425	3,773
Total	135,982	122,336

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. Other operating expenses pertain to sales commission, the cost of further training and travel, personnel recruitment etc. Future lease payments are discussed under "Other information".

(7) Financial result

in € thousand	2016	2015
Financial expenses	632	430
Financial income	22	22
Total	-610	-408

The net 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 result from:

in € thousand	2016			2015		
	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	4,711	7	4,718	2,074	135	2,209
Deferred income taxes	-2,002	-567	-2,569	-369	-19	-388
Total	2,709	-560	2,149	1,706	116	1,822
thereof out-of-period	194	-457	-263	0	1	1

In the year under review, income taxes of € -19 thousand (previous year: € -3 thousand) were carried directly under equity.

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

in € thousand	2016		2015	
	Deferred tax as-sets	Deferred tax lia-bilities	Deferred tax as-sets	Deferred tax lia-bilities
Loss carryforwards	4,071	0	604	0
Intangible assets	27	2,669	40	171
Property, plant and equipment	16	61	16	60
Inventories	8	71	8	111
Receivables	0	654	0	12
Other assets	205	0	0	18
Long term Provisions	0	0	1	0
Short Term Provisions	74	0	135	0
Liabilities	20	0	52	415
Other equity and liabilities	142	123	259	111
Total	4,563	3,578	1,115	898
Balancing	-767	-767	-123	-123
Value on the balance sheet	3,796	2,811	992	775

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

in € thousand	2016	2015
Profit before income taxes	6,604	5,186
Delticom AG income tax rate	32.54 %	31.90 %
Expected tax expense	2,149	1,654
Differences from anticipated income tax expense		
Adjustment to different tax rate	0	1
Non-deductible operating expenses	146	166
Non-period ongoing taxation	-263	1
Effect from tax loss carry forwards	0	0
Other tax effects	-117	0
Total adjustments	0	168
Actual tax expense	2,149	1,822

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, GIGA GmbH and Deltiparts GmbH in the reporting period. The PLTA during the current period in-

cluded the following companies: Delticom AG, Tirendo Holding GmbH, Pnebo GmbH, Giga GmbH and Deltiparts GmbH.

As in the previous year, no deferred tax assets were formed for non-lapsable corporation and trade tax loss carryforwards amounting to € 0.9 million as their status is legally uncertain, and is still being clarified. Due to the considerable legal doubts prevailing on the balance sheet date, the deferred tax assets attributable to these loss carryforwards remained unrecognized.

(9) Earnings per share

Basic earnings per share totalled € 0.36 (previous year: € 0.28). The diluted earnings per share totalled 0.36 € (previous year: € 0.28).

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 4,454,802.83 (previous year: € 3,365,072.95) by the 12,389,319 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,945,250 shares).

During current year and previous year no dilution effect occurs.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relation- ships	Trademarks	Internally generat- ed software
Acquisition costs				
as of 1 January 2016	35,338	615	8,223	356
Additions from business combinations	0	3,728	2,928	0
Other additions	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2016	35,338	4,343	11,151	356
Accumulated depreciation				
as of 1 January 2016	0	282	3,773	155
Additions	0	565	1,884	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2016	0	847	5,657	155
Residual carrying amounts as of 31 December 2016	35,338	3,496	5,494	201

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2016	6,539	1,273	5,588	57,933
Additions from business combinations	0	3,723	7,927	18,307
Other additions	0	16	2,503	2,518
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2016	6,539	5,011	16,018	78,756
Accumulated depreciation				
as of 1 January 2016	6,486	603	3,027	14,326
Additions	53	220	2,714	5,435
Disposals	0	0	0	0
Reclassifications	0	0	0	0
as of 31 December 2016	6,539	822	5,741	19,761
Residual carrying amounts as of 31 December 2016	0	4,189	10,277	58,998

in € thousand	Customer Relation- ships		Selbsterstellte Soft- ware	
	Goodwill		Trademarks	
Acquisition costs				
as of 1 January 2015	35,338	615	8,233	356
Additions from business combinations	0	0	0	0
Other 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 1 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	201

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2015	6,539	1,273	4,278	56,623
Additions from business combinations	0	0	0	0
Other 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 1 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

(11) Property, plant and equipment

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical ma- chinery and equipments	Other equipment, factory and office equipment	Payments made on ac- count	Total
Acquisition costs					
as of 1 January 2016	1,183	5,821	13,730	0	20,734
Additions from business combinations	0	9,501	646	0	10,147
Additions	0	269	282	0	551
Disposals	0	0	-64	0	-64
Reclassifications	0	0	0	0	0
as of 31 December 2016	1,183	15,591	14,594	0	31,368
Accumulated depreciation					
as of 1 January 2016	204	3,207	10,849	0	14,260
Additions	21	1,040	1,336	0	2,397
Disposals	0	0	0	0	0
Reclassifications	0	0	-34	0	-34
Foreign currency translation	5	19	-37	0	-13
as of 31 December 2016	231	4,266	12,113	0	16,611
Amortised cost as of 31 December 2016	952	11,325	2,481	0	14,758

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical ma- chinery and equipments	Other equipment, factory and office equipment	Payments made on ac- count	Total
Acquisition costs					
as of 1 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
Foreign currency translation	0	0	0	0	0
Reclassifications	0	0	0	0	0
as of 31 December 2015	1,183	5,821	13,730	0	20,734
Accumulated depreciation					
as of 1 January 2015	172	1,939	9,298	0	11,409
Additions	24	1,271	1,726	0	3,021
Disposals	0	0	147	0	147
Reclassifications	0	0	0	0	0
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

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

(12) Deferred taxes

Deferred tax assets amounting to € 3,041 thousand (previous year: € 528 thousand) will be realised after more than 12 months.

(13) Other non-current receivables

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

Current assets**(14) Inventories**

in € thousand	2016	2015
Tyres	44,565	47,972
Other accessories	10,664	3,137
Goods in Transit	7,517	10,736
Total	62,746	61,845

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

During fiscal year 2016, € 264,532 thousand of inventories were carried as expenses (previous year: € 257,205 thousand). There were no write-downs and no write-ups during the fiscal year. All inventories are free of pledges.

(15) Accounts receivable

in € thousand	2016	2015
Accounts receivable	20,425	18,576
thereof receivables with associated companies and related parties (category: persons in key positions)	0	2
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 31.12.2016	20,425	9,075	6,706	1,633	726	6	4	2,350
as of 31.12.2015	18,576	5,251	4,318	718	208	5	2	2,596

The write-downs for trade receivables were as follows:

in € thousand	2016	2015
Write-downs – balance on January 1	2,596	2,205
Changes in the consolidated companies	-19	0
Additions (expenses for write-downs)	2,364	1,327
Reversals	-30	-6
Use of write-downs	-2,560	-930
Write-downs – balance on December 31	2,350	2,596

in € thousand	2016	2015
Expenses for full write-off of receivables	-30	-11
Income from the receipt of written-off receivables	20	14

(16) Other current receivables

in € thousand	2016	2015
Refund claims from taxes	10,093	11,645
Credits with suppliers	617	862
Deferrals	522	499
Other current receivables	1,335	511
Total	12,567	13,517

The other current receivables comprise € 242 thousand receivables from derivative financial instruments (previous year: € 57 thousand).

(17) Income tax receivables

Income tax receivables mainly concern tax reimbursements anticipated from former years.

(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	2016	2015
Cash	5	5
Bank balances	6,681	11,479
Total	6,686	11,484

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

Authorized Capital 2011 under Article 5 (5) of the Articles of Association expired at midnight on 02.05.2016. Authorized capital does not otherwise exist.

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

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

The company's share capital is conditionally increased by up to EUR 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.

Taking account of the instructions on the key features in the resolution of the company's Annual General Meeting of 29.04.2014, the company's Supervisory Board took the decision to invite members of the company's Management Board to subscribe to option rights to 135,000 shares in total in several tranches.

On 05.01.2017, Delticom AG's Supervisory Board approved the issuing of the first tranche of option rights of 32,000 new no-par value registered shares of the company for subscription by members of the company's Management Board in equal portions. With the subscription declaration off 06.01.2017, which entitles each of member of the company's Management Board to subscribe to 8,000 new no-par registered shares, Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Dr. Andreas Prüfer exercised this right.

The option rights each have a maximum life of ten years as from the day when the respective option right originated based on a resolution passed by the company's Supervisory Board under which the offer of granting the beneficiary the respective option right is accepted. The beneficiaries may exercise their option rights at the earliest after a vesting period of four years beginning on the date of issuance.

Exercisable option rights for the subscription of 103,000 in total of the company's new no-par registered shares that have not yet been exercised by 28.04.2019 will retain their validity.

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

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

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

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

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

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

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

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

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

(20) Share premium

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

Taking account of the instructions on the key features of the Stock Option Plan 2014 in the resolution passed by the company's Annual General Meeting on April 29, 2014, the company's Management Board, with the consent of the Supervisory Board, introduced a stock option plan for employees of the company and, based on a resolution approved by the Supervisory Board, a stock option plan for members of the company's Management Board.

Based on these plans, 8,000 stock options were issued to Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer as members of the company's Management Board on January 5, 2017, and a total of 16,003 stock options were issued to the company's employees on January 10, 2017.

The vesting period for all stock options is four years, starting with the respective date of issue. The stock options are therefore currently not yet exercisable. The option rights have a maximum life of ten years as from the day when the respective option right originated. The precondition for exercising an option right is based on the unweighted average of the closing prices of the company's share on the five trading days preceding the first day of the respective exercise period during which the option is exercised, being at least 130 % of the exercise price (target share price). The exercise price to be paid upon exercising an option right amounts to € 17.78 for the employees and € 17.61 for members of the Management Board.

(21) Gains and losses recognised directly in equity

The accounting currency translation differences for the subsidiaries DelticomTrade Ltd., Delticom OE S.R.L., Delticom North America Inc., Wholesale Tire and Automotive Inc., Price Genie LLC, Giga Tyres LLC, Tyreseasy LLC 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**

Liabilities due to banks are composed as follows as at 31 December 2016:

in € thousand	31.12.2016	31.12.2015
Long term Financial Loans	7,188	10,938
Short term financial liabilities	12,700	4,204
Total	19,888	15,142

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

The maturity analyses of long-term borrowings is presented below:

in € thousand	31.12.2016	31.12.2015
Less than one year	3,750	3,750
Less than 5 years	3,438	7,188
Total	7,188	10,938

(25) Provisions

Provisions had the following breakdown:

in € thousand	01.01.2016	Taken up	Reversal	Additions	31.12.2016
Provisions for taxes	1,323	546	341	1,079	1,515
Other non-current provisions	368	100	0	74	342
Other provisions	992	328	547	523	640
Total	2,683	974	888	1,676	2,497

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

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

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

(26) Deferred tax liabilities

Deferred tax liabilities are realized after more than 12 months in the amount of € 2,252 thousand (previous year: € 247 thousand)

(27) Trade accounts payable

in € thousand	31.12.2016	31.12.2015
Accounts payable	89,003	78,200
thereof liabilities with associated companies and related parties (category: persons in key positions)	0	232
thereof liabilities with associated companies and related parties (category: not consolidated subsidiary companies)	37	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 31.12.15	Balance sheet valuation according to IAS 39		Fair Value 31.12.15
			Fair value 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 receivable	LaR	18,576	18,576		18,576
Other receivables	LaR	1,872	1,872		1,872
Other original financial assets					
Available for Sale Financial Assets	AfS	33		33	33
Derivative financial assets					
Derivates not used 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					
Derivates 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 amortised cost (FLAC)		98,182	98,182		98,182
Financial Liabilities Held for Trading (FLHfT)		104		104	104
		Book Value			Fair Value
		31.12.16			31.12.16
in € thousand					
Assets					
Cash and cash equivalents	LaR	6,686	6,686		6,686
Accounts receivable	LaR	20,425	20,425		20,425
Other receivables	LaR	2,473	2,473		2,473
Other original financial assets					
Available for Sale Financial Assets	AfS	2		2	2
Derivative financial assets					
Derivates not used for hedging (Held for Trading)	FAHfT	242		242	242
Liabilities					
Accounts payable	FLAC	89,003	89,003		89,003
Other current liabilities	FLAC	4,545	4,545		4,545
Other original financial liabilities	FLAC	4,365	4,365		4,365
Derivative financial liabilities					
Derivates not used for hedging (Held for Trading)	FLHfT	31		31	31
Thereof cumulated according valuation categories IAS 39					
Loans and receivables (LaR)		29,584	29,584		29,584
Available for Sale Financial Assets (AfS)		2		2	2
Financial Assets Held for Trading (FAHfT)		242		242	242
Financial liabilities measured at amortised cost (FLAC)		97,913	97,913		97,913
Financial Liabilities Held for Trading (FLHfT)		31		31	31

Net profits and losses from financial instruments are as follows:

in € thousand	2016	2015
Loans and receivables (LaR)	119	-1,835
Financial Assets and Liabilities Held for Trading (FAHFT + FLHFT)	204	-11
Financial liabilities measured at amortised cost (FLAC)	-998	-1,370
thereof interests	-567	-389
Sum	-675	-3,216

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

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

The financial instruments in in category *assets held for trading* total € 242 thousand and those designated to the category *liabilities held for trading* total € 31 thousand. We have classified this in the fair value hierarchy level 2.

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

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

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

(29) Other current liabilities

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

This balance sheet item also contains € 31 thousand of liabilities arising from derivative financial instruments (previous year: € 104 thousand).

All current liabilities are due within one year.

in € thousand	2016	2015
Sales tax (VAT)	3,452	5,213
Payments received on account of orders	3,419	3,769
Customer credits	946	835
Social security contributions	37	4
Income and church tax	59	39
Other current liabilities	2,671	2,044
Total	10,594	11,904

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	2016	2015
Order commitments for goods	6,709	8,056
Other financial commitments	36,636	29,202
Total	43,345	37,258

Delticom rents office premises and parking spaces as well as warehouses for trading goods in 3 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreement for the office premises in Hanover runs until 31.12.2017. The agreements for the warehouses run until 31.12.2019, 31.07.2023 and 01.06.2029.

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	2016	2015
up to one year	3,882	3,951
2 years to 5 years	12,123	12,938
more than 5 years	4,531	7,608
Total	20,536	24,497

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 corresponding sale transaction in EUR. If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign exchange from operations in the E-Commerce division are not hedged.

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

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

Currency	1 Euro = unit FX (as of 31.12.2016)	Result +10 % in €	Result -10 % in €
CHF	1.0754	4,388	-4,388
DKK	7.4341	79	-79
GBP	0.8581	1,637	-1,637
NOK	9.0901	-77	77
PLN	4.4180	-231	231
RON	4.5427	188	-188
RUB	64.7667	6,370	-6,370
SEK	9.5656	-1,049	1,049
USD	1.0568	-42,412	42,412
Sonstige	n/a	170	-170

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 € 18 thousand, for a downward move of 10 basis points they would lose € -18 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. Liquidity is mostly held in the form of call money. In addition, bank credit lines are also available.

Credit risk

Delticom supplies goods to retail companies with varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the Group's earnings position and liquidity situation. Delticom has therefore negotiated credit insurances and uses commission business for certain customers. These instruments restrict the financial impact on the company and eliminate any dangers to its going concern. The total credit-insured gross receivables amounted to € 1,110 thousand (previous year: € 2,110 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 *Shareholdings*. Transactions between the company and its full consolidation subsidiaries were eliminated during consolidation and are not discussed in these notes.

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

- Binder GmbH (number of shares 2,186,861, 17.50 % interest)
- Prüfer GmbH (number of shares 4,308,308, 34.60 % 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	2016	2015
to associated companies and related parties (category: persons in key positions)	4	2
to associated companies and related parties (category: not consolidated subsidiary companies)	1	0

Purchase of goods and services

in € thousand	2016	2015
from associated companies and related parties (category: persons in key positions)	709	232
from associated companies and related parties (category: not consolidated subsidiary companies)	0	0

The item relating to the purchasing of goods and services from key management individuals includes € 22 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.

Regarding the purchase of the efood and logistics companies, we make reference to our explanations under **Business combinations in accordance with IFRS 3**. There are no outstanding balances from the transaction and consequently no impairment. Regarding the obligations assumed in the context of the transaction, we refer to the description on the valuation of net assets under the aforementioned section.

Executive bodies

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

2016 the **Management Board** had the following members:

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

The Management Board's remuneration consists of the following:

Susann Dörsel-Müller

Retail customers (B2B) passenger car tyres Europe/Food/Fleets/Fitting partners/Consumers transaction
B2C/B2B tyres/Special tyres/Commercial vehicle/Two-wheel

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	139	195	139	195	195	195
Additional compensation	0	0	0	0	0	0
Total	139	195	139	195	195	195
One-year compensation	0	0	0	0	0	0
Multi-year compensation	10	10	16	30	0	500
Components with long-term incentive effect	10	10	16	30	0	500
Total	149	205	155	225	195	695
Pension expense	0	0	0	0	0	0
Total compensation	149	205	155	225	195	695

Philip von Grolman

North America/Purchasing passenger and special tyres/Transport/Logistic services

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	243	243	243	243	243	243
Additional compensation	0	0	0	0	0	0
Total	243	243	243	243	243	243
One-year compensation	0	0	0	0	0	0
Multi-year compensation	70	70	114	156	0	500
Components with long-term incentive effect	70	70	114	156	0	500
Total	313	313	357	399	243	743
Pension expense	0	0	0	0	0	0
Total compensation	313	313	357	399	243	743

Thierry Delesalle

Consumer business (B2C) West Europe/Online Marketing and Pricing West Europe/Category management

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	158	210	158	210	210	210
Additional compensation	0	0	0	0	0	0
Total	158	210	158	210	210	210
One-year compensation	27	30	27	30	30	30
Multi-year compensation	0	3	8	30	0	500
Components with long-term incentive effect	0	3	8	30	0	500
Total	185	243	193	270	240	740
Pension expense	0	1	0	1	1	1
Total compensation	185	244	193	271	241	741

Sascha Jürgensen until 31.03.2016

DeltiParts/Business Development

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	177	44	221	44	44	44
Severance payment	0	540	540	0	0	0

Additional compensation	8	2	2	2	2	2
Total	185	46	223	46	46	46
One-year compensation	0	0	0	0	0	0
Multi-year compensation	13	0	0	0	0	500
Components with long-term incentive effect	13	0	0	0	0	500
Total	198	586	763	46	46	546
Pension expense	2	1	1	1	1	1
Total compensation	200	587	764	47	47	547

Andreas Prüfer

Logistic central warehouse/Consumer business (B2C) passenger car tyres East Europe with Austria/Finance/Legal/IT/Human Resources/Corporate Communications/Risk management

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (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	32	86	227	313	0	750
Components with long-term incentive effect	32	86	227	313	0	750
Total	507	561	702	788	475	1,225
Pension expense	0	0	0	0	0	0
Total compensation	507	561	702	788	475	1,225

Rainer Binder until 31.12.2015

CEO

in € thousand	Inflows		Donations			
	2015	2016	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	0	0	0	0	0	0
Additional compensation	0	0	0	0	0	0
Total	0	0	0	0	0	0
One-year compensation	0	0	0	0	0	0
Multi-year compensation	89	0	0	0	0	0
Components with long-term incentive effect	89	0	0	0	0	0
Total	89	0	0	0	0	0
Pension expense	0	0	0	0	0	0
Total compensation	89	0	0	0	0	0

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.

in € thousand	Non-performance related compensation		Performance-related compensation		Long-term incentive	
	2016	2015	2016	2015	2016	2015
Susann Dörsel-Müller	195	139	0	0	30	16
Sascha Jürgensen	44	221	0	0	0	0
Philip von Grolman	243	243	0	0	156	114
Thierry Delesalle	210	158	30	27	30	8
Andreas Prüfer	475	475	0	0	313	227

With that, short-term benefits for the board management of € 1,123 thousand (2015: € 1,236 thousand, performance related components of € 30 thousand (previous year: € 27 thousand) as well as other long-term performance-related remuneration of € 529 thousand (2015: € 365 thousand) accrued in 2016.

During fiscal year 2016, 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 2016, remuneration totalled € 50 thousand (previous year: € 35 thousand) for Rainer Binder, € 15 thousand (previous year: € 10 thousand) for Michael Thöne-Flöge and € 5 thousand (previous year: € 5 thousand) for Alan Revie.

Dividend

The General Meeting on 03.05.2016 resolved to pay a dividend in the amount of € 6,231,665.50 from Delticom AG's 2015 net retained profits (€ 0.50 per share, previous year € 0.25 per share) and to carry forward the remaining amount of € 5,611,985.00 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 € 10.3 million, carrying € 4,070,511.60 forward to new account.

Shareholdings**Consolidated subsidiaries:**

Name, registered office, country	Fixed capital interest %	
	2016	2015
DeltiTrade Ltd., Oxford, United Kingdom (formerly Delticom Tyres Ltd.)	100	100
DeltiTrade GmbH, Hanover, Germany (formerly ES Food GmbH)	100	0
Delticom OE S.R.L., Timisoara, Romania	100	100
DeltiCar SAS, Paris, France	100	0
ES Food GmbH, Hanover, Germany (now DeltiTrade GmbH)	100	0
Extor GmbH, Hanover, Germany	60	0
Gourmondo Food GmbH, Munich, Germany	90	0
Delticom South Africa, Durban, South Africa – 100% subsidiary of Delticom OE S.R.L	100	100
Toroleo Tyres GmbH, Schönefeld, Germany	100	100
Ringway GmbH, Hanover, Germany	80	0
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	100
Price Genie LLC, Benicia, California, USA – 100% subsidiary of Delticom North America Inc.	100	100
Giga Tyres LLC, Benicia, California, USA – 100% subsidiary of Delticom North America Inc.	100	100
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover, Germany	100	100
Tirendo Holding GmbH, Berlin, Germany	100	100
Deltiparts GmbH in course of information., Hanover, Germany	100	100
MobileMech GmbH, Hanover, Germany (formerly Reife tausend1 GmbH)	100	100
Tirendo Deutschland GmbH, Berlin, Germany – 100 % subsidiary of Tirendo Holding GmbH	100	100
TyresNET GmbH, Munich, Germany	90	90
Delti-Vorrat-1 GmbH, Hanover, Germany	100	100
Giga GmbH, Hanover, Germany	100	100

At equity consolidated subsidiaries:

Name, Based, Country	Fixed capital in %		Equity		Result of the last year	Record day from the information
	2016	2015	in thousand	Currency	in thousand	
Delticom Russland, Moscow, Russia	49	49	39,204	RUB	-21,880	31.12.2016

Not consolidated subsidiaries:

Name, registered office, country	Fixed capital interest %		Shareholders equity	Currency	Earnings from the last year	Currency	Record day from the information
	2016	2015	in Thousand		in Thousand		
Tirendo Netherlands B. V., Den Haag , Netherlands – 100 % subsidiary of Tirendo GmbH Holding GmbH	100	100	-114	EUR	-22	EUR	31.12.2015
Switzerland GmbH, Zug , Switzerland – 100 % subsidiary of Tirendo Holding GmbH	100	100	-93	CHF	-20	CHF	31.12.2015
Tirendo Poland Sp.z.o.o., Warsaw, Poland – 100 % subsidiary of Tirendo Holding GmbH	100	100	-157	PLN	-16	PLN	31.12.2015

Through being included in the consolidated financial statements, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Tirendo Holding GmbH, Giga GmbH and Deltiparts 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 2016 and 2015, the following fees were recorded for the auditor Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Hanover:

in € thousand	2016	2015
Audits of the financial statements	209	157
Other confirmation and valuation services	2	2
Tax consultancy services	2	45
Other services	0	0
Total	213	204

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 21.03.2017, 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**Extension board management employment contracts**

The contracts for the members of the executive board were extended at the beginning of the year by Delticom's Supervisory Board as follows:

- Thierry Delesalle was reappointed as a member of the company's Management Board with effect as of 1 January 2018 and extending inclusively until 31 December 2021.
- Susann Dörsel-Müller was reappointed as a member of the company's Management Board with effect as of 20 March 2018 and extending inclusively until 19 March 2021.
- Philip von Grolman was reappointed as a member of the company's Management Board with effect as of 9 August 2017 and extending inclusively until 8 August 2020.
- Andreas Prüfer was reappointed as a member of the company's Management Board with effect as of 1 January 2018 and extending inclusively until 31 December 2020.

Granting stock options

Taking account of the instructions on the key features of the Stock Option Plan 2014 in the resolution passed by the company's Annual General Meeting on April 29, 2014, the company's Management Board, with the consent of the Supervisory Board, introduced a stock option plan for employees of the company and, based on a resolution approved by the Supervisory Board, a stock option plan for members of the company's Management Board.

Based on these plans, 8,000 stock options were issued to Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Andreas Prüfer as members of the company's Management Board on January 5, 2017, and a total of 16,003 stock options were issued to the company's employees on January 10, 2017.

The vesting period for all stock options is four years, starting with the respective date of issue. The stock options are therefore currently not yet exercisable. The option rights have a maximum life of ten years as from the day when the respective option right originated.

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, 21 March 2017

(The Management Board)

Auditors' Report

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

We have audited the consolidated financial statements prepared by the Delticom AG, Hanover, comprising the income statement, the statement of recognised income and expenses, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Delticom AG, Hanover, for the business year from January 1, 2016 to December 31, 2016. 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, complies with legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 21 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Schröder
German Public Auditor

ppa. Hanno Karlheim
German Public Auditor

Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Group revenues (€ million)	606.60	559.79	501.70	505.54	456.38	480.01	419.58	311.26	258.98	215.50	173.13
Group EBITDA (€ million)	15.40	14.28	15.29	22.18	35.31	55.05	48.91	30.44	16.93	12.60	10.43
EPS (€/share)	0.36	0.28	0.24	0.97	1.87	3.04	2.77	17.71	0.99	0.71	0.66
Number of outstanding shares (million)	12.46	11.95	11.95	11.86	11.85	11.85	11.84	11.84	11.84	11.84	11.84
Dividend per share (€/share)**	0.50	0.50	0.25	0.50	1.90	2.95	2.72	1.70	1.00	0.67	0.40
Number of employees	156	129	247	179	144	116	101	87	81	75	62
Number of fitting partners (thousand)*	43.90	41.90	39.30	36.00	33.30	29.70	25.70	21.90	17.80	13.30	9.10
Number of shops*	387	245	163	137	128	126	120	105	100	88	78
Number of customers (customer base, thousand)*	10,818	9,583	8,319	7,314	6,160	5,310	4,389	3,431	2,626	1,930	1,305

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

02.05.2017	Annual General Meeting
15.05.2017	3-monthly notification 2017
14.08.2017	6-monthly report 2017
14.11.2017	9-monthly notification 2017
27.-29.11.2017	German Equity Forum Frankfurt

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