Annual Report 2021

DELTICOM
Aktiengesellschaft

Profile

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

The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and around 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 359 online shops and online distribution platforms in 73 countries, serving more than 17.4 million customers.

As part of the service, the ordered products can be sent to one of Delticom's over 34,000 partner garages in Europe for assembly at the customer's request.

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

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

In fiscal year 2021, Delticom AG generated revenues of around € 585 million. At the end of the last fiscal year, 174 were employed by the company.

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

Key Figures

		01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020	-/+ (%, %p)
Revenues	€ million	585.4	541.3	+8.2
Total income	€ million	614.0	574.2	+6.9
Gross margin[1]	%	21.9	22.7	-0.8
Gross profit[2]	€ million	156.6	155.9	+0.5
EBITDA	€ million	17.1	15.0	+13.7
EBITDA margin	%	2.9	2.8	+0.1
EBIT	€ million	7.1	5.4	+31.8
Net income	€ million	6.8	6.9	-0.8
Earnings per share	€	0.49	0.55	-16.7
Total assets	€ million	217.5	199.8	+8.9
Inventories	€ million	46.6	36.9	+26.4
Investments[3]	€ million	1.2	1.6	-26.6
Equity	€ million	38.0	14.8	+156.6
Equity ratio	%	17.5	7.4	+10.1
Return on equity	%	17.9	46.4	-28.5
Liquidity position[4]	€ million	4.9	5.6	-13.6

(1) Gross profit ex other operating income in % of revenues
(2) Gross profit including other operating income
(3) Investments in tangible and intangible assets (without aquisitions)
(4) Liquidity position = cash and cash equivalents + liquidity reserve

Highlights 2021

Revenues

> € 585 million

2020: € 541,3 million

Increase of EBITDA to

€ 17.1 million

2020: € 15 million

Improvement of EBIT to

€ 7.1 million

2020: € 5,4 million

Increase of EBIT margin to

1.2 %

2020: 1,0 %

Consolidated net income amounted to

€ 6.8 million

€ 0,49 earnings per share

Content

Letter to Our Shareholders

Dear shareholders,

In the 2021 financial year, we continued to focus on our core business "online tyre sales in Europe" while systematically working on optimising and further developing Delticom AG. Our actions enabled Delticom to officiallay end its operational restructuring in late summer 2021, and also to officially end it, marking the highly successful conclusion of this process. Finalising the operational restructuring ahead of schedule was further proof that we are on the right track with our new strategy and the measures we have initiated. One of our key goals here was Delticom AG’s refinancing, which we contractually agreed with the participating banks in December 2021. The new financing structure has been in effect since January 2022.

In the past financial year, we increased our revenues by € 44.1 million compared to the previous year (€ 541.3 million) by focusing on our core business of “tyres” (B2C & B2B) and making efficient use of marketing measures. This represents growth of 8.2 %.

There were a number of challenges to overcome in the reporting year. The COVID-19 pandemic not only led to continued restrictions on public life, but also caused supply chain bottlenecks – affecting ocean-bound goods in particular – and, in turn, a jump in container prices. Soaring commodity and energy prices were also a significant factor in the second half of the year. Despite all these difficulties, we achieved significant and profitable growth in 2021. Our systematic focus on customer needs was instrumental in this performance.

At the same time, we opened our second major warehouse near where the borders of Germany, France and Switzerland meet, bringing us much closer to key customer groups and growth countries. This allowed us to expand our product range and offer faster and more reliable delivery times for the benefit of our customers throughout central Europe. The 2021 winter tyre season was the second one at this new location and showed that we are extremely successful at implementing large-scale change processes that affect our supply chains. We were always able to supply our customers with the tyres they needed. We also mastered the challenges posed by the shortage of containers and significantly longer shipping times.

Let us look at a few points in more detail:

In August 2021, the restructuring and turnaround consultants Struktur Management Partner confirmed that we had successfully completed our operational restructuring. Our figures for the first half of 2021 showed growth of 4.7 % year on year to € 249.3 million. Our core business grew by 6.5 %. Six-month EBITDA amounted to € 8.0 million, compared with € –1.5 million in the first half of 2020. Purchase prices rose in the course of the year due to strong upward price trends on the global commodities markets. In the second half of 2021, we managed our profitable growth in a targeted manner according to available market potential. In the final quarter, the year-on-year increase in demand for winter tyres in selected countries, along with the development of sales prices, led to double-digit sales growth. At € 585.4 million, full-year revenues are therefore at the upper end of our forecast range.

Our EBITDA 2021 as a whole rose by € 2.1 million or 13.7 % to € 17.1 million. As a result, we were able to meet the target set in our 2020 annual report, which was published in March 2021. Restructuring costs of € 4.5 million and the costs relating to the capital increase and the agreement of follow-up financing totalling € 0.4 million contrasted with positive contributions of € 6.2 million from logistics projects, including the revenue from the sale of the property belonging to a subsidiary. This meant that we continued to successfully offset extraordinary expenses in the past financial year. In 2020 as a whole, the earnings contribution of € 9.5 million generated by project business at the end of the year compensated for the extraordinary expenses totalling € 7.2 million from the restructuring and the related discontinuation of operations.

Net income amounted to € 6.8 million or € 0.49 per share (2020: € 6.9 million or € 0.55 per share).

Despite the company's positive performance, a dividend will not be proposed for the past financial year. This decision is tied to our clear goal of further strengthening Delticom AG's liquidity, earnings power and equity. Our aim is to enable our shareholders to benefit from the company's success in the future. The positive results we are reporting for 2021 are a further important and successful step towards this objective.

Our follow-up financing takes the form of a two-year syndicated loan agreement with three financing partners, which includes an option for an additional year. In the middle of the year, we successfully placed a capital increase of € 16.9 million on the capital markets. We would like to take this opportunity to thank all the shareholders who put their trust in us. This measure increased our equity to € 38.0 million (equity ratio 17.5 %) and allowed Delticom to significantly reduce its leverage. The total volume of the syndicated loan agreement is € 60 million compared to a total financing volume of € 110 million in the previous two years. This meant that financing for current account liabilities, guarantees and letters of credit was reduced by € 50 million. As at the end of the year, we had repaid loan liabilities of € 5.4 million and replaced them with medium-term financing solutions with a total volume of € 5 million.

As 2021 drew to a close, we took the opportunity to sell our subsidiary in the USA, in which we held a 75 % interest. We plan to use the proceeds from the sale of around € 6 million, which we received at the beginning of 2022, for forthcoming investments in warehouse logistics in order to further enhance efficiency and the level of automation within the company. Here, too, we therefore concluded our focus on online tyre sales in Europe. Net income for 2021 and the signing of the syndicated loan agreement are not affected by this because ownership of the US business was not transferred until January 2022 and therefore all revenue and earnings contributions from the USA for the full year are included in 2021. We successfully spun off our technology subsidiary, Extor GmbH, in the middle of the year. As a result, its earnings effects only cover six months of 2021.

The Delticom Group is forecasting revenues of between € 480 million and € 520 million for the 2022 financial year, without its US business. We are aiming for operating EBITDA of between € 12 million and € 15 million. Furthermore, the sale of the US shares results in an EBITDA contribution of around € 2.5 million. The company may reinvest these funds in the course of the year. The earnings contributions from project developments forecast for this year will cover the costs of the syndicated loan agreement and therefore will not provide any additional profit. The costs of the syndicated loan agreement are allocated over a period of 24 months.

As there is currently still considerable uncertainty regarding market developments in 2022, our target corridor for revenues is based on conservative calculations. At present, it is not possible to reliably predict the indirect effects of the war in Ukraine, such as how rising prices at filling stations will impact demand for tyres in Europe. Since we currently have no sales operations in either Ukraine or Russia, we are not directly affected by the war and the related sanctions imposed on Russia. Potential macroeconomic developments and their impact on the market environment cannot be foreseen at present and therefore were not included in our forecast.

Continuing our successful strategy and focusing on profitable growth will be our top priorities in 2022. We will place particular emphasis on the following areas:

- We will continue to systematically pursue our vision "we are the first port of call for tyres in Europe", while placing customer needs at the heart of everything we do. This includes overhauling and realigning our reifendirekt and Tirendo shops to deliver an improved and more convenient purchasing experience.
- We laid the foundation for a further future growth area for Delticom by opening our marketplace www.reifen.de to external partners (CPO model).
- In 2022, we will continue to constantly optimise our processes and enhance our logistics network on an ongoing basis in order to keep on providing an excellent customer experience with on-time delivery.
- We will also focus on strengthening our B2C business and expanding our cooperation with B2B partners to ensure Delticom's healthy growth.

We would like to thank all our employees for once again showing a high level of motivation, deep commitment and a solution-driven approach this year and thereby making a key contribution to Delticom's success. We are also extremely grateful to our long-standing business partners for their loyalty and support. Last but not least, we would like to thank you, our shareholders, for continuing to place your trust in us.

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

Hanover, 23rd March 2022

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

Report of the Supervisory Board

Dear Shareholders,

In the financial year 2021, the Supervisory Board performed the duties incumbent upon it under the law and the Articles of Association - due to the challenges facing the company - with particular intensity and made the appropriate decisions. The 2021 financial year was characterized by a continuing difficult business environment, measures to secure liquidity in the medium term, the continuation and ultimately the completion of the turnaround program launched in 2019 for a sustainable return to profitability, and the final measures for follow-up financing of the company. Because of these challenges, the Supervisory Board voted and passed resolutions more frequently than usual in 2021. For its analyses, it was able to draw on the Company's internal control system and the reports of the respective officers.

We dealt regularly and in detail with the financial, asset and eranings position and with the risk and compliance management of our Company. We obtained reports on all significant factors of influence for the business and on the main business transactions. We received monthly written reports from the Executive Board with the scope and content we requested. In addition, there was a lively exchange of information and ideas on current events and developments between the Supervisory Board and the Executive Board, in particular through regular telephone calls and meetings. In particular, we were always informed promptly and in detail by the Executive Board about significant developments in discussions with the lending banks and the turnaround concept.

In justified individual cases, the Supervisory Board called in external experts for advice. We were always available to advise the members of the Executive Board outside meetings. We made urgent decisions in writing or by telephone. All resolutions were passed unanimously in the reporting period. All members of the Supervisory Board attended all meetings of the Supervisory Board in the reporting period.

The members of the Supervisory Board in the reporting period were Mr. Alexander Gebler, Mr. Michael Thöne-Flöge and Mr. Karl-Otto Lang. Mr. Alexander Gebler is Chairman of the Supervisory Board. Mr. Michael Thöne-Flöge is Vice Chairman. The Supervisory Board has established an Audit Committee within the meaning of Section 107 (4) sentence 2 of the German Stock Corporation Act (AktG). The members of the Supervisory Board and Audit Committee in the reporting period are and were familiar with the sector in which the Company operates. The Chairman of the Audit Committee is Mr. Michael Thöne-Flöge, who is an expert in the field of auditing on the Supervisory Board and Audit Committee. Mr. Karl-Otto Lang is an expert in the field of accounting on the Supervisory Board and Audit Committee.

Main topics of Supervisory Board consultation

The Supervisory Board's deliberations focused on the new Executive Board remuneration system 2021, the capital increases, the establishment of a holistic compliance management system as well as the internal risk management system, the strategic alignment of the company, securing medium-term liquidity, the effects of the ongoing Corona pandemic and the follow-up financing of the company. In view of the continuing difficult business environment, the Board of Management worked with specialized consultants last year to continue the comprehensive turnaround concept aimed at a sustainable return to profitability, increasing profitability and focusing on the core business of "Tires Europe", as well as the associated sustainable implementation measures. Here, too, we worked closely with the Management Board and fully supported the measures taken to implement the turnaround concept. The target was clear: Delticom should return to positive operating EBIT in its core business as early as 2021.

Meetings and written resolutions of the Supervisory Board

In order to do justice to the scope of the issues at hand, the Supervisory Board held an extraordinary meeting on February 3, 2021, in addition to the four regular meetings, as well as bi-weekly conference calls and meetings of the Supervisory Board members with the Chief Financial Officer, the Chief Performance Manager and other external advisors in exercise of its information and audit rights. The aim of these exchanges was the ongoing monitoring and clarification of the Company's liquidity development, its action plans with regard to the turnaround concept, and the negotiations on follow-up financing.

At our first ordinary meeting on March 23, 2021 (balance sheet meeting), the auditor reported to the Supervisory Board on the key findings of its audit of the 2020 annual financial statements and was available to answer questions from the Supervisory Board. At this meeting, the Supervisory Board dealt with the annual financial statements and management report of Delticom AG as well as the consolidated financial statements and group management report for fiscal year 2020, and approved the annual financial statements and consolidated financial statements. At this meeting, we dealt with the fundamental requirements, effects and measures already implemented by the company in the areas of the Compliance Management System (CMS), social and environmental factors and corporate governance (ESG). Also discussed were the strategic plans and considerations of the Supervisory Board and the Executive Board in the area of strategic corporate development 2021 and the Annual General Meeting on May 11, 2021. At the meeting we also adopted the resolution on a new Executive Board remunaration system and the proposal for its approval by the upcoming Annual General Meeting.

At the second ordinary meeting held after the company's Annual General Meeting on May 11, 2021, the Management Board informed the Supervisory Board about the Group's business performance and measures to increase efficiency in marketing, pricing and warehouse logistics. At this meeting, the Supervisory Board also discussed with the Executive Board the current status of the establishment of an integrated CMS as well as the risk management system (RMS), the internal control system (ICS) and the topic of ESG. Furthermore, Mr. Michael Thöne-Flöge was re-elected Vice Chairman of the Supervisory Board.

At the third ordinary meeting on September 07, 2021, the Executive Board reported in detail on the successful completion of the reorganization and on business performance, its assessment of future business development, its outlook for the annual sales to be realized, and the current market assessment. In addition, the Supervisory Board was briefed on the topics of CMS, RMS, ICS and ESG. Due to the importance of these topics, we will put them on the agenda of future Supervisory Board meetings on a recurring basis. The Supervisory Board has established an Audit Committee within the meaning of Section 107 (4) sentence 2; Section 107 (3) AktG and appointed Mr. Michael Thöne-Flöge as Chairman.

At the last ordinary meeting on November 16, 2021, the Executive Board reported to us on the course of business. We were provided with a general overview of the market and an assessment of the respective Management Board divisions (including Sales, E-Commerce, Warehouse/Logistics, Finance). We also discussed and approved the Managing Board's medium-term and investment planning for Delticom AG. At the same meeting, we took note of information on the status of the preparation of a risk report, as well as information on the topics of CMS, RMS, ICS and ESG. A presentation of the final risk report was postponed until early 2022. The allocation of responsibilities on the Executive Board was also updated and confirmed, and the results of the efficiency review of the Supervisory Board were communicated.

In addition, 10 resolutions were adopted by telephone or in writing.

These concerned:

- the approval of the extension of the existing consultancy agreement and the extension of the term of office of Dr. Harald Blania as a member of the Executive Board in his function as Chief Performance Manager (03.02.2021),
- the resolution on the achievement of targets under the variable compensation for the 2020 financial year relating to the member of the Executive Board Mr. Thomas Loock (March 8, 2021),
- the approval of the conclusion of a placement and underwriting agreement, a pricing agreement and a volume fixing agreement in connection with the capital increases (June 01, 2021),
- the approval of the resolution of the Executive Board of the Company on the utilization of Authorized Capital I/2017 relating to the first tranche of the capital increase (June 1, 2021),
- the approval of the resolution of the Management Board of the Company concerning the determination of the placement price and the number of shares of the first tranche of the capital increase and the corresponding amendment of the Articles of Association (June 1, 2021),
- the approval of the resolution of the Management Board of the Company on the utilization of the Authorized Capital I/2017 concerning the second tranche of the capital increase (June 1, 2021),
- the approval of the resolution of the Executive Board of the Company concerning the determination of the subscription price and the subscription ratio of the second tranche of the capital increase and the corresponding amendment of the Articles of Association (June 1, 2021),
- Approval of the resolution of the Management Board of the Company concerning the determination of the number of shares of the second tranche of the capital increase and the corresponding amendment of the Articles of Association (June 24, 2021),
- approval of the conclusion of the new service agreements together with the extension of the appointment as members of the Management Board relating to Mr. Philip von Grolman, Mr. Torsten Pötzsch and Dr. Andreas Prüfer (in each case until December 31, 2024) and approval of the option conditions of the Stock Option Plan 2022 relating to stock options for members

of the Management Board of the Company taking into account the requirements contained in the resolution of the Annual General Meeting of the Company on August 12, 2019 (December 10, 2021), and

- approval of the signing of the amendment agreement to the Company's original reorganization agreement and the conclusion of all agreements with the financing banks required in connection with the follow-up financing of the Company (Dec. 20, 2021).

The Audit Committee held its first meeting on March 17, 2022 for the purpose of monitoring and controlling the audit of the annual financial statements for fiscal year 2021. The main topics of the meeting were the review of the final financial statement documents and audit reports and preparations for the upcoming financial statements meeting on March 23, 2022. There were no meetings of the Audit Committee in the reporting period.

Corporate governance, conflicts of interest

On March 23, 2021, together with the Managing Board, we issued a declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Section 161 of the AktG and made it permanently available on Delticom AG's website (https://www.delti.com/de/investor-relations/corporate-governance/). The declaration of conformity is updated annually after the Supervisory Board's balance sheet meeting, otherwise as required.

The Supervisory Board regularly reviews potential conflicts of interest of the Supervisory Board members. To this end, the members of the Supervisory Board are asked at least once a year whether such conflicts existed or still exist. In addition, each member of the Supervisory Board shall disclose conflicts of interest to the Chairman of the Supervisory Board without delay. In our understanding and in accordance with the applicable regulations, a conflict of interest exists if there is reason to fear that the member of the governing body will not base his or her decision solely on the interests of the company, but may also have personal or third-party interests in the decision-making process. According to the Supervisory Board's review, there were no conflicts of interest in this sense in the past fiscal year.

Audit of annual and consolidated financial statements

In the presence of the auditor, the Supervisory Board dealt intensively with the annual financial statements and audit reports for fiscal year 2021 as well as the remuneration report pursuant to Section 162 of the AktG, in particular the annual financial statements prepared in accordance with German commercial law and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), in each case as of December 31, 2021, as well as the management report for the company and the Group and the dependent company report for fiscal year 2021. Representatives of the auditor reported on the key findings of the audits and were available to the Supervisory Board to provide additional information. The auditor's reports, the annual financial statements prepared by the Managing Board, the dependent company report and the report on the position of Delticom AG and the Group, in each case for fiscal year 2021, were submitted to us in good time so that we had sufficient opportunity to examine them. The auditor PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft, Hanover, had previously audited the financial statements. There are no doubts as to the independence of the auditors.

In the opinion of the auditor, the annual financial statements and the consolidated financial statements for fiscal year 2021 give a true and fair view of the net assets, financial position, results of operations and cash flows of the Company and the Group in accordance with German principles of proper accounting. The auditor's review of the dependent company report for fiscal year 2021 did not give rise to any objections. The auditors issued their unqualified audit opinions in each case. The auditor's opinion on the dependent company report reads as follows:*"On completion of our audit in accordance with professional standards, we confirm that the factual information in the report is correct and that the consideration paid by the Company for the legal transactions listed in the report was not inappropriately high or that disadvantages have been compensated*. "

Similarly, the auditor formally examined the compensation report prepared by the Executive Board and Supervisory Board for fiscal year 2021 in accordance with Section 162 (3) AktG with regard to the existence of the required disclosures. The auditor's opinion on the compensation report reads as follows: *"In our opinion, the accompanying compensation report complies, in all material respects, with the disclosures pursuant to Section 162 (1) and (2) AktG. Our audit opinion does not extend to the content of the compensation report."*

In addition, as part of its assessment of the risk management system, the auditor found that the Executive Board had taken the measures required under Section 91 (2) AktG to identify at an early stage any risks that could jeopardize the continued existence of the Company.

Following our own examination of the annual financial statements, consolidated financial statements, management report, Group management report, dependent company report and compensation report, we fully concurred with the auditors' report, in each case for the fiscal year 2021. On March 23, 2022, the Supervisory Board approved the annual financial statements and the consolidated financial statements for fiscal year 2021. The annual financial statements of Delticom AG are therewith adopted.

Personnel changes in the Supervisory Board and Management Board

There were no personnel changes on the Supervisory Board in 2021. However, in the reporting year 2021, the Supervisory Board made important personnel decisions at Executive Board level and extended current mandates. On February 3, 2021, for example, the mandate of Executive Board member Dr. Harald Blania (Chief Performance Manager) was extended until the end of March 31, 2021. Similarly, the Supervisory Board extended the appointment of the members of the Executive Board Mr. Philip von Grolman (CPO), Mr. Torsten Pötzsch (CSO) and Dr. Andreas Prüfer (CDO) with effect from January 1, 2022 until the end of December 31, 2024 by resolution dated December 10, 2021.

The members of the Supervisory Board undertook the training and further education measures required for their duties on their own responsibility. They received appropriate support from the Company, in particular through the provision of a didactically prepared multimedia portal for use by Supervisory Board members for training and continuing education measures.

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

Hanover, 23.03.2022

Alexander Gebler

(Chairman of the Supervisory Board)

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2021 at € 6.40.

Development of the stock markets

2021 stock market

At the beginning of 2021, renewed lockdown measures and a public shutdown weighed on the German stock market. However, despite rising commodity prices, a lack of semiconductors and supply bottlenecks, the DAX reached numerous new all-time highs in the months that followed. The reason for this was the increasing immunization of the population as a result of the vaccination campaign gaining momentum and the accompanying hope that the pandemic would soon come to an end, combined with a recovery in the economy.

Until mid-November, this development was also driven by the European Central Bank's decision to maintain its low interest rate policy despite the high inflation figures. After starting the new year at 13,727 points and reaching a low of 13,433 points on 29.01.2021, the DAX reached a new all-time high of 16,251 points on 17.11.2021. An interest rate hike by the U.S. Federal Reserve and the spread of the new virus mutant Omikron led to turbulence on the stock markets at the end of the year, but this only affected the DAX to a minor extent. It ended trading at 15,885 points. Viewed over the year, this is an increase of 2,158 points or 15.7 %. The other German indices also closed the year clearly positive with +13.5% (MDAX), +10.5% (SDAX) and 20.8% (TecDAX).

Development of the Delticom share (DEX)

Benchmarks

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

DAXsARI comprises all stocks in the DAX family that are active in the online or e-commerce business. As usual, we use the performance index for DAXsARI, which takes into account the dividends of the individual stocks. The chart *Share performance* shows the performance of DEX and DAXsARI since the beginning of 2021 over the course of the year.

DEX performance

After beginning the year at € 6.24, DEX reached an annual low on 06.12.2021 at € 6.16. The shares’ annual high was recorded on 02.07.2021 at € 10.35. DEX closed the year on € 6.40. In the course of 2021 the market capitalisation of DEX increased from € 74.3 million to € 94.9 million.

Share performance 2021

indexed, traded volume in shares (XETRA)

Index membership

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

- Classic All Share
- DAXplus Family Index
- DAXsector All Retail
- DAXsector Retail
- DAXsubsector Retail Internet
- DAXsubsector All Retail Internet
- NISAX 20
- Prime All Share

Earnings per share and dividend recommendation

Undiluted earnings per share are € 0.49 (2020: € 0.55). Diluted earnings per share are € 0.49 (previous year: € 0.55).

The calculation of the earnings per share was based on net income after taxes totalling € 6,813,037.20 (previous year: € 6,870,032.55) and the weighted average number of shares outstanding during the fiscal year totalling 13,778,142 shares (previous year: 12,463,331 shares).

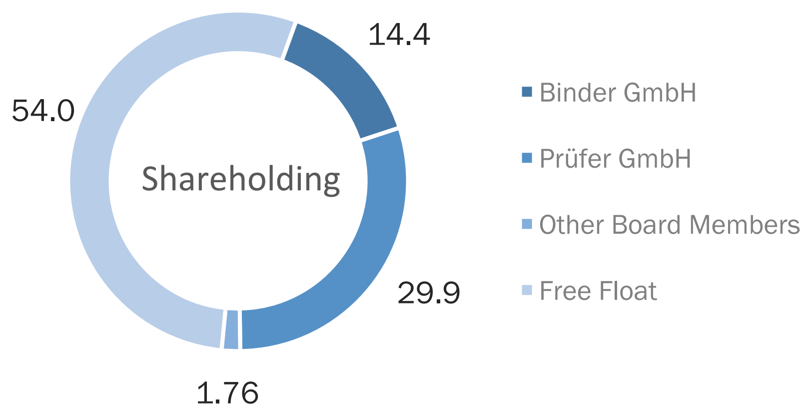
Despite last year's positive earnings growth, no dividend will be paid for fiscal year 2021. This decision is accompanied by the clear objective of further strengthening Delticom AG's liquidity, earnings power and equity.

Shareholder structure

On June 01, 2021, a capital increase without subscription rights was carried out by issuing 1,246,333 new no-par value registered shares at a placement price of € 7.12. In addition, a rights issue was carried out on June 24, 2021 through the issue of 1,121,697 new no-par value registered shares at a placement price of € 7.12. The gross issue proceeds totaled € 16.9 million. The number of Delticom AG shares increased to 14,831,361. As a result of the capital increases, the free float rose to 54.0 %.

Shareholder structure

Shareholding in % of the 14,831,361 shares outstanding, as of 31.12.2021



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

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

Coverage

In total two analysts from a renowned banks regularly offer their view on the course of Delticom AG's business and future prospects (with recommendation as of 14.03.2022):

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

Investor relations activities

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

In addition to the yearly analyst conference on the occasion of the German Equity Forum, in 2021, the Management Board presented business developments and strategy of the company during a roadshow in Zurich and a conference in Paris as well as a virtual roadshow. Furthermore, we had many one-on-one talks with investors.

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

The investor relations department gladly answers any further questions:

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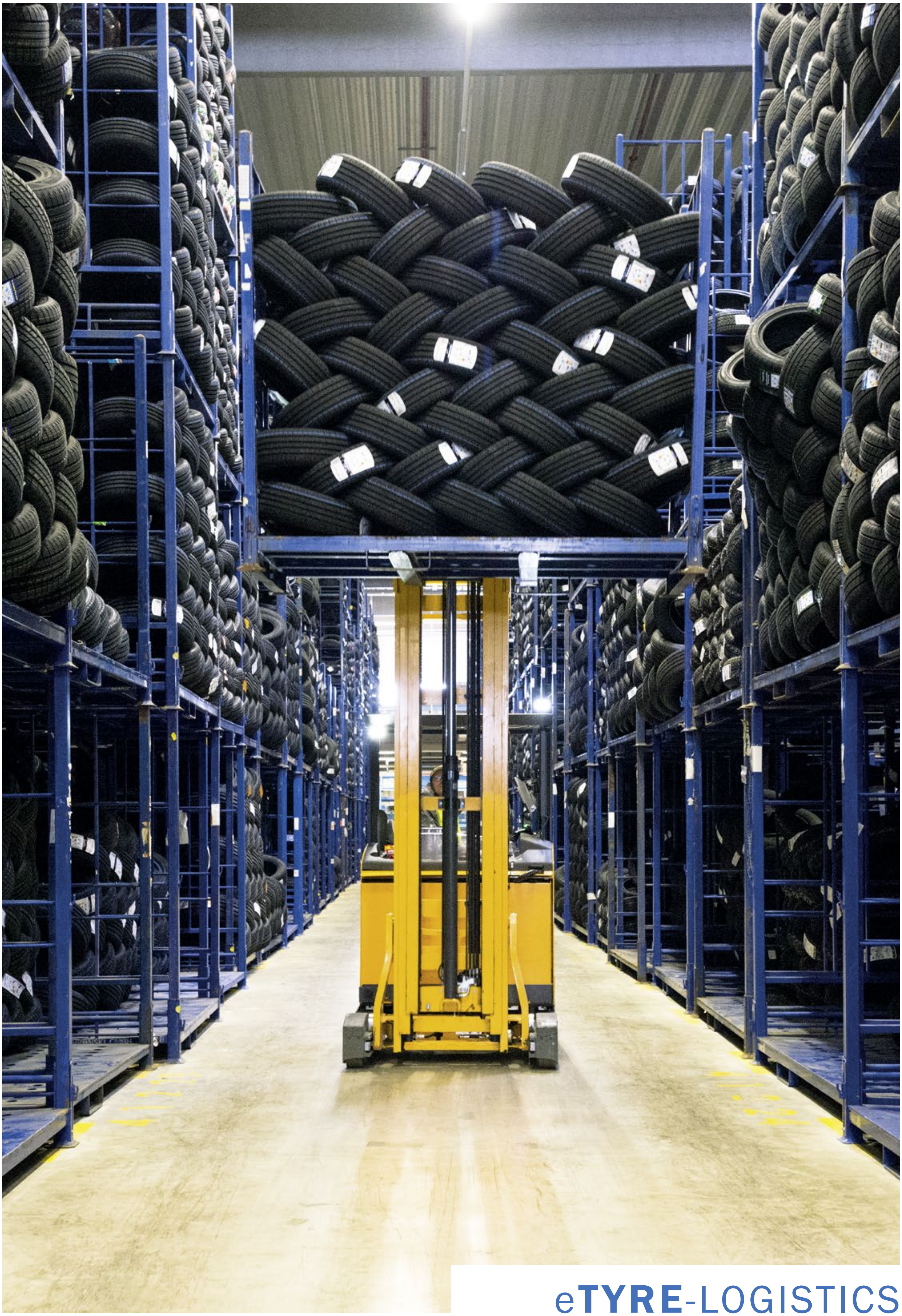
Stock key information

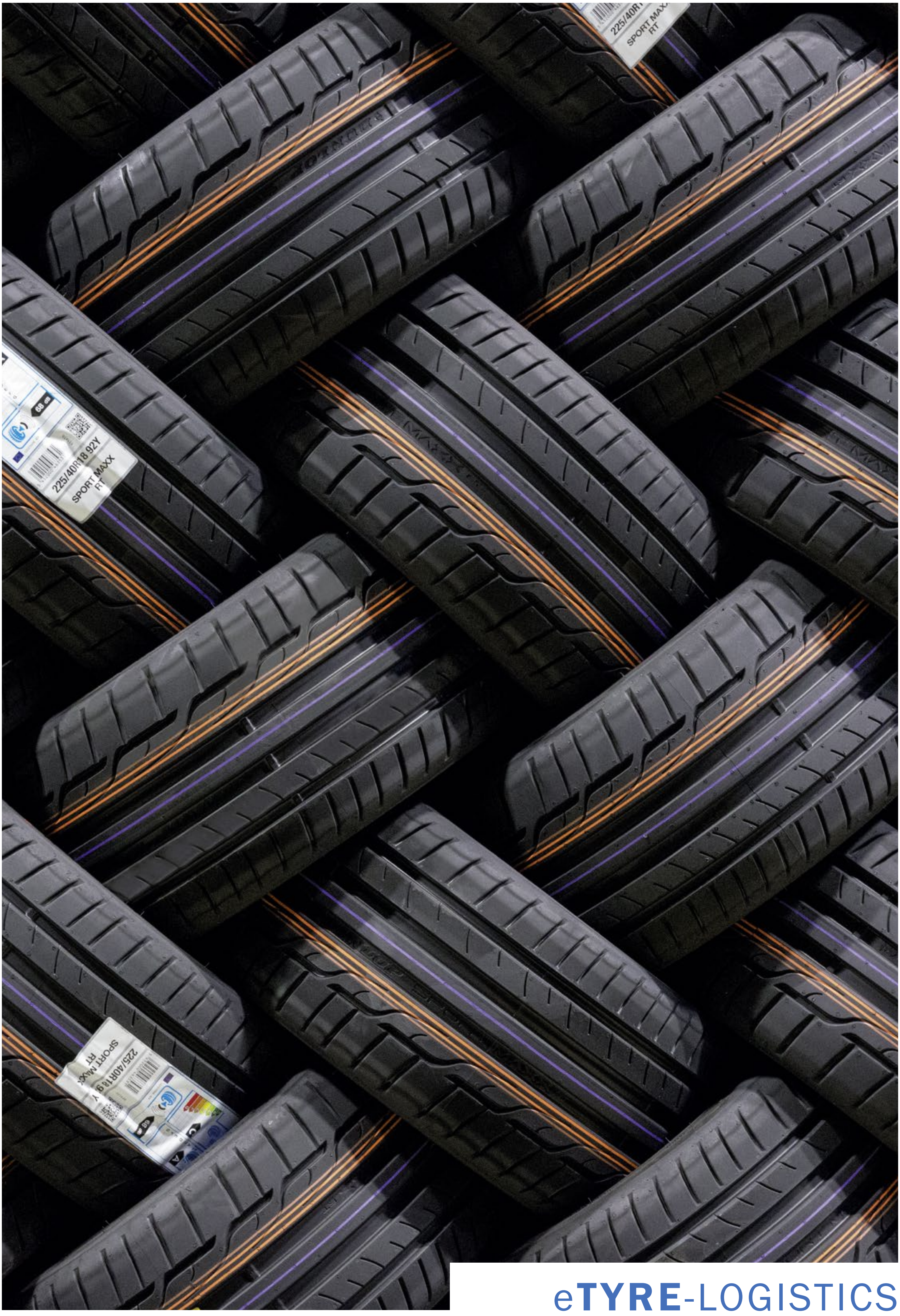
		01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Number of shares	shares	14,831,361	12,463,331
Share price on first trading day[1]	€	6.24	4.56
Share price on last trading day of the period[1]	€	6.40	5.96
Share performance[1]	%	+2,6	+30,7
Share price high/low[1]	€	10,35 / 6,16	6,2 / 2,1
Market capitalisation[2]	€ million	94.9	74.3
Average trading volume per day (XETRA)	shares	18,772	12,412
EPS (undiluted)	€	0.49	0.55
EPS (diluted)	€	0.49	0.55

(1) based on closing prices

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



eTYRE-LOGISTICS



eTYRE-LOGISTICS

eTYRE-LOGISTICS

Combined Management Report of Delticom AG

Content

Group fundamentals

Delticom AG was founded in Hanover in 1999 and today, it is the leading company in Europe for the online distribution of tyres and complete wheels. The company operates 359 online shops and online distribution platforms in 73 countries. In October 2006, it was the first German e-commerce company to go public. Since then, the shares have been listed in the Prime Standard of the German Stock Exchange.

Organisation

During the period under review on average 174 staff members were employed at Delticom. The highly automated business processes form a company-wide, scalable value chain. Possibly necessary manual routine work is passed to operation centres. Partnering with other companies allows us to fulfil the overall needs of our customers and, for example, provide customer-oriented logistics and transport services.

Legal Structure

In addition to Delticom AG, a total of 10 domestic and 9 foreign subsidiaries are included in the consolidated financial statements as of 31.12.2021 as part of the full consolidation. A list of all fully consolidated subsidiaries can be found in the notes to the consolidated financial statements in the section *Shareholdings*.

Delticom sold its shares in Extor GmbH by way of a share purchase and assignment agreement dated June 30, 2021. This resulted in a gain on deconsolidation of € 5 thousand. In fiscal year 2021, Tirendo Deutschland GmbH was merged with Tirendo GmbH (formerly Tirendo Holding GmbH).

Corporate Governance

As a German joint-stock corporation, Delticom operates a dual management system, with a Supervisory Board and a Management Board that aims to achieve a sustainable appreciation of corporate value.

Supervisory Board

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

Management Board

The Management Board coordinates the strategy with the Supervisory Board and ensures its implementation. It informs the Supervisory Board regularly, promptly and comprehensively about all relevant questions relating to planning, business development, risk position, risk management, and compliance with codes of conduct, laws and guidelines.

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

External factors influencing the course of business

Vehicle stock, mileage, replacement cycle

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

Currently there are more than 245 million cars on the roads of the European Union. According to the manufacturer association ACEA, the passenger vehicle stock in the EU has grown by 1.2 % year-on-year, which represents total growth of around 3 million passenger vehicles.

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

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

Price and mix

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

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

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

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

Weather-dependend demand

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

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

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

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

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

Regulatory effects

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

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

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

EU tyre labelling

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

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

Competitive position

Barriers to entry

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

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

First Mover

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

Cross-border

Many e-commerce companies find the challenges of transnational business very daunting. Many activities play a decisive role in its success, such as adapting website design to local demands, describing products and providing customer service in the local language, processing payments in foreign currencies, offering the correct range of common and secure methods of payment as well as dealing with transnational shipping, customs regulations and local tax laws. Delticom group has many years of experience in transnational online trade and currently distributes its products in 73 countries.

Streamlined value chain

We focus on online trading and maintain a tightly-knit network of around 34,000 professional partner garages who stand ready to change our customers' tyres on request.

A streamlined and scalable value chain has been created by largely automated business processes. Our efficient positioning provides us with the necessary scope to offer our customers a broad product range at attractive prices. Thanks to effective working capital management we can make purchases off-season and thus ensure a continuous supply capability.

With increasing competitive pressure, we expect Delticom group to remain one of Europe’s leading e-commerce companies in its field, due to its economies of scale and competitive head start.

Market environment

Replacement tyre market

The world tyre market is divided into two parts: the first supplies tyres to newly manufactured vehicles (original equipment), the second part relates to replacement tyres. In established markets, sales of replacement tyres dominate. The replacement tyre market relevant to the Delticom group accounts for about three quarters of the world tyre market. More than 60 % of all tyres sold are car tyres, while around 20 % are truck tyres, the rest are motorcycle tyres, and industrial and special tyres.

Europe, where the bulk of Delticom's activity takes place, accounts for roughly one-third of global tyre replacement demand. More than a quarter is sold in North America, while Asian markets provide another 33 % of total world sales. Demand in Europe is concentrated in five main markets: Germany, France, Great Britain, Italy and Spain. Taking unit sales and weighting with average tyre prices, the European market volume relevant to Delticom amounts for more than € 10 billion.

Tyre distribution chain

The largest tyre manufacturers command a significant share of the world tyre market. Additionally, a number of medium-sized players have established themselves globally – increasingly also from the emerging markets.

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

In the fragmented European tyre trade, different sales channels compete directly with each other: independent tyre dealers, manufacturers' chains, independent garages as well as national and international fast-fit chains, and for several years online retailers.

Online tyre dealing

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

The share of tyre sales made online is still relatively low. Experts estimate that online tyre sales have accounted for nearly 13 % of European sales to end customers in 2021.

In Europe, there are still great variations from country to country in the share of online tyre sales. As an example, market observers see the proportion of tyres sold online in Germany at around 13 % and has potential for growth. This is evident from a study conducted by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.). For the coming years the industry experts predict further growth potential.

Additionally, Delticom has a unique network of around 34,000 partner garages that take customer requirements in terms of tyre changes into full consideration.

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

Important business processes

Purchasing

In more than 20 years of business, we have established stable business relationships with manufacturers and wholesalers (supplier capital). The purchasing department regularly forecasts prospective volumes by tyre brands and models, procures the goods and allocates deliveries to warehouses, shops and countries. In addition, the purchasing department sets selling prices of available stocks in line with demand.

Customer acquisition

Since the company was founded, around 17 million customers have shopped in our online stores. Our solid and loyal customer base represents a key success factor. Regular newsletter campaigns contribute to customer loyalty. We attract a large proportion of our new customers to our stores with online marketing. This includes search engine marketing and optimization, affiliate marketing, online marketplaces and listings in price search engines. We also cooperate with multipliers such as the German Automobile Club (ADAC).

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

Customer Capital

Since the company's founding around 17 million customers have made purchases in our online shops (previous year: 15.9 million, double counting not excluded). Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances.

Warehousing

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

Transportation logistics

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

Ordering process and order processing

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

Products

Replacement tyres

Delticom group generates the bulk of its revenues through sales of brand-new replacement tyres for cars. We offer a product range of unequalled breadth: Over 600 tyre brands and more than 40,000 models, all of which can generally be shipped within short lead times, as well as rims and complete wheels. In addition, we sell tyres for a variety of vehicles such as motorcycles, trucks, industrial vehicles and also bicycles. Not only do we sell premium manufacturers' tyres, but also a large number of attractively priced quality tyres in the medium and budget price segments. Visitors of our websites have access to test reports and manufacturers' specs for all our products and obtain comprehensive information.

Seasonal product ranges

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

Business Model

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

Delticom Group generates a large share of its revenues by selling from own inventories and ensures that it is able to deliver on a continuous basis. Using dropship fulfilment, the company also sells tyres from the warehouses of manufacturers and wholesalers which are transported directly from the supplier to the customer, or Delticom commissions parcel services to carry out the delivery.

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

The group offers its product range in 73 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Until the end of the 2021 fiscal year, the company was also active in the USA. The shares in the US subsidiary were sold at the beginning of the current fiscal year against the background of refocusing on the core business of "Tyres Europe".

Employees

174 employees

As of 31.12.2021, the Delticom group had a total of 174 employees (including trainees) (31.12.2020: 177). For the year as a whole, the average number of 174 employees worked for the company (previous year: 196). This calculation is based on the number of employees, taking into account the hours worked. The discontinuation of the non-core activities was accompanied by a gradual reduction in headcount in the corresponding business units in the 2020 financial year.

Education and training

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

We offer training to junior staff both in business and IT areas. A total of 2 young people completed their apprenticeships in our company in the 2021 financial year. A total of 2 trainees were employed as of the end of 2021 (previous year: 3).

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

According to Section 312 of the German Stock Corporation Act (AktG), Delticom has prepared a dependent company report and concluded this report with the following declaration by the Managing Board: "We declare that Delticom AG has received appropriate compensation for each of the transactions and measures listed in the report on relationships with affiliated companies according to the circumstances known to us on the date on which the transactions were executed or the measures were taken, and that it has not been disadvantaged by the fact that measures were taken. No measures were omitted in the reporting period."

Company Management and Strategy

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

Management by Objectives

Financial objectives

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

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

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

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

Liquidity

Current and forward rolling budgeted liquidity measures additionally represent an important management metric in our day-to-day business. The main objective of liquidity management is to ensure that the company is solvent at all times.

Non-financial objectives

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

Customer numbers

The development of the customer numbers exert a significant impact on the company's revenues and earnings. Accordingly, the success and efficiency of marketing measures are closely controlled in our daily business. In 2021 the number of 1,032 thousand new customers was higher than in 2020 (1,005 thousand). The company has thus reached its target formulated at the beginning of the year of convincing more than 1 million new customers of its products and value-for-money offerings in the year under review. In addition, customers who come back contribute to the success of the business. In the past year 495 thousand of those customers (2020: 570 thousand) made repeat purchases at Delticom. Repeat purchasers are counted only once in each case, regardless of the number of purchases made in a year. Since the company was founded more than 17.4 million customers have shopped in one of our onlineshops.

Ability to deliver

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

Order processing

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

Efficient warehouse handling

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

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

Strategy

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

Sustainable and profitable growth

The market volume in the European replacement tyre trade amounts to more than € 10 billion annually, the online share is currently around 13 %. Delticom is the clear market leader with online revenues of more than half a billion € per year in its core european tyre business. The aim of the Delticom Group is to maintain and further expand its existing market leadership in the European tyre trade in order to once again increase its revenue and earnings potential in the medium and long term.

Thanks to our multi-shop concept, we are already reaching various target groups. However, Internet penetration in the individual European markets in which we operate still varies considerably with regard to online tyre trade. Accordingly, the Internet and Internet trading in Europe continue to offer growth potential for the future. It is therefore important to position the Group in this way today and to create the necessary structures to continue to be able to take advantage of future growth opportunities.

The continuous improvement of cost efficiency is a key target for sustainable and profitable growth. Accordingly, the company will continue to invest in the automation and optimization of its process landscape in the coming years in order to maintain and further expand not only its market leadership but also to regain cost leadership.

Focus

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

Online only

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

Optimised sourcing

A large part of revenues is generated by the sale of goods from the company's own warehouses (stock-and-ship). Buying in bulk in low season guarantees good purchasing conditions and allows us to deliver tyres to the end customers in high season. In order to achieve its growth and profitability targets in the medium to long term, Delticom will continue to invest in its warehouse infrastructure. Using drop-ship fulfilment, the company also delivers from third party warehouses. Each method of delivery has its own advantages. Therefore we shall continue to use both.

Logistics

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

Liquidity management

The main objective of liquidity management is to ensure that the company is solvent at all times. The seasonality in the tyre trade results in broad fluctuations in our cash position over the course of the year. In order to be as independent as possible from external capital providers we have established a corporate treasury function, tasked with the day-to-day liquidity management. The treasury department uses a comprehensive set of instruments for liquidity management.

Reliable partners

Improving our already good relationships to our partners is important to us. Over the past years dependable business ties have been established with manufacturers and wholesalers both in Germany and abroad. Reliable, long-standing parcel services deliver the goods in a timely and cost effective manner. Delticom's customers can access a network of around 34,000 partner garages which stand ready to mount the tyres. Hotline services and parts of order processing have been outsourced to operation centres.

Research and Development

Proprietary software

Delticom primarily uses highly specific proprietary software solutions. This software largely automates the order and delivery process at low costs. Existing solutions are maintained and extended on an ongoing basis.

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

Report on economic position

Restructuring completed

Restructuring completed

In the past fiscal year, the focus of the business alignment was again on increasing profitability in the European core tyre business in connection with the restructuring process initiated in fiscal year 2019 to sustainably secure the long-term success of the company. After the operational restructuring of the company was declared successfully completed by the restructuring and turnaround consultant in August of last year, the company was able to secure follow-up financing for the company by signing a syndicated loan agreement at the end of the past fiscal year. With the first disbursement under the new syndicated loan agreement in January 2022, the financial restructuring of the company was also successfully completed.

General conditions in 2021

The COVID-19 pandemic still had a noticeable impact on the global economy in the past year. An increased incidence of infection slowed economic recovery in the summer, particularly in many Asian countries. By contrast, against a backdrop of resurgent COVID-19 infections in the third quarter 2021, economic activity has recently weakened markedly in the advanced economies. Prior to this, pandemic-related restrictions had been eased in many places in the second quarter in view of falling incidence rates. As a result, economic activity had recovered, particularly in the severely affected service sectors. Overall, experts at the Institute for the World Economy (IfW) expect global gross domestic product to increase by 5.7 % in the past year.

Macroeconomic development

Europe

Economic activity in the euro zone initially recovered from the pandemic-related recession at the beginning of the past year. In view of the ongoing vaccination campaign and the gradual lifting of restrictions to combat the coronavirus, growth resumed in the spring and was sustained throughout the summer thanks to the revival of the economy. Towards the end of last year, however, economic activity in the individual member states clouded over again. In view of the high incidence rates in many countries, containment measures have recently been taken once again and consumption opportunities restricted, particularly for the unvaccinated part of the population, which hampered economic growth in the fourth quarter 2021. In addition, supply problems and rising prices weighed on economic activity in the final quarter. For the euro zone, the IfW forecasts a 5.0 % increase in gross domestic product for 2021.

Germany

The domestic economy also continued to be impacted by the effects of the Corona crisis in the past year. After economic activity in Germany had picked up quite strongly in the summer half of 2021, economic growth was again hampered in the final quarter by pandemic-related restrictions, primarily in contact-intensive services, and by production difficulties in industry due to persistent supply bottlenecks. Nevertheless, the recovery on the labor market continued until the end of the year. In November, employment increased by 43,000 year-on-year. In December, 378,000 fewer people were registered as unemployed compared with the same month the year before. The experts at the IfW expect German gross domestic product to increase by 2.6% in the past year.

Sectoral developments

E-Commerce

According to the Global Digital Report 2022, more than 60 % of the world's population already uses the Internet. However, Internet penetration and thus the number of online buyers is still very uneven worldwide and in Europe - Delticom's core market. In Northern Europe, Internet penetration is currently at 96 %, in Western Europe at 95 %. While 86 % of Internet users in Western Europe have already made purchases online, the figure in Northern Europe is 82 %. In Central Europe, too, penetration is already comparatively high at 88 % and an e-shopper share of 75 %. Southern and Eastern Europe are still lagging behind in terms of Internet penetration and online shopping (e-shoppers) in a European comparison: while Southern Europe has 85 % and 60 % (e-shoppers), Eastern Europe currently brings up the rear with 77 % and 41 % (e-shoppers).

The Internet as a sales channel is enjoying steadily growing popularity. Experts estimate that European e-commerce generated sales of € 757 billion in 2020. This corresponds to year-on-year growth of 10 %. In Germany, online commerce has become the new normal for customers and retailers in the second year of the corona pandemic. According to the German E-Commerce and Distance Selling Trade Association (bevh), more than one in seven euros of household spending in Germany was spent on e-commerce goods in 2021 while in 2020 it was still one in eight. The sector in Germany was able to increase sales by 19.0 % to € 99.1 billion in the past year. In a recent e-commerce consumer study commissioned by the bevh, a good four out of ten online customers (40.9 %) also stated that they had ordered online more than once in the past seven days. This is more than in the previous year (2020: 39.7 %) and significantly more than before COVID-19 (2019: 33.2 %).

Replacement tyre business

Even though 1.7 % more passenger car tyres were sold by retailers to consumers in Germany in 2021 compared with the corresponding comparative period, the German passenger car replacement tyre business as a whole is still well below pre-pandemic levels. According to estimates by the European Tyre and Rubber Manufacturers' Association (ETRMA) and the German Rubber Industry Association (WdK), sales of passenger car tyres to consumers in Germany were down by a total of 8.9 % in the past year compared with the corresponding reference period 2019.

Summer tyre sales

In contrast to the previous year, spring-like temperatures in March led to an early start to the summer tyre season. Easter also fell at the beginning of April, two weeks earlier than in the previous year. Many safety-conscious drivers in the classic changeover countries - countries in which tyres are typically changed in summer and winter due to varying weather conditions - follow the rule of thumb "from Easter to October" with regard to seasonal tyre changes, depending on the prevailing weather conditions. In addition, in large parts of Europe, consumers' lives were restricted until well into the second quarter due to the high incidence of infection and the problems with vaccine distribution that existed at the time. For the year as a whole, demand for summer passenger car tyres in Germany was 1.4% higher than in the previous year, but sales volumes were 19.1 % lower than in 2019. Consequently, sales in the summer tyre business were unable to match the pre-Corona level. The trend toward all-season tyres continued last year. Compared to 2020, demand for all-season tyres was up 12.3 % for the year as a whole. Compared to 2019, the increase in sales of all-weather tyres even amounts to 26.5%. Cumulative demand for summer and all-season tyres rose by 6.7% year-on-year. Compared with 2019, cumulative sales were down slightly by 0.9%.

Winter tyre business

Persistently warm temperatures at the end of the third quarter prevented 2021 an early start to the winter tyre season. The first month of fall was mostly late summer. October and November were also dominated by calm high-pressure weather conditions with mostly very mild air masses. Although there were some heavy snowfalls in the south and east of the country at the beginning of December, this was not enough for a widespread and lasting onset of winter. The German Rubber Industry Association (WdK) and the manufacturers' association ETRMA estimate that the German tyre trade sold a total of 19.7 % fewer winter tyres to consumers last year compared with 2019. Measured by 2020, demand for winter tyres was 5.8 % lower last year.

Looking at the European replacement tyre market, ETRMA speaks of an overall recovery for the tyre industry, both with regard to 2020 and the pre-Corona year 2019. In the largest sub-segment by volume, consumer tyres (passenger, SUV and light truck tyres), sales were up 0.2 % for the year as a whole compared with 2019. In absolute terms, this corresponds to an increase of around 400 thousand units and shows a gradual approach to the pre-pandemic level. Compared with 2020, growth last year was significantly stronger (+14.1 %; +27 million units).

Business performance and earnings situation

Revenues

Group

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

Over the course of 2021, Delticom group generated revenues of € 585.4 million, an increase of 8.2 % from prior-year's € 541.3 million. After sales in the European passenger car replacement tyre business slumped by more than 12 % in fiscal year 2020 according to industry experts due to the Corona pandemic and the associated restrictions, demand benefited overall from a recovery last year. However, the degree of recovery was uneven across the individual countries in Europe throughout the year.

Regional split

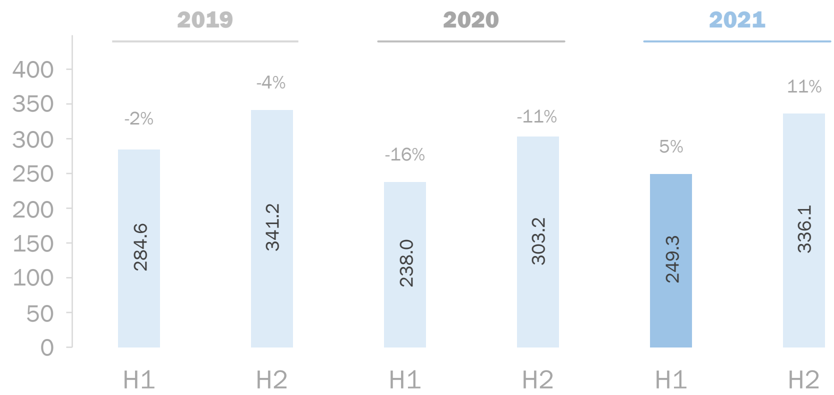
The group offers its product range in 73 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 412.7 million (2020: € 387.9 million, +6.4 %). Operations in Europe are not restricted to EU member states but also include European non-EU countries. The shares in the US subsidiary were successfully sold in January 2022. The sales generated in the USA in 2021 are included in full in the sales statement for the non-EU countries. Across all countries outside the EU the revenue contribution for 2021 was € 172.6 million (2020: € 153.4 million, +12.6 %).

Seasonality

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

Revenues trend

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



1st half year

In the first quarter of the past fiscal year, Delticom Group recorded total revenues of € 102.2 million (Q1 2020: € 93.0 million, +9.9 %). In contrast to the previous year, spring-like temperatures in March led to an early start to the summer tyre season. Easter also fell at the beginning of April, two weeks earlier than in the previous year. Many safety-conscious drivers in the classic countries where tyres typically are changed in summer and winter due to varying weather conditions follow the rule of thumb "from Easter to October" with regard to seasonal wheel changes, depending on the prevailing weather conditions. Against the backdrop of the pull-forward effects described above, sales in the month of March were particularly strong. However, sales in the month of April were subsequently significantly weaker than in the previous year. In addition, in large parts of Europe, consumer life was restricted until well into the second quarter due to the high incidence of infection and the problems with vaccine distribution that existed at that time. The recovery in terms of European replacement tyre demand was correspondingly uneven at country level. Second quarter revenues of € 147.0 million came in only 1.4 % higher than in the same period the year before (Q2 2020: € 145.0 million). Revenues in H1 21 amounted to € 249.3 million, an increase of 4.7 % (H1 2020: € 238.0 million). In the first half of 2020, the non-core activities discontinued in the course of the year still contributed around € 4 million to sales. In terms of the core business, sales in the first six months of the past fiscal year increased by 6.5 % year-on-year.

2nd half year

Delticom Group generated revenues of € 127.0 million in Q3 2021 (Q3 2020: € 117.3 million, +8.3 %). In the transitional quarter between the summer and winter tyre business, the company used part of the cost savings achieved to steer growth by means of targeted and controlled pricing. This measure was also accompanied by the objective of bringing forward the start of the winter tyre season by a few weeks and making final adjustments to the process changes made during the course of the year with a view to the winter season. In the final quarter, the company succeeded in generating sales of € 209.1 million, not least against the backdrop of the process optimizations carried out over the course of the year and the efficiency improvements achieved. This represents an increase of of 12.5 % compared to the same period of the previous year (Q4 2020: € 186.0 million). At € 336.1 million, H2 2021 revenues came in 10.8 % higher (H2 2020: € 303.2 million). In H2 2020, the closed peripheral activities had contributed less than € 0.5 million to sales.

Key expense positions

Cost of goods sold

The largest expense item is cost of goods sold (COGS), in which the purchase prices for the goods sold are recorded. The increase in the reporting period by 9.3 % from € 418.3 million to € 457.4 million is mainly due to the decline in revenues and the measures taken to increase profitability in the core business. The cost of materials ratio (ratio of cost of materials to revenues) increased year-on-year from 77.3 % to 78.1 %.

Personnel expenses

On 31.12.2021, the group had a total of 174 employees (including trainees) (31.12.2020: 177). In the reporting period on average 174 staff members were employed at Delticom group (previous year: 196). Personnel expenses amounted to € 13.4 million (2020: € 14.3 million, –6.3 %). The discontinuation of the non-core activities was accompanied by a gradual reduction in headcount in the corresponding business units in fiscal year 2020.

The personnel expenses ratio (staff expenditures as percentage of revenues) amounted to 2.3 % in the past financial year (2020: 2.6 %).

Other operating expenses

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. In the reporting period, they amounted to € 53.6 million, an increase of 7.0 % compared to the previous year (2020: € 50.1 million). With the commissioning of the new warehouse location in the border triangle of Germany, France, and Switzerland at the beginning of the past fiscal year, transport routes to customers were further optimized. The company has thus succeeded in at least partially compensating for the cost increases in the area of transport logistics.

Rents and overheads

Rents and overheads increased by 32.2 % in 2021, from € 2.2 million to € 2.9 million. These are primarily operating expenses. The year-on-year increase was mainly due to the commissioning of the new warehouse location in the border triangle.

Direct warehousing costs

Stocking costs increased in the reporting period from € 8.7 million to € 9.9 million (+14.1 %). The year-on-year increase is due to higher sales volumes, ramp-up costs in connection with the commissioning of the new warehouse location, and the change in the timing of stocking compared with the previous year. Against the backdrop of the commissioning of the new warehouse location in the border triangle at the beginning of fiscal year 2021, part of the deliveries were postponed to the new year as planned in preparation for the summer season. At the end of the past fiscal year, the company also started summer stockpiling very early in view of the price increases announced by the industry for the current year due to developments on the energy and raw materials markets. Accordingly, storage costs were higher year-on-year. The ratio of stocking costs against revenues of 1.7 % was slightly above the previous year's level (2020: 1.6 %).

Marketing costs

Marketing expenses amounted to € 18.8 million in the reporting period and were thus almost at the level of the previous year (2020: € 18.9 million, –0.3 %). In the first half of the year, marketing expenses had increased by 6.1 % to € 8.9 million in line with the development of sales in the core business. In the second half of the year, expenditure on advertising measures was reduced by 5.4 % to € 9.9 million as a result of the development in demand. The efficiency and earnings contribution of the various marketing channels within the Delticom Group are closely monitored by means of marketing controlling, in order to allocate the measures in a targeted manner in line with the sales and profitability targets. The marketing expense ratio is 3.2 % of revenues (2020: 3.5 %).

Financial and Legal

Finance and legal expenses amounted to € 10.7 million in the reporting period, following € 12.2 million in the previous year (–12.6 %). The significant decrease is mainly due to reduced legal and consulting fees in connection with the restructuring of the company (2021: € 4.5 million, 2020: € 6.7 million). The majority of the acquisition fees incurred in direct connection with the follow-up financing will be spread over the term of the syndicated loan agreement on a pro rata basis over the corresponding financial years. The costs recognized in 2021 in connection with both the capital increase and the conclusion of the syndicated loan agreement amounted to a total of € 0.4 million in the Group.

Bad debt losses

Bad debt losses amounted to € 4.3 million in the reporting period, compared to € 4.7 million in 2020. The decrease of 7.7 % is mainly due to streamlined processes in the area of receivables management.

Depreciation

Depreciation on property, plant and equipment decreased in the year under review to € 1.7 million (2020: € 2.1 million).

The amortisation of intangible assets amounted to € 1.5 million (2020: € 2.2 million).

The long-term lease for the warehouse location in the border triangle was capitalized at the end of the 2020 financial year. Accordingly, the increase in depreciation and amortization for rights of use in accordance with IFRS 16 from € 5.4 million in the previous year to € 6.8 million is mainly due to the fact that the new warehouse location and the corresponding rights of use were recognized for the 2021 fiscal year as a whole.

Overall, depreciation and amortisation increased by 3.6 % from € 9.7 million to € 10.0 million in the reporting period. No impairment losses were recognized in the fiscal year under review.

Earnings position

Gross margin

For part of the business, transport costs have had to be reflected in the cost of sales since the end of the 2020 financial year. This reclassification was made retroactively for the full 2020 fiscal year in December, so that the gross margins achieved during the year in 2021 are not directly comparable with the prior-year quarters. For better clarity, the margin for the previous year adjusted for this effect is also stated below as "adjusted".

The gross margin (trading margin excluding other operating income) came in at 21.9 %, compared with 22.7 % the previous year. The reclassification is of no effect for the full-year but the year-on-year decline in gross margin is mainly the result of margin management in the third quarter. In order to stimulate growth at an early stage ahead of the winter season, cost savings in the area of directly sales-related costs were passed on to customers in a targeted and time-limited manner in the course of the third quarter as a transitional quarter between the summer and winter business. In addition, sales-related mix effects in the transition quarter to the winter season resulted in a lower percentage margin compared to the previous year (Q3 2021: 20.3 %, Q3 2020: 24.1 %, adjusted: 23.6

%). In the fourth quarter, the company priced sales in line with the inflationary pricing environment. At 21.6 %, the gross margin achieved in the final quarter of the year was up on the previous year (Q4 2020: 20.5 %) and on a par with the adjusted gross margin of 21.6 %.

Other operating income

Other operating income decreased to € 28.6 million in the reportig period (2020: € 33.0 million). The 13.1 % decline is mainly due to the lower profit contribution from project business compared with the previous year. This contribution to earnings amounted to € 5.9 million in the financial year under review, compared with € 9.5 million in the previous year. In addition, an amount of € 0.3 million was generated from the sale of land by a subsidiary. The year-on-year decline in other operating income is not attributable to the operating business, in which marketing subsidies, proceeds from transport losses and other income are regularly recognized. In addition, other operating income includes gains from exchange rate differences in the amount of € 4.7 million (2020: € 3.7 million). FX losses have been accounted for as line item in the other operating expenses (2021: € 4.0 million, 2020: € 5.4 million). In the reporting period the balance of FX income and losses totalled € 0.7 million (2020: € –1.6 million).

Gross profit

In the reporting period, gross profit increased by 0.5 % from € 155.9 million to € 156.6 million compared to the previous year. Gross profit in relation to total income of € 614.0 million (2020: € 574.2 million) amounted to 25.5 % (2020: 27.1 %).

EBITDA

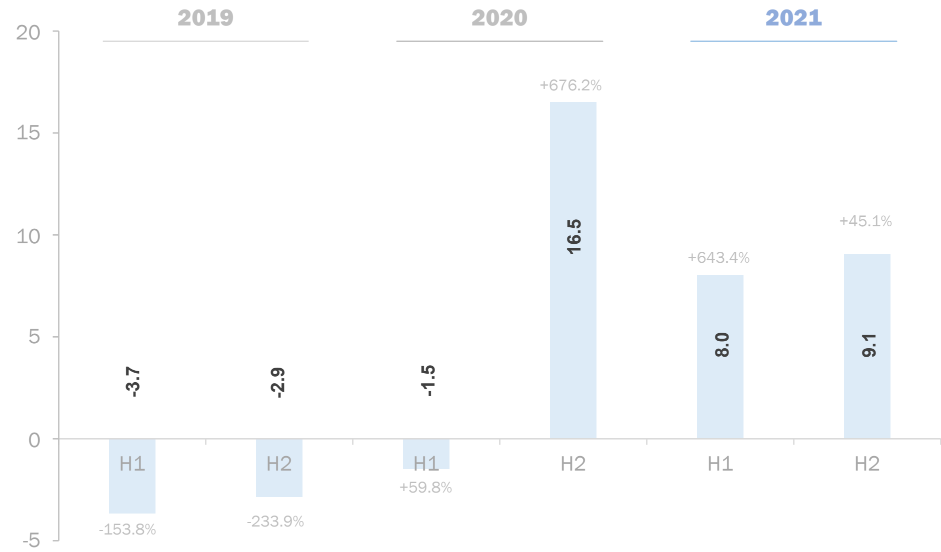
EBITDA for the reporting period increased by 13.7 % from € 15.0 million to € 17.1 million. The EBITDA margin for the fiscal year stood at 2.9 % (2020: 2.8 %). The focus on profitability and consistent cost management contributed to a significant improvement in the operating result. Extraordinary expenses of € 4.9 million incurred in connection with the restructuring, the capital increase and the conclusion of the follow-up financing were offset in the past financial year by extraordinary income from the project business and from the sale of land totaling € 6.2 million while in 2020 extraordinary expenses of € 7.2 million were incurred in connection with the restructuring and the associated discontinuation of operations, which were offset at the time by an earnings contribution from project developments of € 9.5 million.

EBITDA generated in H1 2021 was € 8.0 million, significantly higher than in the same period of the previous year (H1 2020: € –1.5 million). The EBITDA margin for H1 21 totalled 3.2 % (H1 20: –0.6 %). In the first half of 2020, the operating result was burdened by restructuring expenses of € 3.9 million. In H1 2021, the cost burden from the restructuring still amounted to € 3.0 million, but these costs were largely offset by extraordinary income from the project business and the sale of land of a subsidiary. The measures taken as part of the restructuring to increase profitability and to improve cost efficiency also contributed to this significant year-on-year improvement in operating profit.

In H2 2021, EBITDA of € 9.1 million was achieved in total, after € 16.5 million in H2 2020 (–45.1 %). This significant year-on-year decline is due to the fact that the earnings contribution from the project business of € 9.5 million generated in 2020 was realized in full in the final quarter. The EBITDA margin achieved in H2 2021 was 2.7 %, compared to 5.4 % in the same period of the previous year.

EBITDA

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



EBIT

The EBIT achieved in 2021 amounted to € 7.1 million, after € 5.4 million in the previous year. This corresponds to an EBIT margin of 1.2 % (2020: 1.0 %).

Financial income

Financial income for the reporting period amounted to € 158 thousand (2020: € 87 thousand). Financial expenses decreased to € 2.3 million (2020: € 2.9 million). The decrease is associated with the deleveraging of the company, which led to a reduced utilization of credit lines in the course of the year compared with the previous year. The financial result amounted to € –2.1 million (2020: € –2.8 million).

Income taxes

Tax income for the financial year ended amounted to € 1.9 million compared with € 4.3 million in the previous year. Income tax expense of € 0.7 million was offset by income from deferred taxes of € 2.6 million. These result from existing tax loss carryforwards that can be utilized.

Net income and dividend

The consolidated net income of € 6.8 million (respectively € 0.49 per share) is slightly lower than in the previous year (2020: € 6.9 million or € 0.55 per share). Delticom AG's earnings relevant for the dividend distribution stood at € 2.5 million or € 0.17 per share (2020: € 3.1 million or € 0.25 per share).

Despite the positive earnings development, the Managing Board will not propose a dividend payment for fiscal year 2021. This decision is accompanied by the clear objective of further strengthening Delticom AG's liquidity, earnings power and equity.

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

Abridged profit and loss statement
in € thousand

	2021	%	+%	2020	%	+%	2019	%
Revenues	**585,374**	**100.0**	**8.2**	**541,261**	**100.0**	**-13.5**	**625,755**	**100.0**
Other operating income	28,630	4.9	-13.1	32,956	6.1	-12.4	37,610	6.0
Total operating income	**614,004**	**104.9**	**6.9**	**574,217**	**106.1**	**-13.4**	**663,364**	**106.0**
Cost of goods sold	-457,395	-78.1	9.3	-418,329	-77.3	-14.7	-490,643	-78.4
Gross profit	**156,610**	**26.8**	**0.5**	**155,888**	**28.8**	**-9.7**	**172,722**	**27.6**
Personnel expenses	-13,363	-2.3	-6.3	-14,266	-2.6	-28.4	-19,936	-3.2
Other operating expenses	-126,154	-21.6	-0.3	-126,584	-23.4	-20.6	-159,423	-25.5
EBITDA	**17,093**	**2.9**	**13.7**	**15,039**	**2.8**	**-326.6**	**-6,637**	**-1.1**
Depreciation	-10,034	-1.7	3.6	-9,682	-1.8	-72.7	-35,417	-5.7
EBIT	**7,059**	**1.2**	**31.8**	**5,357**	**1.0**	**-112.7**	**-42,054**	**-6.7**
Net financial result	-2,112	-0.4	-23.7	-2,767	-0.5	89.5	-1,460	-0.2
EBT	**4,947**	**0.8**	**91.0**	**2,590**	**0.5**	**-106.0**	**-43,514**	**-7.0**
Income taxes	1,866	0.3	-56.4	4,280	0.8	56.6	2,734	0.4
Consolidated net income	**6,813**	**1.2**	**-0.8**	**6,870**	**1.3**	**-116.8**	**-40,780**	**-6.5**

Overall statement on the earnings position

Although experts believe that the tyre trade has come through the Corona crisis relatively well compared to other sectors, the pandemic situation, the associated restrictions and the situation on the global raw material and supplier markets have nevertheless left their mark on the European replacement tyre business over the past two years. According to the European Tyre & Rubber Manufacturers Association (ETRMA), the largest segment in terms of volume, replacement passenger car tyres, saw a year-on-year increase in sales of around 14 % in fiscal year 2021. Compared to the pre-Corona year 2019, however, the sales increase achieved is only 0.2 %. The degree and speed of recovery was still very uneven in the individual countries of Europe last year. By means of a comprehensive action plan accompanied by a refocusing on the core business - online tyre retailing in Europe - the company has returned its core operating business to a profitable growth path in the past two years. In the past fiscal year, the focus of the business alignment was again on improving the margin and cost situation in order to sustainably strengthen the profitability of the company. The sales of € 585.4 million achieved in 2021 are at the upper end of the range of € 550 million to € 590 million forecast anticipated at the beginning of the year. The increase in demand towards the end of the winter season was accompanied by a rise in sales volumes over the year as a whole. The inflationary price trend on the raw material markets also led to an increase in purchase prices from the middle of the year onwards, particularly in the run-up to the winter season. After cost savings had been passed on to customers in a targeted manner in the third quarter in order to accelerate growth by bringing forward the start to the winter business, the increased prices and inflation surcharge were passed on to customers in the winter business. By means of the measures taken in the course of the year to steer profitable sales growth, we achieved our target for full-year sales.

At € 17.1 million (2020: € 15.0 million, +13.7 %) EBITDA is within the range of € 16 million to € 20 million forecast provided at the beginning of the year. One main reason why EBITDA - unlike sales - did not reach the upper end of the range is primarily due to restructuring expenses. Whereas at the beginning of the year we had assumed restructuring expenses of around € 4 million for the financial year, after the first six months we had adjusted our cost planning to this effect to around € 5 million for the year as a whole. However, despite this uplift we left unchanged the EBITDA range forecast for 2021 presented with the 2020 financial statement. On December 20, 2021, the follow-up financing was finalized with the signing of the syndicated loan agreement. The contractual arrangement was accompanied by corresponding legal and consulting costs, not least with regard to the provision of collateral. As a result, the restructuring expenses, which were around € 1 million higher than originally planned, had a corresponding negative impact on operating profit. Follow-up financing costs of € 0.3 million to be recognized in the past financial year arose additionally in the course of the arrangement of the final financing structure. Despite these two effects, the operating result developed satisfactorily. In a volatile market environment, we succeeded in allocating our core strengths and our improved cost position to the objective of achieving profitable sales growth.

Financial and assets position

The refocusing on the core business, together with stringent working capital management, led to a further improvement in profitability in the past fiscal year and to a strengthening of the Delticom group's financial position and net assets as of the balance sheet date 31.12.2021.

Investments

Property, plant and equipment

The investments made in property, plant and equipment in 2021 totalling € 0.8 million (2020: € 1.1 million) mainly relate to replacement and equipment investments in our warehouses.

Intangible Assets

Delticom also invested € 0.4 million in intangible assets (2020: € 0.5 million). The investments made in 2021 largely relate to software.

The total of the investments made in 2021 in the amount of € 1.2 million is thus lower than the previous year's value of € 1.6 million.

Rights of use according to IFRS 16

The rights of use from leasing agreements to be accounted for in accordance with IFRS 16 amounted to € 42.5 million on the balance sheet date (31.12.2020: € 50.4 million). Valued at cost, there was a net disposal of € 1.4 million in the financial year under review in connection with the subletting of warehouse space. Scheduled amortization of rights of use amounting to € 6.8 million was recognized in the reporting period.

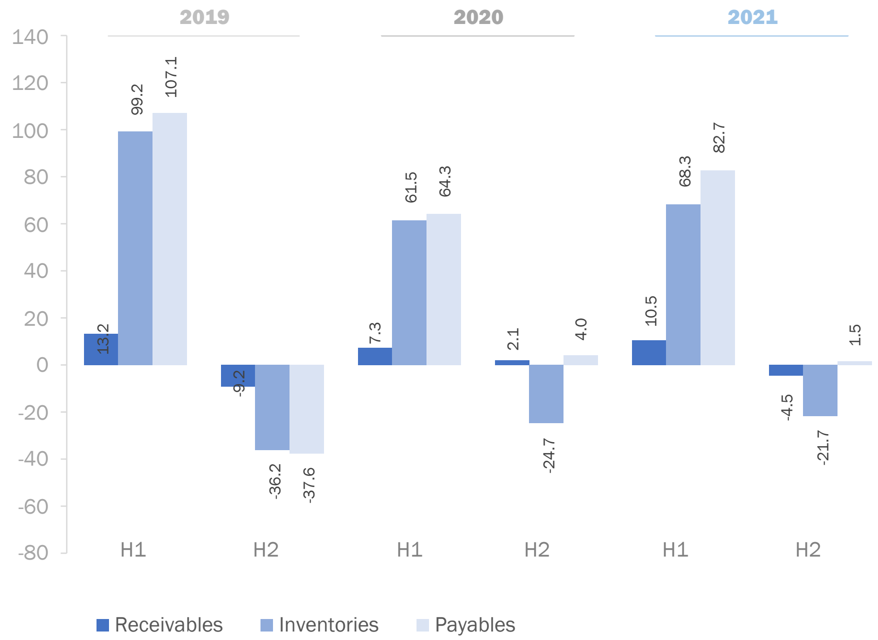
Working Capital

Working Capital

We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. Prepayment received from customers as well as the liability position of customer credits have been deducted from the receivables. Working Capital released € 9.6 million over the course of the year (31.12.2021: € –31.7 million, 31.12.2020: € –22.1 million).

The chart *Working Capital* illustrates the changes in the components of Net Working Capital half-year-to-half-year for the last three years.

Working Capital
in € million



Receivables

In total, working capital commitment in receivables - reduced by prepayments received from customers as well as customer credits - decreased from € 9.4 million as of 31.12.2020 to € 6.0 million as of 31.12.2021. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) with 4.8 was slightly higher compared to the previous year (2020: 4.5).

The accounts receivable stood at € 16.5 million on the reporting date (31.12.2020: € 19.1 million). At € 5.3 million, advance payments received from customers were slightly lower in a closing date comparison (31.12.2020: € 5.7 million). The liability position of customer credits on the reporting date stood at € 5.2 million (31.12.2020: € 4.0 million). Due to the strong sales performance in the final quarter, more canceled orders than in the previous year had not yet been repaid to customers at the end of the year.

Inventories

The largest item in current assets is inventories. The development on the raw material markets is accompanied by rising cost prices. Against the backdrop of an inflationary price environment, the company began stocking up for the summer tyre business earlier than in the previous year. Accordingly, inventories were € 9.7 million higher at € 46.6 million (31.12.2020: € 36.9 million).

As a result of active inventory management and higher sales, average Days Inventory Outstanding for 2021 (DIO, average inventory level divided by average cost of sales) decreased over the course of the past financial year, from 43.7 days in 2020 to 33.3 days in 2021.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. For the purpose of analysis we reduce these payables by the amount credited to suppliers (included in the balance sheet line item other assets). At € 84.3 million, this balance of trade payables less credit balances with suppliers is higher in a reporting date comparison (31.12.2020: € 68.3 million) against the background of the stockpiling brought forward.

Cash flow

Operating cash flow

The cash flow from operating activities for the reporting period was positive at € 21.9 million. The year-on-year reduction (2020: € 35.9 million) is mainly due to working capital. The company uses the indirect cash flow method for the calculation.

Investing activities

Payments for investments into property, plant and equipment have been € 0.8 million (2020: € 1.1 million). These outflows are offset by inflows from disposals of property, plant and equipment in the same amount. In the reporting period, Delticom also invested € 0.4 million in intangible assets (2020: € 0.5 million). As a result, the cash flow from investment activities totalled € –0.4 million (previous year: € –1.6 million).

Financing activities

In the period under review, the Delticom group recorded cash flow from financing activities totalling € –21.2 million (2020: € –34.0 million). In the course of the year, the company significantly reduced its utilization of credit lines and repaid lease liabilities including rental lease of € 6.6 million in total.

Liquidity according cash flow

The starting point is the liquidity position as of 31.12.2020 amounting to € 5.6 million. The net inflow amounted to € 0.3 million in the reporting period. As a result, liquidity totalled € 6.0 million on 31.12.2021. The group's net cash position (liquidity less liabilities from current accounts) amounted to € –9.0 million on the balance sheet date. The starting point is the net liquidity less current financial liabilities at the beginning of the year in the amount of € –38.9 million plus the change in cash and cash equivalents by € 0.3 million and less the reduction in current financial debt by € 30.6 million compared with the prior year balance sheet date. With regard to the reasons for this development, we refer to the explanations in the section *"Balance sheet structure - Current liabilities".*

Free cash flow

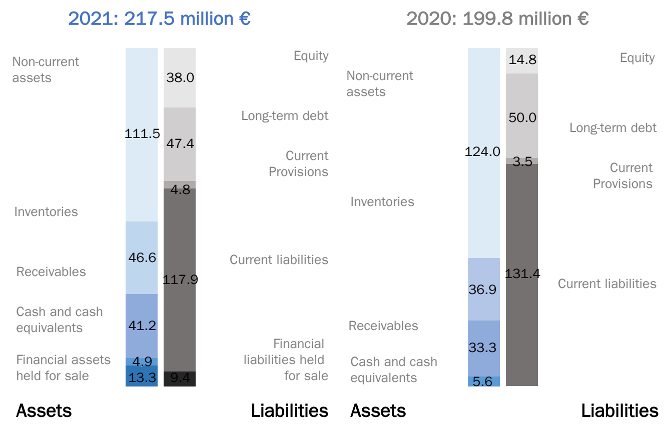
The free cash flow (operating cash flow less cash flow from investing activities) decreased from € 34.3 million to € 21.5 million. It is therefore significantly higher than in our planning - more than € 10 million - for the full year 2021.

Balance sheet structure

As of 31.12.2021 the balance sheet total amounted to € 217.5 million (31.12.2020: € 199.8 million, +8.9 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged Balance Sheet

in thousand €

	31.12.2021	%	+%	31.12.2020	%	30.06.2020	%
Assets							
Non-current assets	111,488	51.3	-10.1	124,009	62.1	86,792	49.1
Fixed assets	88,242	40.6	-11.2	99,388	49.8	72,845	41.2
Other non-current assets	23,246	10.7	-5.6	24,620	12.3	13,947	7.9
Current assets	92,661	42.6	22.3	75,758	37.9	89,889	50.9
Inventories	46,593	21.4	26.4	36,865	18.5	61,540	34.8
Receivables	41,200	18.9	23.9	33,258	16.6	23,513	13.3
Liquidity	4,868	2.2	-13.6	5,635	2.8	4,836	2.7
Financial assets held for sale	13,310	6.2	100.0	0	0.0	0	0.0
Assets	**217,459**	**100.0**	**8.9**	**199,767**	**100.0**	**176,681**	**100.0**
Equity and Liabilities							
Long-term funds	85,345	39.2	31.7	64,816	32.4	29,631	16.8
Equity	37,982	17.5	156.6	14,801	7.4	2,387	1.4
Long-term debt	47,363	21.8	-5.3	50,015	25.0	27,244	15.4
Provisions	115	0.1	-2.6	118	0.1	382	0.2
Liabilities	42,248	19.4	-14.8	49,611	24.8	26,316	14.9
OtherNonCurrentLiabilities	5,000	2.3	1,647.4	286	0.1	546	0.3
Short-term debt	122,739	56.4	-9.0	134,951	67.6	147,049	83.2
Provisions	4,813	2.2	35.8	3,544	1.8	4,843	2.7
Liabilities	117,925	54.2	-10.3	131,407	65.8	142,207	80.5
Financial liabilities held for sale	9,375	4.4	100.0	0	0.0	0	0.0
Equity and Liabilities	**217,459**	**100.0**	**8.9**	**199,767**	**100.0**	**176,681**	**100.0**

Non-current assets

On the assets side, non-current assets decreased from € 124.0 million million to € 111.5 million. The reduction in intangible assets from € 90.1 million to € 80.5 million is mainly attributable to the scheduled amortization of rights of use and the net disposal due to subleases. Property, plant and equipment was depreciated as scheduled and decreased from € 9.3 million by € 1.5 million to € 7.8 million.

Other non-current assets came down by € 1.4 million to € 23.2 million (31.12.2020: € 24.6 million). Deferred tax assets from loss carryforwards increased by € 2.7 million to € 11.6 million in a closing date comparison. The non-current receivables in connection with project developments and subletting amounted to € 11.6 million (31.12.2020: € 15.8 million).

Inventories

The largest item in current assets is inventories. They increased by € 9.7 million in the reporting period and amounted to € 46.6 million (previous year: € 36.9 million) at the balance sheet date 31.12.2021. The reasons for the increase of 26.4 % are presented in detail under Financial Position - Working Capital.

Receivables

Trade receivables amounted to € 16.5 million at the end of the year and were thus € 2.6 million or 13.8 % lower than in the previous year (31.12.2020: € 19.1 million). Within other current assets of € 24.6 million (2020: € 14.1 million), tax refund claims rose from € 3.1 million to € 9.9 million. The increase in other current receivables from € 10.0 million as of 31.12.2020 to € 14.1 million is mainly due to receivables in connection with project development transactions that will become cash effective in 2022. The total receivables including income tax receivables increased from € 33.3 million as of 31.12.2020 to € 41.2 million.

Liquidity position

Cash and cash equivalents registered net inflows of € 0.3 million. In addition to the cash and cash equivalents of € 4.9 million on the reporting date (31.12.2020: € 5.6 million) reported in the consolidated statement of financial position, cash and cash equivalents at the end of the period also include cash and cash equivalents of € 1.1 million reported under "Assets held for sale" in accordance with IFRS 5.

The current assets amounted to € 92.7 million (31.12.2020: € 75.8 million) on the balance sheet date. The increase of € 16.9 million is primarily due to the higher level of inventories at the end of the year.

Financial assets held for sale

In connection with the successful sale of our shares in the US subsidiary, which was completed at the beginning of the current fiscal year 2022, assets in the amount of € 13.3 million had to be classified as held for sale as of the balance sheet date December 31, 2021.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments decreased by € 12.2 million or 9.0 % to € 122.7 million (31.12.2020: € 135.0 million).

As part of the € 117.9 million in short-term liabilities as of 31.12.2021, € 84.6 million (31.12.2020: € 68.8 million) were recorded as accounts payable, corresponding to a share of 38.9 % of balance sheet total.

Current liabilities to banks amounted to € 13.9 million at the balance sheet date, a decrease of € 30.6 million compared with the previous year (2020: € 44.5 million). They include the current portion of lease obligations from long-term leases amounting to € 8.6 million (31.12.2020: € 8.4 million). Current financial liabilities to banks thus amounted to € 5.3 million at the end of the year (31.12.2020: € 36.1 million). In addition to the significant reduction in the utilization of credit lines in a year-on-year comparison, current financial liabilities from amortizing loans amounting to € 5.4 million were repaid as scheduled at the end of the past financial year. The company thus succeeded in reducing its financial debt to banks by more than € 30 million in the past fiscal year.

In the other current liabilities of € 19.4 million (previous year: € 18.1 million) € 5.3 million are attributable to payments received on account of orders (previous year: € 5.7 million) and € 5.2 million to customer credits (previous year: € 4.0 million).

Long-term liabilities

Non-current liabilities of € 47.4 million (previous year: € 50.0 million) include non-current interest-bearing liabilities of € 42.2 million (31.12.2020: € 49.6 million) and mainly comprise the lease obligations resulting from long-term leases in accordance with IFRS 16. The decrease in non-current financial liabilities of € 7.4 million compared with the reporting date is accordingly mainly associated with the scheduled depreciation of the rights of use. Non-current liabilities also include non-current provisions of € 0.1 million (31.12.2020: € 0.1 million) and other non-current liabilities of € 5.0 million (31.12.2020: € 0.3 million). In connection with the design of the new financing structure, the company took out a medium-term loan in the amount of € 5 million at the end of the last financial year, which was granted outside the financing group and must be reported accordingly under other non-current liabilities.

The total of non-current and current financial debt, including other non-current liabilities, amounted to € 61.0 million at the balance sheet date, a reduction of 35.4 % compared with the previous year (31.12.2020: € 94.4 million). Interest-bearing financial liabilities, including other non-current liabilities, accounted for 28.4 % of total assets at the reporting date (31.12.2020: 47.2 %). The inflow of funds from the capital increase successfully placed in two stages in June of the past financial year contributed significantly to reducing the Company's debt. Gross issue proceeds before commissions and expenses amounted to € 16.9 million.

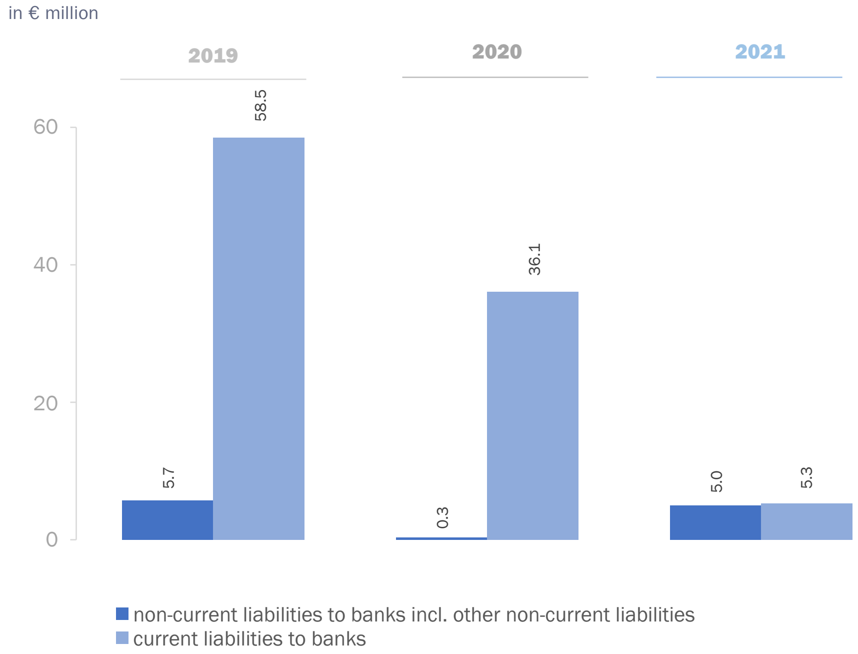
Financial restructuring completed

The following table shows the development of debt in the restructuring period and breaks down non-current and current liabilities into their main components. The significant increase in lease obligations pursuant to IFRS 16 within **non-current liabilities** in the 2020 financial year results from the lease of the new warehouse location in the border triangle. As in the previous year, there were no non-current liabilities to banks as of the balance sheet date of 31.12.2021. The medium-term loan taken out outside the banking syndicate at the end of 2021 is to be reported under other non-current liabilities.

Current liabilities consist to a large extent of trade accounts payable. Current financial liabilities include the current portion of lease obligations arising from rental agreements. Accordingly, current financial debt is not entirely financial debt to banks, which was significantly reduced during the restructuring period.

in € million	31.12.2019	31.12.2020	31.12.2021
Non-current liabilities	**29.8**	**50.0**	**47.4**
Non-current financial liabilities	28.8	49.6	42.3
thereof lease liability IFRS 16	23.4	49.6	42.3
thereof financial liablities to banks	5.4	0.0	0.0
Other non-current liabilities	0.3	0.3	5.0
Remaining	0.7	0.1	0.1
Current liabilities	**149.9**	**135.0**	**122.7**
Accounts payable	69.4	68.8	84.6
Current financial liabilities	64.4	44.5	13.9
thereof current financial liabilities to banks	58.5	36.1	5.3
thereof current component liability IFRS 16	5.9	8.4	8.6
Remaining	16.1	21.7	24.2

Financial debt to banks plus the new medium-term loan taken out at the end of 2021, has developed over the restructuring period as shown below.



Liabilities classified as held for sale

In preparation for the successful sale of our shares in the US subsidiary, liabilities of € 9.4 million were classified as held for sale as of 31.12.2021.

Equity and equity ratio

On the liabilities side of the balance sheet the equity position went up by € 23.2 million or 156.6 % from € 14.8 million to € 38.0 million. As part of the capital increase carried out last year via two transactions, a total of 2,368,030 new no-par value registered shares were issued. Subscribed capital increased accordingly by around € 2.4 million year-on-year (31.12.2021: € 14.8 million, 31.12.2020: € 12.5 million). The placement price amounted to € 7.12 per share for both, the capital increase with subscription rights and the capital increase without subscription rights. Costs of the capital increase amounting to € 0.6 million were charged directly against the capital reserve which increased accordingly by € 14 million compared with the previous year. (31.12.2021: € 47.7 million, 31.12.2020: € 33.7 million). The consolidated net profit of € 6.8 million achieved in the past financial year also contributed to a further strengthening of equity. As a result, the structure of the liabilities and shareholders' equity shows an inrease in the equity ratio, from 7.4 % to 17.5 %. As of 31.12.2021 the coverage ratio of property, plant and equipment, intangible assets, rights of use, financial assets and inventories totalling € 134.8 million to long-term funding was 63.3 % (prior year: 47.6 %).

Overall statement on the financial and assets position

Sustainable balance sheet

By refocusing on the core business of "Tyres Europe", the Delticom Group's financial position and net assets were sustainably strengthened over the course of the past fiscal year. At € 21.5 million, the free cash flow generated was significantly higher than our planning of more than € 10 million. The capital increase successfully implemented in the middle of the year also made a significant contribution to reducing the company's debt over the course of the year and to strengthening the company's equity. Thanks to the positive development in the past year, the need for financing during the year has been significantly reduced. The follow-up financing successfully concluded at the end of the reporting period was consequently taken over and issued by three houses from the original group of financiers. The syndicated loan agreement concluded in December 2021 has a term of two years and is sufficiently structured in view of the Company's future growth targets. We are satisfied with the results achieved last year to strengthen our financial and asset position. In the current year, we will continue to focus on further improving our financial and earnings strength. Liquidity is subject to significant fluctuations during the year due to seasonality and the payment terms customary in the tyre trade. The company continues to receive payment terms in line with the market from its suppliers.

Financial Statements of Delticom AG

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

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

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

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

Delticom AG did not hold or acquire any of its own shares in the fiscal year under review. With regard to the Managing Board's authority to buy back shares and use own shares, we refer to the information in the notes to the separate financial statements of Delticom AG for the fiscal year 2021.

Results of operations of Delticom AG

Revenues

In the 2021 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 € 262.7 million (2020: € 180.9 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 € 262.7 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 755.7 million (2020: € 631.8 million). Although demand in the European passenger car replacement tyre business benefited from an overall recovery last year, the degree of recovery in the individual member states was uneven in 2021. Adjusted revenues amounted to € 493.0 million (2020: € 450.9 million, +9,3 %).

Other operating income

Other operating income registered a decrease of 12.9 % in the period under review to € 5.1 million (2020: € 5.8 million), thereof gains from currency exchange rate differences in the amount of € 3.6 million (2020: € 3.1 million). Delticom reports currency losses within other operating expenses (2021: € 3.3 million, 2020: € 3.6 million). The net balance of currency gains and currency losses stood at € 0.3 million in the period under review (2020: € –0.5 million).

Key expense positions

Revenues related to the sale of merchandise from Delticom to Pnebo in an amount of € 262.7 million (2020: € 180.9 million) incurred at no sales margin. Cost of materials adjusted for the cost of sales to Pnebo is subsequently referred to as "adjusted cost of materials", and is also utilized in all calculations based on the cost of materials, such as gross margin.

Cost of goods sold

The largest expense item is the cost of materials, which comprises input prices for the tyres that are sold. The adjusted cost of materials amounted to € 369.0 million in the period under review (2020: € 326.7 million). The increase of 12.9 % is mainly due to the development of revenues. Compared to the previous year, the cost of materials ratio increased from 72.5 % to 74.9 %.

Personnel expenses

The company employed an average of 141 staff in the period under review (2020: 140). At € 10.4 million, personnel expenses were almost at the previous year's level (2020: € 10.3 million, +1.4 %). The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 2.1 % in the period under review (2020: 2.3 %).

Other operating expenses

Transportation costs

Transportation costs comprise the largest individual item within other operating expenses. In the reporting period, they amounted to € 44.9 million (2020: € 41.6 million). The increase of 8.0 % was mainly the result of higher business volume. The transportation costs' share of adjusted revenues amounted to 9.1 % (2020: 9.2 %).

Warehousing costs

Expenses for warehousing increased by 18.2 % in the period under review, from € 6.6 million in the previous year to € 7.8 million. The ratio of warehousing costs to adjusted revenues was 1.6 % (2020: 1.5 %).

Marketing

Marketing costs amounted to € 11.8 million in the reporting period, after € 12.4 million in 2020 this correponds to a decrease of 4.8 %. The ratio in relation to adjusted revenues amounted to 2.4 % (2020: 2.8 %).

Depreciation

Depreciation and amortization of intangible assets and property, plant and equipment decreased by 12.4 % in the period under review from € 3.0 million to € 2.7 million.

Assumption of losses & depreciation of financial assets

No expenses from the loss absorption from subsidiaries were recognised in the period under review. In 2020, the amount of loss absorption from subsidiaries was € 4.2 million. Write-downs on financial assets amounted to € 1.8 million (2020: € 0.3 million). Depreciation and amortization also includes write-downs of the shares in and loans to Delticom Russland OOO. The company's operating business was discontinued in the financial year just ended.

Earnings position

Gross margin

The gross margin (trading margin, excluding other operating income) amounted to 25.1 % in the financial year elapsed, compared with 27.5 % in the prior year period. Part of the decrease is explained by increased costs in connection with the procurement of goods, primarily customs and sea freight costs.

Gross profit

Gross profit decreased by 0.7 % in the period under review, from € 130.0 million in the comparable prior-year period to € 129.0 million. Gross profit in relation to adjusted total operating income of € 498.0 million (2020: € 456.7 million) amounted to 25.9 % (2020: 28.5 %).

EBITDA

Earnings before taxes, net interest, income from investments and depreciation decreased by 72.8 % in the period under review, from € 9.3 million to € 2.5 million. The decrease is not least due to the year-on-year reduction in proceeds from project businesses (2021: € 1.8 million, 2020: € 9.5 million). The decrease is partly due to the costs of the capital increase, which have to be fully expensed. The costs incurred in connection with the conclusion of the syndicated loan agreement last year, which - unlike under IFRS - cannot be spread over the term of the agreement, also had a negative impact on earnings.

EBIT

Earnings before taxes, net interest and income from investments (EBIT) amounted to € –128.2 thousand in the period under review (2020: € 6.3 million, –102.0 %).

Financial income

Income from participating interests amounted to € 1.1 million in the reporting period (2020: € 1.2 million). The income from profit transfer agreements increased by 87.5 % from € 1.3 million in 2020 to € 2.4 million in 2021. The income is offset by interest and similar expenses of € 1.8 million (2020: € 4.3 million).

Income taxes

With regard to income taxes, an income of € 2.4 million was recorded for the reporting period. In 2020, an income of € 2.9 million was recognised. The effect in the year under review was mainly due to a deferred tax income.

Income and dividend

Earnings in 2021 amounted to € 2.5 million, compared to € 3.1 million in the previous year. This corresponds to earnings per share of € 0.17 for the financial year under review (2020: € 0.25). With regard to the dividend, we refer to the explanations in the Group management report.

in € thousand	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Revenues	**755,674**	**631,780**
Other operating income	5,082	5,837
Cost of materials	-631,754	-507,662
Personnel expenses	-10,409	-10,264
Depreciation	-2,660	-3,036
Other operating expenses	-116,062	-110,388
Income from participating interests	1,094	1,167
Other interest received and similar income	318	266
Depreciations of financial assets	-1,814	-303
Expenses from loss transfers	0	-4,174
Paid interest and similar expenses	-1,818	-4,311
Income from profit transfer agreements	2,406	1,284
Expenses from loss transfers	2,442	2,937
Earnings after taxes	2,500	3,131
Loss carried forward	-29,953	-33,084
Balance sheet result	**-27,453**	**-29,953**

General statement of the Management Board on the earnings situation

Last year, Delticom AG succeeded in increasing its revenues compared to the previous year. The decline in the gross margin is partly due to the change in the country and portfolio mix for the part of the business covered by Delticom AG compared to the previous year. In addition, the cost of procuring goods increased last year, particularly in the area of sea freight. Despite the costs incurred in connection with both the capital increase and the conclusion of the syndicated loan agreement, the company succeeded in generating a positive result for the year. In addition to the significant reduction in interest and similar expenses compared with the previous year, the increase in income from profit and loss transfer agreements also contributed to this. The company thus continued its profitable growth course in the past financial year.

Financial and assets position Delticom AG

In the past fiscal year, the refocusing on the core business, stringent working capital management and the successful capital increase led to a strengthening of Delticom AG's financial position and net assets as of the balance sheet date 31.12.2021.

Investments

In order to exploit as best as possible economies of scale and learning effects in warehousing logistics, we invest constantly in expanding information, conveying and packaging technology in the warehouses that we rent. The investments in property, plant and equipment amounted to € 0.6 million in 2021 (2020: € 1.0 million) and relate mainly to the expansion of the shipping capacity in our warehouses. In addition, Delticom invested a total of € 14.9 thousand in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of € 175.4 million as of 31.12.2021 were 12.5 % above the previous year's € 155.8 million.

Non-current assets

On the assets side of the balance sheet, long-term assets decreased from € 83.3 million to € 79.0 million.

Inventories

Inventories in the reporting period amounted to € 7.2 million (2020: € 3.3 million). They mainly consist of floating consignments. The company started summer stockpiling earlier than in the previous year. Accordingly, more goods were already shipped at the balance sheet date than in the previous year.

Receivables

Receivables due from associated companies in the reporting period amounted to € 40.1 million (2020: € 28.7 million). The increase in the reporting date comparison results mainly from the internal financing of the subsidiaries. Trade receivables of € 16.4 million are 19.8 % higher than the previous year (2020:€ 13.7 million).

Other assets amounting to € 17.7 million (2020: € 15.0 million) mainly relate to receivables in connection with value-added tax and import sales tax.

Liquidity

Liquid assets recorded a net increase of € 0.8 million. "Balance sheet liquidity" amounted to € 3.6 million as of 31.12.2021 (2020: € 2.7 million, +30.4 %).

The total current assets of € 85.0 million were above the corresponding figure for the previous year (2020: € 63.4 million), mainly due to the year-on-year increase in receivables, particularly from affiliated companies.

Deferred tax assets

Delticom utilizes the capitalization option pursuant to Section 274 (1) Clause 2 of the German Commercial Code (HGB), and has capitalized a net surplus of

€ 11.2 million of tax assets after offsetting with deferred tax liabilities (2020: € 8.7 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities slightly decreased by 0.2 % or € 0.2 million, from € 135.2 million to € 135.0 million. While provisions increased by € 1.7 million to € 6.0 million (previous year: € 4.2 million), liabilities decreased to € 129.0 million (previous year: € 131.0 million).

Within the € 129.0 million of liabilities as of 31.12.2021 (2020: € 131.0 million), € 81.6 million, was attributable to trade payables. Compared with the previous year's € 53.9 million this amount increased by € 27.7 million or 51.3 %.

Liabilities due to banks

The decreased liabilities due to banks of € 5.1 million (2020: € 36.1 million) exclusively include financial liablilities of a current nature. The decrease of 86.0 % resulted from the significant reduction in credit line utilization in a year-on-year comparison.

Equity

On the equity and liabilities side of the balance sheet, equity increased by € 19.4 million or 105.2 % to € 37.8 million (2020: € 18.4 million). The increase is mainly due to the successful capital increase carried out in two transactions last year. The structure of equity and liabilities reflects a year-on-year increase in the equity ratio from 11.8 % to 21.5 %.

Assets that cannot be recognized

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

in € thousand	31.12.2021	31.12.2020
Fixed Assets	**78,986**	**94,585**
Intangible assets	1,480	2,520
Property, plant and equipment	6,637	7,623
Financial assets	70,869	82,600
Current Assets	**84,967**	**114,229**
Inventories	7,223	3,322
Accounts receivables	16,374	13,665
Receivables from affiliated companies	40,120	28,746
Other receivables and other assets	17,678	17,497
Cash and cash equivalents	3,572	2,739
Deffered item	**226**	**369**
Deffered taxes	**11,179**	**8,737**
Assets	**175,358**	**155,815**

in € thousand	31.12.2021	31.12.2020
Equity	**37,767**	**18,406**
Subscribed capital	14,831	12,463
Share premium	50,189	35,696
Retained earnings	200	200
Balance sheet loss	-27,453	-29,953
Provisions	**5,951**	**4,217**
Provisions for taxes	46	46
Other provisions	5,905	4,171
Liabilities	**129,007**	**130,960**
Liabilities to banks	5,068	36,081
Payment received on account of orders	4,086	4,540
Accounts payable	81,593	53,924
Payables to affiliated companies	25,099	28,593
Other liabilities	13,162	7,823
Deferred item	**2,633**	**2,232**
Passiva Shareholders' Equity and Liabilities	**175,358**	**155,815**

Overall statement on the financial and assets position

Sustainable Balance Sheet

The refocusing on the core business "Tyres Europe" led to a further strengthening of Delticom AG's financial and net assets position in the past fiscal year. The capital increase successfully carried out in the middle of the year contributed significantly to reducing debt and strengthening the company's equity. Therefore, we are satisfied with the results achieved last year to improve the financial and asset situation. Liquidity is subject to significant fluctuations during the year due to seasonality and the payment terms customary in the tyre trade. The company continues to receive payment terms from its suppliers that are in line with the market and can draw on credit lines granted during the year to finance parts of the inventories. In the current year, we will continue to focus on further improving our financial and asset position.

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.

Risk and Opportunity Report

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

Opportunities report

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

COVID-19

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

Market opportunities

Delticom can improve its market position. By creating strategic conditions, Delticom can continuously improve its market position in existing, but also in new markets. These conditions can include location advantages, better prices, but also an improved product range.

Process optimisation

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

Cost and project management

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

Risk Management

Definitions

Risks

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

Risk management

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

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

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

Early risk detection system

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

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

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

Risk assessment

12-month observation horizon

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

Risk Rating

The company's equity is used as the basis for calculating the risk rating. A distinction was made at 31.12.2021between high (going concern risks, expected net losses in excess of €20 million), medium (material, expected net losses between €2 million and €20 million) and low (expected net losses of less than €2 million) risks.

Gross/net risk

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

Net risks are then derived by subtracting expected effects of specific countermeasures from gross risk value. The loss expectations follow from the gross and net amounts of loss by weighting them with probabilities of occurrence.

Risk management organisation

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

Risk Support Team

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

Risk manager

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

Internal Risk Audit

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

Management Board

The Management Board ensures comprehensive risk reporting, collaborating with the Risk Manager. In line with the requirements of corporate law, the Management Board ensures appropriate risk management and controlling within the company, in close cooperation with the Supervisory Board. The Management Board approves suitable risk mitigation measures.

Expanded risk consolidation scope

No significant risks that could threaten the existence of Delticom AG could be identified with respect to any subsidiaries. The parent company is responsible for controlling risks. As the subsidiaries are mainly sales organisations, no separate risk consideration is undertaken for the subsidiaries. This decision is reassessed annually by the risk manager. The significant risks are essentially attributable to our core business due to the higher proportion of sales achieved by the online tyre business. The operational risks of other business areas do not differ in essence from the risks found in the tyre business. The subsidiaries are included under the risk management process via the directors.

Communication and reporting

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

Software

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

Risk inventory

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

Risk audit

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

Key individual risks

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

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

To minimize the risk of anticipated future transactions, Delticom's treasury department hedges these with forward exchange transactions. In addition, Delticom maintains a large number of bank accounts abroad to which customers transfer funds. For incoming payments in foreign currencies, there is largely a natural hedge through outgoing payments in the same currency.

Other key individual risks grouped by risk category

Ukraine War

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

However, Delticom works with various service providers in Ukraine. Delticom is in close contact with these service providers in order to transfer these services to other partner locations or even to other companies if necessary. The partners have developed contingency plans for this purpose.

Many tyre manufacturers source raw materials in these two countries or even have production sites there. Therefore, an impact on the supply chains and ultimately on the availability of tyres cannot be excluded. Delticom is in regular contact with the affected tyre manufacturers. The manufacturers are trying to relocate their production to other countries.

COVID-19

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

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

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

Strategic risks

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

Sector-specific risks

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

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

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

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

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

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

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

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

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

Procurement risks

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

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

Due to the war in Ukraine, an impact on the supply chains and ultimately on the availability of tires cannot be ruled out. Delticom is in regular contact with the tire manufacturers affected. The manufacturers are trying to relocate their production to other countries.

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

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

Competition risks

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

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

Macroeconomic risks

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

Due to the international orientation of our business, the market risk is limited. Relevant economic indicators and industry reports are used and analysed to assess possible future developments. This enables us to identify market risks - and opportunities - at an early stage.

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

Delticom offers customers a variety of payment options in its online shops, which can lead to bad debt losses. Payment methods at risk of default, where payment is only made after the goods have been delivered, require a comprehensive catalog of measures in order to limit the risk of bad debt losses and fraud. In the area of payment processing, we cooperate with well-known service providers and also use an internal scoring system to identify orders at risk of default at an early stage.

Personnel risks

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

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

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

Short coordination and decision paths: The flat organisational hierarchy within the Delticom Group ensures short coordination and decision-making paths. Meetings are held regularly (both within and across departments) to ensure the exchange of information and to bundle and specifically utilize the know-how available within the company.

Through regular staff appraisals, employees and managers have the opportunity to exchange views beyond their day-to-day business, to talk together about co-operation and mutual expectations, and to provide feedback so that everyone involved can develop further.

IT risks

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

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

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

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

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

A complex password protection secures all web-based applications. Our servers are only accessible via upstream load balancers/firewalls, access to the servers is limited to a few people and is monitored by security personnel. Internal systems can only be accessed from outside the company network with a valid VPN certificate.

Through a change management system and 4-eyes principle in programming, we limit the risk of manipulation of programs/data by employees. Possible manipulations can be traced at any time via change histories. In applications, users only have access to those sub-areas that are necessary for the daily accomplishment of tasks. Access to the applications used is managed by means of a comprehensive authorization concept.

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

Legal risks

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

Overall statement on the risk situation

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

At present, we cannot identify any individual risks that jeopardize the company's continued existence. The total sum of 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 (Section 289 Paragraph 4 and Section 315 Paragraph 4 HGB – German Commercial Code)

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

Organisation

The accounting-related internal controlling system covers the controlling, legal, accounting and corporate treasury functions, whose areas of responsibility are clearly delineated within the controlling system. The controlling system comprises all requisite principles, procedures and measures to ensure that accounting is effective, economically efficient and duly complying with relevant statutory regulations.

Role of the Management and Supervisory Boards

The Management Board is responsible for implementation and compliance with statutory regulations. It reports regularly to the Supervisory Board on the overall financial position of Delticom. The Supervisory Board oversees the efficacy of the internal controlling system. In accordance with the agreement, the auditor immediately reports to the Chairman of the Supervisory Board on all key findings and occurences arising from the audit which are of significance to the work of the Supervisory Board.

Group accounting

Due to the great importance of Delticom AG in the Group the accounting process is organised centrally. Delticom AG's Group accounting function prepares the consolidated financial statements according to International Financial Reporting Standards (IFRS). For this purpose, we have set up Group guidelines for the following topics:

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

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

IT-supported work processes

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

Outlook

The sale of the shares in the US subsidiary at the beginning of the current fiscal year will result in a year-on-year decline in revenues at Group level. For the current fiscal year 2022, the Delticom Group is forecasting total annual revenues in a range between € 480 million and € 520 million, accompanied by operating EBITDA of between € 12 million and € 15 million. Our focus is clearly on profitability this year as well. The Company has no sales activities in Ukraine or Russia. Accordingly, the war in Ukraine and the sanctions imposed on Russia by the West against this backdrop are not expected to have any direct impact on business development.

Forecast report

Assessment of the full-year guidance 2021

Revenues

With the full-year sales guidance formulated at the beginning of fiscal year 2021 in a range of € 550 million and € 590 million, we took into account the uncertainty about market development under the continued influence of Corona. Difficulties in vaccine distribution and persistently high infection rates ensured that containment of the virus and the associated easing measures by individual governments for consumers were uneven, particularly in the first half of the year. The recovery in demand for replacement tyres developed correspondingly inhomogeneously over the course of the year in the individual countries in which Delticom operates. In the full-year forecast for sales in 2021, we also took into account effects from the discontinuation of non-core activities initiated in 2019. Until their final closure, these activities still contributed around € 5 million to consolidated sales in the 2020 financial year.

Spring-like temperatures and the earlier Easter effect than in the previous year led to an early start to the summer tyre business in the traditional conversion countries in March of the past fiscal year and consequently to sales growth of more than 14 % in the core business in the first quarter. At the end of the first three months, group sales were 10% higher than in the previous year. Against the backdrop of sales being brought forward to the first quarter compared to the previous year, demand not yet picking up equally in all European countries, and our clear focus on profitable sales, the sales growth achieved in the second quarter amounted to 1.4 %. At the end of the first six months, Group sales amounted to € 249.3 million, up 4.7 % on the previous year at . The non-core activities had still contributed around € 4 million to group sales in H1 2020. Consequently, sales growth of 6.5 % was achieved in the core business in H1 2021.

Over the course of the year, purchase prices rose due to the inflationary price trend on the global commodity markets. This development is reflected in sell-out prices with a delay of several months due to seasonality in the tyre trade. In order to exploit existing market potential and promote an early start to the winter tyre business, growth was boosted in the course of the third quarter by means of a targeted market price strategy limited to a few weeks. Higher demand for winter tyres in selected countries compared with the previous year, together with the development of sell-out prices, resulted in double-digit sales growth in the core business in the final quarter. For the year as a whole, the company generated sales of € 585.4 million, which is at the upper end of the forecast range.

After the M&A process initiated as part of the reorganization, among other things to explore a possible sale of our shares in the US subsidiary, did not deliver the result we were aiming for in terms of the purchase price to be achieved, we decided at the beginning of the 2021 financial year to continue the slightly profitable US business. At the end of the last financial year, the possibility of a potential sale of the US shares arose. In view of the purchase price offered, a contract was concluded in mid-January of the current fiscal year for the sale of our 75% shareholding. The sales generated in the USA are consequently fully included in the sales for the 2021 fiscal year. The decision to sell leads to a further refocusing on the European core business in the current year.

EBITDA

The company's focus last year was on further improving profitability. With regard to EBITDA, we anticipated a range of € 16 million to € 20 million, depending on sales. The forecast we formulated at the beginning of the year was based on the assumption of a further improvement in operating profitability for the year as a whole against the backdrop of further cost optimization measures in our core business. We estimated the extraordinary cost burdens arising in connection with the restructuring at around €4 million for the full year. After the end of the first half of the year, we adjusted our estimate with regard to these so-called restructuring expenses to around € 5 million for the full year. Despite this, we left our forecast range for EBITDA for the full year unchanged.

At € 17.1 million, EBITDA generated in the full year is within the forecast range. One reason why EBITDA - unlike sales - did not reach the upper end of the range was the higher costs incurred in connection with the restructuring, as already anticipated at mid-year. The structuring of the syndicated loan agreement and the associated renewed examination of the existing assets in Germany and abroad with regard to the provision of security were accompanied by corresponding legal and consulting costs. In connection with the concrete set-up of the future financing structure, further additional costs of € 0.3 million have also arisen which cannot be spread over the term of the agreement and therefore had to be recognized in profit or loss in the past financial year.

Thanks to the efficiency gains achieved as part of the restructuring and the associated cost reductions, the company was again able to make targeted use of its core strengths last year. Against the background of its many years of market expertise, the company succeeded in seizing existing opportunities to achieve profitable sales growth in a volatile market environment. The company reacted quickly and in a controlled manner to the market-related changes in the country mix, customer segmentation and product portfolio in the course of the year, in line with its objectives for the year as a whole.

Future macroeconomic environment

Global economy

According to an initial estimate by the Kiel Institute for the World Economy (IfW), the corona pandemic and supply bottlenecks will continue to dampen the global economy this year, but their impact will diminish. Although the experts believe that the omicron variant will continue to cause new waves of infection in the coming months, the impact on global economic growth should gradually diminish, not least against the backdrop of high vaccination rates and the associated easing of the burden on healthcare systems. As a result, it is assumed that business activity will also approach a normal level in those sectors that are currently lagging behind in the overall economic development to date (e.g. tourism, travel and entertainment). Overall, the IfW experts expect global gross domestic product to increase by 4.5 % in the current year.

Europe

After a setback in the winter half-year, the recovery of economic activity in the euro zone is expected to pick up again in the spring of this year. After two quarters of strong increases of over 2 % each, the production level in the third quarter 2021 was only 0.3 % lower than at the end of the year 2019. For the fourth quarter 2021 and the first quarter 2022, experts expect a slight decline in overall economic production in each case, especially as supply bottlenecks are currently having a considerable impact on industrial activity. These are expected to gradually ease in the coming year, paving the way for strong growth in value added in the manufacturing sector over the course of the year. Assuming this development, the IfW expects gross domestic product in the euro zone to increase by 3.5 % in the year as a whole.

Germany

According to experts, economic activity in Germany got off to a subdued start to the current year, as contact-intensive services have been impacted by the increased infection figures and industry is also still suffering from supply bottlenecks. The future development of the domestic economy will then largely depend on the further course of the corona pandemic. Assuming that the pandemic is medically managed from the spring of this year (e.g. through vaccinations or medicines) to such an extent that it no longer threatens to overstretch the healthcare system and therefore economic activity for infection control does not have to be significantly curtailed, and that the supply bottlenecks and the resulting obstacles gradually dissipate over the course of the year, the experts at the IfW expect German GDP to increase by 4.0 % for 2022.

Ukraine War

The above assessments of macroeconomic developments were made at the beginning of the year and thus before the escalation of the Russia-Ukraine conflict at the end of February. It is difficult to assess at this stage what impact the ongoing Ukraine war will have on the global economy in the current year. The West has responded to Russia's belligerent actions in Ukraine by means of comprehensive sanctions designed to massively weaken the Russian economy and political elite. Since the outbreak of the war and the imposition of sanctions, numerous companies have already restricted or suspended their business activities in Russia or withdrawn from the Russian market. Increased controls to check compliance with sanctions against Russia could additionally lead to delays in freight traffic.

Future sector-specific development

E-Commerce

The general trend toward e-commerce will continue to increase. The "Global Digital Report 2022" estimates that more than 4.9 billion people, and thus over 60 % of the global population, already use the Internet today. This is an increase of 4.0 % compared to the previous year. As part of the study, 58.4 % of Internet users worldwide also stated that they made an online purchase every week. The German E-Commerce and Distance Selling Trade Association (bevh) expects sales of goods in domestic e-commerce to increase by a further 12.0 % in the current year. In addition, according to bevh, the proportion of "satisfied" and "very satisfied" online shoppers in this country also reached a new record level of 96.3 % last year.

Replacement tyre market

Following the significant slump in sales in the European replacement tyre business in 2020 against the backdrop of the Corona pandemic and the mobility restrictions that accompanied the lockdowns and restrictions, demand in Europe recovered overall last year. However, the degree of recovery remained uneven across European countries. In Germany, the largest single market in Europe, for example, the level of sales last year has not yet returned to pre-Corona levels. Accordingly, hopes rest on a further recovery in demand for replacement tyres in the current year. Whether and to what extent the current high fuel prices will influence the driving behavior of European consumers in the current year, and thus not least the demand for replacement tyres, cannot be estimated at the present time.

Tyres are produced worldwide. Accordingly, many global tyre manufacturers also have production plants in Russia. The impact of the sanctions on global tyre production and supply chains in the current year is still uncertain at this point in time. Shortages in certain tyre brands and dimensions cannot be ruled out at the present time. Prices for the raw materials required in tyre production had already risen significantly last year. Russia is the world's third-largest oil producer. A possible import ban on oil from Russia discussed by the USA and the EU at the beginning of March temporarily drove oil prices to their highest level since

2008. In the event that the West cuts off most of its energy exports from Russia, experts expect oil prices to rise further.

2022 forecast

Focus on the core business

Delticom will continue to benefit from the increasing importance of the Internet as a sales channel in the future. The refocusing on the core business - Tyre Europe - and the measures taken in the last two years to sustainably strengthen the net assets, financial position and results of operations were accompanied by an adjustment of the key core processes. In view of our market position in Europe and our many years of experience in online retailing, Delticom will be able to increasingly seize the growth opportunities associated with increasing digitalization in the future. As a result of the decision to sell our shares in the US subsidiary at the beginning of the current fiscal year, the company's sales focus is now entirely on online tyre sales in Europe.

Positive customer acquisition trend

Thanks to its multi-shop approach, the Delticom group addresses various customer groups and thus meets the different requirements of online shoppers. In addition to our online stores, we also use other online sales channels to attract additional groups of buyers. Based on our comprehensive product and service portfolio and our Europe-wide business activities, we expect to be able to convince more than 1.0 million new customers of our products and value-for-money offerings again in the current fiscal year 2022.

Repeat Customers

More than 17.4 million customers have bought products in one of our online shops since the company was established. For the current fiscal year, we expect to be able to welcome some of these customers, who have been acquired over the past few years, to one of our online shops again.

Revenues and EBITDA

Business in the USA contributed around € 70 million to group sales in the past fiscal year. The US business has been geared to profitability in recent years, but nevertheless achieved only low profits. This is due to the significantly different market structures compared with Europe. The sale will enable the US company to further develop the business in line with local market requirements. Due to the deconsolidation of the US business against the background of the successful sale of our shares in the company at the beginning of the current fiscal year, there will be a corresponding year-on-year decline in consolidated sales in the current year. For the core business "Tyres Europe", we are planning consolidated net sales in a range of € 480 million and € 520 million for the full year 2022. At the current time, there is still considerable uncertainty regarding market developments in the current year. We estimate sales conservatively. At this point in time we cannot reliably assess the indirect effects of the war in Ukraine, such as the impact of rising prices at gas stations on tyre demand in Europe. The company currently has no sales activities in Ukraine or Russia. There is therefore no direct impact on sales from the war in Ukraine and the sanctions imposed on

Russia in this context. Possible macroeconomic developments and their impact on the market environment cannot be anticipated at the present time and have therefore not been taken into account in the forecast.

Our focus this year remains on profitability. We are planning EBITDA for the full year in a range of € 12 million to € 15 million. The sale of the US shares will result in an EBITDA contribution of around € 2.5 million. A possible reinvestment in the current year is not ruled out.The earnings contributions from project developments planned for this year will cover the costs of the syndicated loan agreement and accordingly will not make any additional contribution to earnings.

Investments

For the current year we are planning to invest in the expansion and technical equipment of our warehouse infrastructure. The level of capital expenditure for the full year is expected to be in the high single-digit millions, mainly in logistics systems to reduce costs. Our current planning envisages financing these investments to a good extent from the cash inflow generated by the US sale.

Liquidity

In line with our sales and liquidity planning for the current year, we will manage inventory build-up and reduction in the coming quarters. Close control of working capital management will play a central role also in the current year. At the beginning of the year, the sale of the US shares resulted in a cash inflow of around € 6 million after the agreed retention of parts of the purchase price for any guarantees and indemnification claims. The company plans to invest this cash inflow in future projects. The planned free cash flow of at least € 10 million is therefore to be generated from operating activities.

Medium term outlook

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

Free Cashflow

Delticom's continued focus on optimized inventories and consistent working capital management will also enable it to generate positive free cash flows in the medium term.

Information required by takeover law

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

The Management Board of Delticom AG reported as set out below on information in the management report on Delticom AG and on the Group for fiscal 2021, taking account of the knowledge and events up until the time when this report was prepared in accordance with § 289a Abs. 1 HGB and § 315a Abs. 1 HGB of the German Commercial Code, as follows:

No. 1: Composition of subscribed capital

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

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

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

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

The shareholders Prüfer GmbH and Binder GmbH, as parties to a pooling agreement, are restricted in the exercise of their voting rights in such a way that they have to vote their voting behaviour with a view to uniform voting at the Annual General Meeting. In addition, the shareholder Binder GmbH has undertaken to the shareholder Prüfer GmbH to vote at the company's General Meetings for all measures that are part of an investor's entry at Delticom AG's level with the aim of strengthening Delticom AG's capital base. In addition, Binder GmbH has also undertaken to Prüfer GmbH that, in the event that Prüfer GmbH and Seguti GmbH sell and transfer the shares held by Prüfer GmbH and Seguti GmbH in Delticom AG to an investor, it will also sell and transfer its shares to the investor at the same economic conditions at Prüfer GmbH's request, if the investor is not affiliated with Prüfer GmbH or Seguti GmbH or otherwise close to them, the investor is willing to acquire all shares of Binder GmbH under the same conditions, the guarantees and warranties are customary in the context of the transaction and no joint and several liability of Binder GmbH with other sellers exists.

No. 3: Interests exceeding 10 % of voting rights

Only the shareholders GANÈ Aktiengesellschaft based in Aschaffenburg/Germany and Binder GmbH and Prüfer GmbH, both of which are based in Hanover/Germany, hold direct interests in the company that exceed 10 % of Delticom AG's voting rights. Indirect interests that exceed 10 % of Delticom AG's voting rights exist on the part of Mr Rainer Binder, Hanover, to whom Binder GmbH's direct interest is attributed pursuant to § 34 Abs. 1 Satz 1 Nr. 1 WpHG of the

German Securities Trading Act (WpHG), and on the part of Dr. Andreas Prüfer, Hanover, to whom Prüfer GmbH's direct and indirect stake is attributed pursuant to § 34 Abs. 1 Satz 1 Nr. 1 WpHG of the German Securities Trading Act (WpHG). The pooling agreement, whose parties are Prüfer GmbH, Binder GmbH, Mr Rainer Binder and Dr. Andreas Prüfer, also results in a mutual attribution of voting rights in the meaning of § 34 Abs. 1 Satz 1 Nr. 1 WpHG of the German Securities Trading Act (WpHG).

No. 4: Holders of shares with special rights

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

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

Employees do not participate in equity so that employees cannot directly exercise their controlling rights.

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

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

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

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

a) Authorized Capital

The Annual General Meeting on May 2, 2017 authorized the Managing Board, with the approval of the Supervisory Board, to increase the company's share capital by a total of up to € 6,231,665 by issuing a total of up to 6,231,665 new no-par value registered shares of the company against cash or non-cash contributions on one or more occasions until May 1, 2022 (authorized capital 2017).

On June 1, 2021, the Managing Board of Delticom AG resolved to increase the company's existing share capital of EUR 12,463,331.00 at that time by up to EUR 1,246,333.00 by issuing up to 1,246,333 new no-par value registered shares from the Authorized Capital 2017 against cash contributions, excluding subscription rights. The new shares were offered without a prospectus to qualified investors within the meaning of Art. 2 lit. e) of Regulation (EU) No. 2017/1129. The registration took place on 09.06.2021 in the commercial register for the Company.

Furthermore, the Executive Board resolved on the same day to increase the share capital of the Company by up to a further EUR 1,121,700.00 by issuing up to 1,121,700 new no-par value registered shares from the Authorized Capital 2017 against cash contributions while granting subscription rights to the shareholders of the Company ("Subscription Rights Capital Increase" and, together with the Subscription Rights Free Capital Increase, "Capital Increases"). The shares from the Rights Issue Capital Increase were also offered without a prospectus. The entry was made in the Commercial Register for the Company on June 29, 2021.

The Authorized Capital 2017 pursuant to Section 5 (5) of the Articles of Association was cancelled at the time of entry of the resolved Authorized Capital 2021 (see below) in the Commercial Register on July 30, 2021 for the Company.

The Annual General Meeting on May 11, 2021 authorized the Executive Board, with the approval of the Supervisory Board, to increase the Company's share capital by a total of up to €6,231,665 by May 10, 2026 by issuing a total of up to 6,231,665 new no-par value registered shares of the Company against cash contributions or contributions in kind on one or more occasions (Authorized Capital 2021).

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

In the case of capital increases against cash contributions, shareholders shall generally be granted subscription rights to the new shares. The new shares shall then be underwritten by at least one bank or at least one company operating in accordance with Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to the shareholders for subscription.

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

aa) to utilize any fractional shares,

bb) to the extent that this is necessary to protect against dilution, in order to grant holders of conversion or option rights, which were or are issued by Delticom

AG or by companies in which Delticom AG directly or indirectly holds a majority interest, subscription rights to new shares to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling conversion obligations,

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

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

There is no other authorized capital.

b) conditional capitals

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

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

On the basis of this authorization, a stock option plan for employees of the Company was introduced by resolutions of the Management Board of the Company on December 25, 2016 and of the Supervisory Board of the Company on December 27, 2016, and a stock option plan for members of the Management Board of the Company was introduced by resolution of the Supervisory Board of the Company on December 28, 2016. Based on these plans, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017 and a total of 32,000 stock options to members of the Company's Management Board on January 5, 2017. On January 5, 2018, a total of 18,337 stock options were issued to employees of the Company and a total of 32,000 stock options to members of the Company's Management Board. In addition, a total of 16,660 stock options were issued to employees of the Company on December 17, 2018 and a total of 24,000 stock options to members of the Company's Management Board on December 28, 2018. In addition, 3,332 stock options were issued to employees of the Company on April 17, 2019. The vesting period for all stock options is four years beginning on the respective issue date. The stock options are therefore currently not yet exercisable.

The Management Board and the Supervisory Board will report in detail on the option rights granted and the exercise of option rights for each financial year in accordance with the applicable regulations in the notes to the annual financial statements, in the notes to the consolidated financial statements or in the annual report. The issue of stock options from the aforementioned stock option program is no longer possible due to the expiration of time since April 29, 2019.

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

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

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

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

The share capital of the Company is conditionally increased by up to EUR 5,500,000.00 (in words: five million five hundred thousand euros) by issuing up to 5,500,000 (in words: five million five hundred thousand) new no-par value ordinary registered shares (no-par value shares) (Conditional Capital 1/2020). The conditional capital 1/2020 serves exclusively to grant new shares to the holders of conversion or option rights that are issued by Delticom AG or by companies in which Delticom AG directly or indirectly holds a majority interest in accordance with the authorization resolution of the Annual General Meeting on July 7, 2020 under agenda item 7 a).

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

Conditional Capital I/2020 was entered in the Commercial Register on July 30, 2020. No W/C bonds or shares have yet been issued on the basis of the conditional capital.

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

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

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

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

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

The purchase offer may provide for conditions. If more shares are tendered to the Company for repurchase than the Company has offered to repurchase in total, the Company will acquire shares in proportion to the number of shares tendered.

Preferential acceptance of small numbers of up to 100 shares tendered per shareholder may be given.

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

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

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

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

On the basis of these plans, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017 and a total of 32,000 stock options to members of the Management Board of the Company on January 5, 2017. On January 5, 2018, a total of 18,337 stock options were issued to employees of the Company and on January 5, 2018, a total of 32,000 stock options were issued to members of the Management Board of the Company. In addition, a total of 16,660 stock options were issued to employees of the Company on December 17, 2018 and a total of 24,000 stock options to members of the Company's Management Board on December 28, 2018. In addition, 3,332 stock options were issued to employees of the Company on April 17, 2019. The vesting period for all stock options is four years beginning on the respective issue date. The stock options issued on January 05, 2017 and January 10, 2017 are now exercisable.

By resolution of the Supervisory Board of the Company dated December 10, 2021 with effect from January 1, 2022, a stock option plan for members of the Executive Board of the Company was introduced. This also provides that in the event of a change of control at the Company (defined in the option terms and conditions as the direct or indirect acquisition of at least 50% of the voting rights in the Company by a natural person or legal entity or a plurality of natural persons or legal entities acting in concert), the stock options issued on the basis of the option plan will become immediately exercisable, provided that the waiting period for these stock options has already expired and the performance target has been achieved. Option rights for which the waiting period has not yet expired expire without replacement.

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

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

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

Consolidated Financial Statements of Delticom AG

Content

Consolidated Income Statement

in € thousand		01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Revenues	(1)	**585,374**	**541,261**
Other operating income	(2)	28,630	32,956
Total operating income		**614,004**	**574,217**
Cost of goods sold	(3)	-457,395	-418,329
Gross profit		**156,610**	**155,888**
Personnel expenses	(4)	-13,363	-14,266
Amortization and depreciation of intangible assets, rights of use and property, plant and equipment	(5)	-10,034	-9,682
Bad dept losses and specific allowance		-4,341	-4,704
Other operating expenses	(6)	-121,813	-121,880
Earnings before interest and taxes (EBIT)		**7,059**	**5,357**
Financial expenses		-2,271	-2,854
Financial income		158	87
Net financial result	(7)	**-2,112**	**-2,767**
Earnings before taxes (EBT)		**4,947**	**2,590**
Income taxes	(8)	1,866	4,280
Consolidated net income		**6,813**	**6,870**
Thereof allocable to:			
Non-controlling interests		63	136
Shareholders of Delticom AG		6,750	6,734
Earnings per share (basic)	(9)	0.49	0.55
Earnings per share (diluted)	(9)	0.49	0.55

Statement of Recognized Income and Expenses

in € thousand	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Consolidated Net Income	**6,813**	**6,870**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**91**	**-324**
Recycling profit and loss		
Changes in value due to currency translation	91	-324
Total comprehensive income for the period	**6,904**	**6,546**
Attributable to non-controlling interests	42	136
Attributable to shareholders of the parent	6,862	6,410

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2021	31.12.2020
Non-current assets		**111,488**	**124,009**
Intangible assets	(10)	37,984	39,678
Rights of use	(11)	42,482	50,409
Property, plant and equipment	(12)	7,775	9,294
Financial assets		2	8
Deferred taxes	(13)	11,637	8,850
Other non-current receivables	(14)	11,609	15,770
Current assets		**92,661**	**75,758**
Inventories	(15)	46,593	36,865
Accounts receivable	(16)	16,465	19,090
Other current assets	(17)	24,579	14,065
Income tax receivables	(18)	157	104
Cash and cash equivalents	(19)	4,868	5,635
Financial assets held for sale	(20)	**13,310**	0
Assets		**217,459**	**199,767**

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2021	31.12.2020
Equity		**37,982**	**14,801**
Equity attributable to Delticom AG shareholders		**36,998**	**13,807**
Subscribed capital	(21)	14,831	12,463
Share premium	(22)	47,667	33,739
Stock option plan	(21)	193	214
Other components of equity	(23)	-187	-280
Retained earnings	(24)	200	200
Net retained losses	(25)	-25,706	-32,529
Non-controlling interests		**984**	**994**
Liabilities (without Financial liabilites held for sale)		**170,101**	**184,966**
Non-current liabilities		**47,363**	**50,015**
Non current financial liabilities	(26)	42,248	49,611
Non-current provisions	(27)	115	118
Other Non Current Liabilities		5,000	286
Current liabilities		**122,739**	**134,951**
Income tax liabilities	(27)	1,249	842
Other current provisions	(27)	3,565	2,702
Accounts payable	(29)	84,608	68,830
Current financial liabilities	(26)	13,874	44,490
Other current liabilities	(31)	19,444	18,086
Financial liabilities held for sale	(32)	**9,375**	**0**
Shareholders' equity and liabilities		**217,459**	**199,767**

Consolidated Cash Flow Statement

in € thousand	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Earnings before interest and taxes (EBIT)	**7,059**	**5,357**
Depreciation of intangible assets and property, plant and equipment	10,034	9,682
Changes in other provisions	860	-1,001
Gain (–) / loss (+) from the disposal of non-current assets	10	406
Other non-cash expenses and income	1,941	473
Changes in inventories	-19,043	26,085
Changes in receivables and other assets not attributable to investment or financing activities	-5,923	-6,863
Changes in payables and other liabilities not attributable to investment or financing activities	28,996	4,705
Interest received	85	87
Interest paid	-1,677	-2,837
Income tax paid	-411	-206
Cash flow from operating activities	**21,931**	**35,887**
Cash inflow from the disposal of property, plant and equipment	769	6
Payments for investments in property, plant and equipment	-792	-1,095
Payments for investments in intangible assets	-366	-483
Cash flow from investing activities	**-389**	**-1,572**
Cash inflow from capital increases	16,296	0
Cash inflow of financial liabilities	1,899	0
Cash outflow of financial liabilities	-39,393	-34,021
Cash flow from financing activities	**-21,198**	**-34,021**
Changes in cash and cash equivalents due to currency translation	0	2
Cash and cash equivalents at the start of the period	5,635	5,339
Changes in cash and cash equivalents	344	296
Cash and cash equivalents - end of period	**5,979**	**5,635**

Cash and cash equivalents at the end of the period include, in addition to the cash and cash equivalents reported in the consolidated balance sheet, the cash and cash equivalents of € 1,122 thousand reported under the item "Assets held for sale" in accordance with IFRS 5.

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Stock option plan	Retained earnings	Net retained profits	Total	Non-controlling interests	Total equity
as of 1 January 2020	**12,463**	**33,739**	**46**	**232**	**200**	**-38,354**	**8,325**	**-51**	**8,274**
Changes in minority interests						-909	-909	909	0
Stock option plan				-17			-17	0	-17
Consolidated net income						6,733	6,733	136	6,870
Other comprehensive income			-324			0	-324	0	-324
Total comprehensive income			**-324**			**6,733**	**6,408**	**136**	**6,546**
as of 31 December 2020	**12,463**	**33,739**	**-278**	**214**	**200**	**-32,529**	**13,807**	**994**	**14,801**
as of 1 January 2021	**12,463**	**33,739**	**-278**	**214**	**200**	**-32,529**	**13,807**	**994**	**14,801**
Capital increase	2,368	13,928					16,296		16,296
Changes in minority interests						51	51	-51	0
Stock option plan				-21			-21	0	-21
Consolidated net income						6,750	6,750	63	6,813
Other comprehensive income			91			22	113	-22	91
Total comprehensive income			**91**			**6,771**	**6,862**	**42**	**6,904**
as of 31 December 2021	**14,831**	**47,667**	**-187**	**193**	**200**	**-25,706**	**36,998**	**984**	**37,982**

Notes to the Consolidated Financial Statements of Delticom AG

Content

General notes

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

Delticom is Europe’s leading online retailer of tyres and complete wheels. The range offered to retail and commercial customers includes over 600 brands and around 40,000 models of tyres for passenger cars, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the around 34000 partner garages of Delticom AG worldwide.

The group offers its product range in 73 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sold tyres outside Europe in 2021, 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.

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

These consolidated financial statements were approved by the Executive Board on March 23, 2022. The consolidated financial statements are disclosed and submitted to the operator of the electronic Federal Gazette for publication.

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

Key accounting and valuation policies

General principles

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

Delticom's consolidated financial statements for the fiscal year 2021 were prepared according to the accounting standards No. 1606/2002 prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognized in income. The requirements of the standards and interpretations (SIC/IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

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

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

Delticom AG has implemented all accounting standards adopted by the EU and whose application is mandatory from fiscal year 2021.

The application of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 has been mandatory since January 1, 2021 (Changes in Reference Interest Rates - Phase 2). The amendments of phase 2 address the accounting treatment when a reference interest rate is replaced by another reference interest rate. The amendments introduce practical expedients with regard to modifications of financial assets, financial liabilities and lease liabilities as well as hedging relationships. Modifications of contractual cash flows through an economically equivalent replacement of the previous reference interest rate as a direct result of the reform of the reference interest rates are to be accounted for by adjusting the effective interest rate without immediate modification gains or losses. A similar relief is introduced for the accounting of lease liabilities by amendments to IFRS 16. In addition, according to the amendments to the standard, a hedging relationship does not have to be dissolved as a result of an economically equivalent change to a new reference interest rate, but continues to exist with appropriate adjusted documentation if the hedging relationship meets the other requirements for hedge accounting.

Furthermore, an amendment to IFRS 16 "Leases" extends the option for lessees to apply relief when assessing whether lease concessions in connection with COVID-19 are modifications. As in the previous year, the Delticom Group does not make use of this option.

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

Standards and interpretations published but not yet required to be applied

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

Standard / Interpretation		Veröffentlicht durch das IASB	Anwendungs-pflicht[1]	Übernahme durch EU	Vorraussichtliche Auswirkungen
IFRS 3	Updating references to the framework	5/14/2020	1/1/2022	yes	No material impact
IFRS 17	Insurance contracts	5/18/2017	1/1/2023	yes[2]	No material impact
IFRS 17	Insurance Contracts - Amendments to IFRS 17	6/25/2020	1/1/2023	yes[2]	No material impact
IAS 1	Classification of liabilities	1/23/2020	1/1/2023	no	No material impact
IAS 1	Disclosures on accounting policies	2/12/2021	1/1/2023	no	Case-by-case adjustment of disclosures in the notes based on the amended
IAS 8	Definition of accounting estimates	2/12/2021	1/1/2023	no	No material impact
IAS 12	Deferred taxes on leases and decommissioning and restoration obligations	5/7/2021	1/1/2023	no	No material impact
IAS 16	Property, plant and equipment: allocation of certain costs and revenues in the construction phase	5/14/2020	1/1/2022	yes	No material impact
IAS37	Provisions: Onerous contracts - cost of fulfilling contracts	5/14/2020	1/1/2022	yes	No material impact
	Annual Improvements to IFRSs 2018-2020[3]	5/14/2020	1/1/2022	yes	No material impact

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

2 The endorsement by the EU contains an exception that exempts companies from applying a measurement requirement on an optional basis in certain cases.

3 Minor amendments to a number of IFRSs (IFRS 1, IFRS 9 and IAS 41)

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

Group of consolidated companies

In addition to Delticom AG as the parent company, the group of consolidated companies includes 10 (previous year: 12) domestic and 9 (previous year: 9) foreign subsidiaries, which were fully consolidated in the consolidated financial statements.

Delticom sold its shares in Extor GmbH by way of a share purchase and assignment agreement dated June 30, 2021. This resulted in a gain on deconsolidation of € 5 thousand.

In 2021, Tirendo Deutschland GmbH was merged with Tirendo GmbH (formerly Tirendo Holding GmbH). Delticom AG indirectly held a 100 % interest in Tirendo Deutschland GmbH.

DCNA and its subsidiaries Gigatires LLC and Tireseasy LLC were sold by way of an agreement dated January 14, 2022. Due to the disposal activities started in 2021, the assets are recognized in accordance with IFRS 5. Explanations on the assets and liabilities held for sale can be found in the section "Notes to the balance sheet".

Delticom holds an indirect interest in Delticom TOV, Lviv (Ukraine) and a direct interest in Delticom Russia, Moscow. Significant assets of both companies do not exist or have already been impaired. Delticom Russia wrote off deferred tax assets in the amount of € 258 thousand in 2021. Already during 2021 and independently of the conflict in Ukraine, Delticom AG had decided to close Delticom TOV and to discontinue the operations of Delticom Russia.

Consolidation methods

Subsidiaries are all investments in companies in which the AG has control over the financial and business policy, regularly accompanied by a share of voting rights of more than 50 %. Inclusion begins at that point in time at which the possibility of control exists; it ends when this possibility no longer exists.

Acquired subsidiaries are accounted for using the purchase method. The consideration transferred for the acquisition corresponds to the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the transaction date. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the consideration transferred from the acquisition over the Group's interest in the net assets measured at fair value is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement after a further review.

The consolidated financial statements are based on the annual financial statements of the companies included in the consolidated financial statements prepared using uniform accounting policies.

In the case of the companies included in the consolidated financial statements, the reporting date of the individual financial statements corresponds to the reporting date of the consolidated financial statements.

All intra-group receivables and liabilities or provisions were eliminated during the consolidation of debts netting. Revenues from deliveries and services as well as interest payments and other income between the consolidated companies are offset against the expenses due in this regard (consolidation of income and expenses). Intercompany profits arising from deliveries and services within the Group were adjusted for deferred taxes and recognized in income. Minority interests in equity and the earnings of subsidiaries that are not controlled by the parent company are shown separately.

Business combinations in accordance with IFRS 3

Identifiable assets, liabilities and contingent liabilities of an acquired company are generally measured at fair value at the time of the transaction. Any remaining differences between the cost of acquisition and the net assets acquired are recognized as goodwill. Any gain from a business combination is recognised immediately in profit or loss after reassessment.

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

Segment reporting

Delticom is a one-segment company: The company focuses on selling tyres and complete wheels online. In the E-Commerce field, goods are sold to dealers, workshops and end users via 359 online shops and online distribution plattforms in 73 countries. Revenues and EBITDA are key parameters for management and control at group level. There are no other divisions that could constitute segments with a separate reporting requirement.

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

Currency translation

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

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

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

	Average rate on the balance sheet date	Weighted annual average exchange rate
country	1 € =	1 € =
UK	GBP 0,8402	GBP 0,8598
USA	USD 1,1372	USD 1,1833
Romania	RON 4,9485	RON 4,9139
Schwitzerland	CHF 1,0364	CHF 1,1456

Estimates and assumptions

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

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

COVID-19 can be seen as both a risk and an opportunity for Delticom. Further details can be found in the management report.

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

Accounting and valuation principles

Accounting treatment of acquisitions

As a 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 tests annually, and additionally if any triggering event exists, whether the recognized goodwill has suffered any impairment. If so, the recoverable amount of the cash-generating unit must be estimated. This corresponds to the higher of fair value less costs to sell and value in use. Determining the recoverable amount involves making adjustments and estimates relating to the forecasting and discounting of future cash flows.

Delticom uses the fair value less costs to sell (FVLCOD) to determine the recoverable amount in fiscal year 2021 . The basis for the measurement of the FVLCOD is the planning for the Delticom business prepared by management. This planning is based on the assumption that e-commerce will continue to gain importance in the tire trade in the coming years.

Management believes that the assumptions used to calculate the recoverable amount are reasonable, particularly in light of economic conditions, margins and sales growth. The input factors used are based on market data. Changes in these assumptions could result in an impairment loss that would adversely affect the Group's net assets, financial position and results of operations.

In assessing the recoverability of the acquired goodwill of €35.3 million at Group level, a discount rate after taxes of 7.7% (previous year: 7.2%), an average EBITDA margin of 3.6% (previous year: 3.4%), average sales growth in the detailed planning period of 2.5% (previous year: 6.5%) and a growth discount of 1.0% (previous year: 1.0%) were applied.

The discount rate is determined on the basis of the risk-free interest rate, the market risk premium and the borrowing rate. In addition, specific peer group information is taken into account for the beta factor and the leverage ratio.

The planning is also based on the assumptions that Delticom will continue to maintain its position as Europe's leading online tyre retailer and that the cost structure will remain lean thanks to additional automation and outsourcing. The planning period covers a period of five years plus a perpetual annuity.

Plausible assumptions are made about future developments. The planning assumptions are adjusted to the current level of knowledge.

Budgeted EBITDA is based on expectations of future results, taking into account past experience. Sales growth was forecast taking into account the average growth of the last five years and the estimated sales and price growth for the next five years.

The estimated recoverable amount exceeded the carrying amount by around €44 million (previous year: €55 million).

Other intangible assets

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

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

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

Leasing agreements

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

Accounting as lessor

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

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

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

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

in € thousand	31.12.2021	31.12.2020
Rights of use		
Buildings	41,339	48,832
Technical equipment and machinery	1,083	1,483
Operating and office equipment	60	94
	42,482	**50,409**
Leasing receivables		
short-term	1,790	1,610
long-term	4,584	4,026
	6,374	**5,636**
Leasing liabilities		
short-term	8,584	8,409
long-term	42,248	49,611
	50,832	**58,020**

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

The maturities of the liabilities are as follows:

in € thousand	2021	2020
up to 1 year	8,584	8,409
1–5 years	21,235	24,620
over five years	21,013	24,991
Total	**50,832**	**58,020**

Additions to rights of use during the financial year 2021 amounted to €1,713 thousand.

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

in € thousand	2021	2020
Depreciation on rights of use		
Buildings	6,299	4,857
Technical equipment and machinery	514	519
Operating and office equipment	34	34
Income from sale and lease back transactions	57	118
Interest expenses	594	317
Expenses in connection with short-term leases (included in other operating expenses)	246	361
Expenses in connection with leases of low-value assets not included in current leases (included in other operating expenses)	18	82

The total payments for leasing amount to € 9,053 thousand. The amount of lease payments recognized as an expense in accordance with IFRS 16.6 amounted to € 0.3 million in the financial year.

Other financial obligations include rental agreements with terms of between eight and twelve years. These relate to new leases for warehouses in northern Germany. Leases are scheduled to commence in 2023 and 2024 respectively and will result in cash outflows totaling €51,744 thousand over the minimum lease term.

In addition, there are lease extension options for various warehouses and offices for periods of between 2 and 5 years, which could lead to cash outflows of € 50,832 thousand if utilized to the maximum extent.

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

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

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

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

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

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

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

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

Sale and lease back

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

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

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

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

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

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

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

Financial Instruments

i. Recognition and initial measurement

Trade receivables are recognized from the date on which they arise. All other financial assets and liabilities are initially recognized on the trade date when the company becomes a party to the contract under the terms of the instrument.

A financial asset (other than a trade receivable without a significant financing component) or financial liability is initially measured at fair value. For an item that is not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue are also included. Trade receivables without a significant financing component are initially measured at transaction price.

ii. Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

All financial assets that are not measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably elect to designate financial assets that otherwise qualify for measurement at amortized cost or FVOCI as FVTPL if doing so results in the elimination or significant reduction of accounting mismatches that would otherwise arise.

Financial assets - Business model assessment

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

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

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

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

Financial assets – Assessment whether contractual cash flows are exclusively repayments

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

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

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

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

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

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, is a derivative or is designated as such upon initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains or losses, including interest expenses, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognized in profit or loss. Gains or losses from derecognition are also recognized in profit or loss.

iii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred.

Derecognition also takes place if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control of the transferred asset.

Financial liabilities

The Group derecognizes a financial liability when the contractual obligations are fulfilled, cancelled or expired. The Group also derecognizes a financial liability when its contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the revised terms.

When a financial liability is derecognised, the difference between the carrying amount of the liability extinguished and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and liabilities are offset and presented as net amounts in the balance sheet when the Group has a present enforceable legal right to set off the recognised amounts and it intends either to settle on a net basis or to settle the liability simultaneously with the realisation of the asset.

v. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge currency risks. Under certain circumstances, embedded derivatives are separated from the host contract and accounted for separately.

Derivatives are initially measured at fair value. Derivatives are subsequently measured at fair value. Any resulting changes are generally recognized in profit or loss.

At the inception of the designated hedging relationship, the Group documents the risk management objectives and strategies it pursues with respect to the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument and whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

Cash flow hedges

If a derivative is designated as a cash flow hedge, the effective portion of the change in fair value is recognised in other comprehensive income and transferred cumulatively to the hedge reserve. The effective portion of the changes in fair value recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged item (calculated on a cash basis) since hedge inception. An ineffective portion of the changes in the fair value of the derivative is recognized directly in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventories, the cumulative amount of the hedge reserve and the hedging cost reserve is included directly in the cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the cumulative amount transferred to the hedge reserve and the hedging cost reserve is reclassified to profit or loss in the period or periods in which the hedged forecast future cash flows affect profit or loss.

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

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

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

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

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

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

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

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

Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax items of domestic companies are valued at a tax rate of 32.65 % (previous year: 32.49 %). With regard to the valuation of deferred taxes from foreign companies, the respective applicable individual tax rate of the company was applied.

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

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

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

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

Provisions are reviewed at each balance sheet date and adjusted to the current best estimate. If a material interest effect results from the date on which the obligation is fulfilled, the provision is recognised at its present value. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The compounding of the provision is recognized as interest expense. Where no reliable estimate can be made in individual cases, no provision is recognised but a contingent liability is disclosed.

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

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

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

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

Depreciation and amortisation of non-financial assets

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

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

Impairment losses on financial assets

Delticom recognizes valuation allowances for expected credit losses (ECL) for:

- financial assets measured at amortised cost;
- debt investments valued at FVOCI; and
- contract assets.

Allowances for trade receivables and contract assets are always measured at the amount of the expected credit loss over the term of the contract.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This includes both quantitative and qualitative information and analyses based on the Group's past experience and well-founded judgements, including forward-looking information.

Financial assets impaired in terms of creditworthiness

At each reporting date, Delticom assesses whether financial assets measured at amortized cost and debt instruments held under the FVOCI have impaired their creditworthiness and are therefore at risk of default. A financial asset is considered impaired if one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is impaired includes the following observable data:

- significant financial difficulties of the borrower or issuer;
- a default;
- the restructuring of a loan by the Group on terms that the Group would not otherwise take into account;
- it is likely that the borrower will go bankrupt or that a reorganization will take place;
- or the disappearance of an active market for a security due to financial difficulties.

The Group considers a financial asset to be defaulted if:

- it is unlikely that the debtor will be able to pay its credit obligation in full to the Group without the Group having to resort to measures such as the realisation of collateral (if any), or
- the financial asset is more than 90 days overdue.

Depending on the development of the credit risk inherent in a financial asset, expected credit losses (ECLs) must be calculated as either 12-month or lifetime ECLs. Lifetime ECLs are the ECLs that arise from all possible default events over the expected life of a financial instrument and should be recognised if the credit risk of a financial asset has increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that occur within the next 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months). In deviation from the general procedure, value adjustments for trade receivables and order backlogs are generally measured in the amount of lifetime ECLs (simplified procedure).

The maximum period to be considered in estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of ECLs

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of the credit losses (i.e. the difference between the payments due to an enterprise under the contract and the payments expected to be received by the enterprise). Expected credit losses are discounted using the effective interest rate of the financial asset.

For trade receivables and order backlogs, ECLs are calculated on a portfolio basis. Assets are grouped by past due and ECLs are estimated on the basis of historical default rates and forecasts of the economic environment in which the counterparties operate (e.g. country risk).

Presentation of allowance for ECLs in the statement of financial position

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. At the current balance sheet date, the expected credit losses (ECL) on financial assets are immaterial to the Group.

Capital risk management

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

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

Accounting of assets and liabilities for non going concern companies

The assets and liabilities of Gourmondo Food GmbH, DeltiCar SAS, and All you need GmbH were recognized at lower fair values, in departure from the going concern principle.

Notes to the income statement

(1) Revenue from Contracts with Customers

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

Revenues in Germany totaled € 231,033 thousand (previous year: € 207,615 thousand).

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

in € thousand	31.12.2021	31.12.2020
Trade receivables	16,465	19,090
Prepayments received from customers (contract liabilities)	-5,273	-5,662

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

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

Further information on trade receivables is provided in note (15). Advance payments received from customers are recognized as revenue when control of the goods is transferred to the customer, which usually occurs upon delivery of the goods. In fiscal year 2021, €5,662 thousand was recognized as revenue, which was included in advance payments received at the beginning of the period.

(2) Other operating income

Exchange rate gains of € 4.3 million (previous year: € 3.7 million) include gains from exchange rate changes between the time of origination and the time of payment, as well as valuation at the closing rate. Exchange rate losses from these transactions are reported under other operating expenses. In addition, other operating income in connection with logistics projects in Lower Saxony amounting to € 5.9 (previous year: € 9.5 million) million has been recognized in profit or loss in 2021. The development of miscellaneous other operating income results primarily from marketing grants, proceeds from transport losses and other income.

(3) Cost of sales

The cost of sales amounted to € 457.4 million (previous year: € 418.3 million) resulting exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2021	2020
Wages and salaries	11,812	12,672
Social security contributions	1,502	1,488
Share-based compensation with equity instruments	-29	-25
Expenses for pensions and other benefits	78	131
Total	**13,363**	**14,266**

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

Delticom has no further payment obligations beyond the payment of contributions. The contributions of € 694 thousand (previous year: € 624 thousand) were recognised in personnel expenses when they became due.

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

In 2021, Delticom had an average of 174 employees (previous year: 178 employees).

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

in € thousand	2021	2020
Intangible assets	1,499	2,198
Rights of use	6,847	5,411
Property, plant and equipment	1,688	2,073
Total	**10,034**	**9,682**

(6) Other operating expenses

in € thousand	2021	2020
Transportation costs	53,645	50,148
Warehousing costs	9,939	8,707
Credit card fees	4,054	4,394
Marketing costs	18,810	18,873
Operations centre costs	8,928	8,889
Rents and overheads	2,934	2,220
Financial and legal costs	10,677	12,211
IT and telecommunications	2,605	3,108
Expenses from exchange rate differences	3,956	5,355
Other	6,265	7,975
Total other operating expenses	**121,813**	**121,880**

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

Finance and legal expenses include additional consulting costs in connection with the restructuring in the amount of € 4,509 thousand (previous year: 6,669 € thousand).

Losses on receivables and individual value adjustments (€ 4,341 thousand; previous year: € 4,704 thousand) are shown as a separate item in the income statement.

(7) Financial result

in € thousand	2021	2020
Financial expenses	-2,271	-2,854
Financial income	158	87
Total	**-2,112**	**-2,767**

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

Financial expenses mainly relate to interest expenses for bank loans and overdrafts.

(8) Income taxes

The income taxes result from:

	2021			2020		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	687	12	699	363	503	866
Deferred income taxes	-2,795	230	-2,565	-5,143	-3	-5,146
Total	**-2,108**	**242**	**-1,866**	**-4,780**	**500**	**-4,280**

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

	2021		2020	
in Tausend €	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Losses carried forward	10,979	0	8,607	0
Intangible assets	75	0	304	0
Rights of use	0	13,860	0	15,940
Property, plant and equipment	1	33	90	511
Inventories	0	508	345	75
Financial assets	2,083	0	2,083	0
Receivables	0	2,392	0	1,786
Long-term assets	0	2,081	1	2,103
Long-term provisions	3	0	20	0
Short-term provisions	120	110	21	12
Liabilities	18,336	391	18,421	0
Other equity and liabilities	78	663	114	728
Total	**31,674**	**20,038**	**30,006**	**21,155**
Balancing	20,038	20,038	21,155	21,155
Value on the balance sheet	**11,636**	**0**	**8,851**	**0**

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

in € thousand	2021	2020
Profit before income taxes	4,947	2,590
Delticom AG income tax rate	32.49%	32.49%
Expected tax expense	**1,607**	**841**
Differences from anticipated income tax expense		
Adjustment to different tax rate	-106	-86
Non-deductible operating expenses	302	228
Non-period income taxes	104	260
Effect of recognized deferred tax assets on loss carried forward not recognized in prior year	-2,364	-5,029
Effect from utilization of loss carried forward for which no deferred tax assets were recognized in the previous year	-933	-390
Value adjustment of deferred tax assets on loss carryforwards formed in the previous year	258	0
Other tax effects	-734	-104
Total adjustments	**-3,473**	**-5,121**
Actual tax expense	**-1,866**	**-4,280**

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

The deferred tax assets on loss carryforwards totaling € 11.0 million (previous year: € 8.4 million) relate entirely to losses incurred by Delticom AG in previous years. Utilization of the vested loss carryforwards is probable in future years due to expected positive tax results.

In the year under review, loss carryforwards of around € 2.8 million were utilized, for which no deferred tax assets were recognized in the previous year. In addition, deferred tax assets of around €2.3 million were recognized on loss carryforwards which were not taken into account for the recognition of deferred tax assets on loss carryforwards in the previous year. No deferred tax assets were recognized for loss carryforwards of Delticom Russia and Ringway GmbH that are not expected to expire totaling € 1.8 million (previous year: € 4.6 million) due to a lack of recoverability. They were recognized on the basis of a substantiated business plan prepared in cooperation with an external consultant.

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

(9) Earnings per share

Basic earnings per share amount to € 0.49 (previous year: € 0.55). Diluted earnings per share amount to € 0.49 (previous year: € 0.55).

In accordance with IAS 33, basic earnings per share are calculated as the quotient of profit for the period after tax of €6,813,037.20 (previous year: € 6,870,032.55) and the weighted average number of ordinary shares outstanding during the financial year of 13,778,142 (previous year: 12.463.331).

No stock options were exercised in the reporting period. The vesting period for all granted stock options is four years starting on the respective day of issue. In principle, all issued shares must be taken into account for the calculation of the diluted EPS, provided that the stock options have a dilutive effect. This is the case if the issue price of the new shares is below the average market price of the common shares in circulation in the period under consideration. There is no dilutive effect in 2021.

Notes to the balance sheet

Non-current assets

(10) Intangible assets

in € thousand	Goodwill	Customer Relationships	Trademarks	Rights of sale
Acquisition costs				
As of 1 January 2021	**35,338**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2021	**35,338**	**4,159**	**12,416**	**3,450**
Accumulated depreciation				
As of 1 January 2021	**0**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2021	**0**	**4,159**	**12,416**	**3,450**
Residual carrying amounts as of 31 December 2021	**35,338**	**0**	**0**	**0**

in € thousand	Domains	Software	Total
Acquisition costs			
As of 1 January 2021	**4,651**	**25,500**	**85,514**
Other additions	0	366	**366**
Disposals	0	-1,404	**-1,404**
Currency translation	0	0	**0**
As of 31 December 2021	**4,651**	**24,462**	**84,476**
Accumulated depreciation			
As of 1 January 2021	**3,279**	**22,532**	**45,836**
Additions	122	1,363	**1,485**
Disposals	0	-829	**-829**
Currency translation	0	0	**0**
As of 31 December 2021	**3,401**	**23,066**	**46,492**
Residual carrying amounts as of 31 December 2021	**1,250**	**1,396**	**37,984**

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

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

(11) Rights of use

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2021	58,379	2,146	136	60,661
Additions	1,371	341	0	1,712
Disposals	-2,679	-423	0	-3,102
Currency translation	4	0	0	4
As of 31 December 2021	57,075	2,064	136	59,275
Accumulated depreciation				
As of 1 January 2021	9,546	664	42	10,252
Additions	6,300	514	34	6,848
Disposals	-113	-197	0	-310
Currency translation	3	0	0	4
As of 31 December 2021	15,736	982	76	16,793
Net book values as of 31 December 2021	**41,339**	**1,083**	**60**	**42,482**

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2020	27,212	1,774	136	29,122
Additions	33,567	371	0	33,938
Disposals	-2,400	0	0	-2,400
Currency translation	0	0	0	0
As of 31 December 2020	58,379	2,145	136	60,660
Accumulated depreciation				
As of 1 January 2020	4,690	144	8	4,842
Additions	4,857	520	34	5,411
Disposals	0	0	0	0
Currency translation	0	0	0	0
As of 31 December 2020	9,547	664	42	10,253
Net book values as of 31 December 2020	**48,833**	**1,481**	**94**	**50,408**

For information on accounting for rights of use in accordance with IFRS 16, please refer to the section on significant accounting policies. The additions in 2021 include the increase in rents from existing leases. The disposals relate to machinery in connection with the sale of Extor GmbH.

(12) Property, plant and equipment

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2021	1,299	21,260	20,074	42,633
Additions	0	153	639	792
Disposals	-445	-217	-799	-1,461
Currency translation	-8	-12	-5	-25
As of 31 December 2021	846	21,184	19,909	41,939
Accumulated depreciation				
As of 1 January 2021	48	15,628	17,662	33,338
Additions	21	771	911	1,703
Disposals	0	-132	-750	-882
Currency translation	11	1	-6	6
As of 31 December 2021	80	16,268	17,817	34,165
Amortised cost as of 31 December 2021	**766**	**4,917**	**2,092**	**7,775**

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2020	1,233	18,906	21,875	42,014
Additions	66	512	517	1,095
Disposals	0	-20	-456	-476
Reclassifications	0	1,862	-1,862	0
Currency translation	0	0	0	0
as of 31 December 2020	1,299	21,260	20,074	42,633
Accumulated depreciation				
As of 1 January 2020	13	14,778	16,775	31,566
Additions	22	612	1,155	1,789
Impairments	0	238	45	283
Disposals	0	-20	-320	-340
Currency translation	13	20	7	40
As of 31 December 2020	48	15,628	17,662	33,338
Amortised cost as of 31 December 2020	**1,251**	**5,632**	**2,412**	**9,295**

Property, plant and equipment mainly includes office equipment for the rented office premises as well as tire packaging machines and warehouse equipment. The disposals include reclassifications in connection with the planned sale of Delticom North America Inc.

(13) Deferred taxes

There are deferred taxes in the amount of € 11,637 thousand (previous year: € 8,850 thousand), which are mainly based on deferred tax assets from loss carryforwards.

(14) Other non-current receivables

Receivables consist primarily of the non-current portion of receivables from the participation in warehouse and real estate transactions (€ 1,000 thousand), a rental security for a warehouse (€ 5,536 thousand), receivables from subleases (€ 4,584 thousand), and deposits paid to the Bern Directorate General of Customs and the Federal Tax Administration Bern. Currency translation was performed at the closing rate. The receivables are of a long-term nature.

Leasing agreements

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

	2021	
in € thousand	nominal	discounted
up to 1 year	1,851	1,790
1–2 years	1,408	1,366
2–3 years	788	756
3–4 years	660	636
4–5 years	532	514
over five years	1,330	1,311
Total	**6,569**	**6,373**

The subleasing resulted in other operating income of € 1,976 thousand and interest income of € 73 thousand.

Current assets

(15) Inventories

in € thousand	2021	2020
Tyres and Accessories	40,280	34,431
Goods in Transit	6,160	2,007
Other	153	427
Total	**46,593**	**36,865**

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

In the reporting year, €279,601 thousand (previous year: €298,513 thousand) of inventories were recognized as an expense. The loss-free valuation resulted in valuation allowances of € 291 thousand.

(16) Accounts receivable

in € thousand	2021	2020
Accounts receivable	16,465	19,090

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

(17) Other current receivables

in € thousand	2021	2020
Refund claims from taxes	9,916	3,129
Credits with suppliers	356	481
Deferrals	1,494	418
Receivables from warehouse project	8,895	5,220
Other current receivables	3,918	4,817
Total	**24,579**	**14,065**

Other current receivables include € 96 thousand in receivables from derivative financial instruments (previous year: € 22 thousand).

(18) Income tax receivables

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

(19) Cash and cash equivalents

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

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

in € thousand	2021	2020
Cash	1	3
Bank balances	4,867	5,632
Total	**4,868**	**5,635**

Zur Veräußerung gehaltene Vermögenswerte

The assets held for sale according to IFRS 5 relate to the intended sale of the shares in Delticom North America Inc. These include non-current assets (€ 729 thousand), deferred tax assets (€ 87 thousand), inventories (€ 9,315 thousand), trade receivables (€ 2,037 thousand), other assets (€ 20 thousand) and cash and cash equivalents (€ 1,122 thousand)

Equity

(21) Subscribed capital

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

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

Equity interests exceeding 10% of voting rights

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

There are no shares with special rights conferring controlling powers on holders.

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

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

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

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

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

Restrictions relating to voting rights or the transfer of shares

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

At the end of 2019, Prüfer GmbH (and its affiliated company Seguti GmbH) reached agreements with the lending banks regarding the continuation of the financing and restructuring program of the Delticom Group until the end of 2021.

On the basis of these agreements, voting proxies of Prüfer GmbH and Seguti GmbH were granted to a trustee, according to which there is an understanding between the grantors of the proxies and the authorized trustee regarding the exercise of voting rights at Delticom AG. As a result of a voting obligation voluntarily assumed vis-à-vis Prüfer GmbH and the assignment of the corresponding claim by Prüfer GmbH to the share trustee, the shareholder Binder GmbH is subject to a voting obligation vis-à-vis the share trustee in certain cases.

However, Prüfer GmbH, Binder GmbH and Seguti GmbH were and continue to be holders of the Delticom shares they already held. The pooling agreement existing between Prüfer GmbH and Binder GmbH, among others, and the resulting voting right allocations also continue to exist unchanged. The related contribution agreement with the trustee was cancelled on December 20, 2021, with the result that the trustee relationship no longer existed as of the balance sheet date December 31, 2021.

Authorized Capital

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

Contingent capital
Stock option plan I/2014

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

The capital stock of the Company is conditionally increased by a total of up to €142,332 by issuing a total of up to 142,332 new no-par value registered shares (no-par value shares) (Conditional Capital I/2014). The conditional capital 1/2014 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General Meeting on April 29, 2014. Conditional Capital I/2014 was entered in the Commercial Register on June 11, 2014.

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

Based on this plan, a total of 16,003 stock options were issued to employees of the Company on January 10, 2017, and a total of 32,000 stock options were issued to members of the Company's Management Board on January 5, 2017. On Jan. 5, 2018, a total of 18,337 stock options were issued to employees of the Company and on Jan. 10, 2018, a total of 32,000 stock options were issued to members of the Company's Management Board. Furthermore, a total of 16,660 stock options were issued to employees of the Company on Dec. 17, 2018, and a total of 24,000 stock options were issued to members of the Company's Management Board on Dec. 28, 2018. On April 17, 2019, 3,332 stock options were issued to employees of the Company.

The vesting period for all stock options is four years, starting on the respective issue date. The stock options are therefore not yet exercisable at present. The option rights each have a maximum term of ten years from the date on which the respective option right arises. The beneficiaries may exercise the option rights at the earliest after the expiry of a waiting period of four years, beginning on the issue date. The Executive Board and the Supervisory Board will report in detail on the option rights granted and the exercise of option rights for each financial year in accordance with the applicable regulations in the notes to the annual financial statements or in the notes to the consolidated financial statements. The term of the stock option plan ended on April 28, 2019, after which date it is no longer permissible to issue stock options under this stock option plan. Accordingly, by resolution of the Annual General Meeting on August 12, 2019, the authorization to grant stock option rights under the 2014 Stock Option Plan was partially cancelled.

The fair value at the grant date is determined independently using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the effect of dilution (if material), the share price at the grant date and the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer companies.

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

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

Based on this, fair values of €3.75 (Jan. 5, 2017), €2.88 (Jan. 10, 2018), €1.91 (Dec. 28, 2018) and €1.42 (April 17, 2019) per stock option were calculated.

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

Stock option programme I/2019

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

The capital stock of the Company is conditionally increased by up to € 540,000 (in words: five hundred and forty thousand euros) by issuing up to 540,000 (in words: five hundred and forty thousand) new no-par value registered ordinary shares (no-par value shares) (Conditional Capital I/2019). The conditional capital 1/2019 serves exclusively to grant new shares to the holders of option rights issued by the Company in accordance with the authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)). The shares shall be issued at the exercise price to be determined in each case in accordance with the aforementioned resolution. The conditional capital increase will only be carried out to the extent that the holders of the option rights exercise them. The shares shall participate in profits from the beginning of the preceding fiscal year, insofar as they arise up to the beginning of the Annual General Meeting of the Company, otherwise from the beginning of the fiscal year in which they arise.

No stock options were issued under this action option plan in fiscal years 2019 to 2021.

Stock option plans I/2014 and I/2019 provide that in the event of a change of control at the Company (defined in the option terms and conditions as the direct or indirect acquisition of at least 50% of the voting rights in the Company by a natural person or legal entity or a plurality of natural persons or legal entities acting in concert), the stock options issued on the basis of these option plans vest immediately, provided that the waiting period for these stock options has already expired and the performance target has been achieved. Option rights for which the waiting period has not yet expired shall lapse without replacement.

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

By resolution of the Annual General Meeting on July 7, 2020, the Executive Board was authorized, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants (collectively "W/O bonds") on one or more occasions on or before July 6, 2025 for a total nominal amount of up to EUR 70,000.000.00 with or without a limited term and to grant the holders of W/O Bonds conversion or option rights to subscribe to a total of up to 5,500,000 new registered no-par value ordinary shares (no-par value shares) of the Company with a pro rata amount of the share capital of up to EUR 5,500,000.00 in total ("New Shares") in accordance with the more detailed provisions of the convertible bond or option conditions (Conditional Capital I/2020). The authorization may be exercised in partial amounts.

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

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

By resolution of the Annual General Meeting on 07.07.2020, the Company was authorized to acquire treasury shares in a volume of up to 10% of its capital stock existing at the time of the resolution or - if this value is lower - at the time the authorization is exercised. The authorization is valid until July 06, 2025. The authorization may be exercised in whole or in part, once or several times, for one or more purposes by the Company, by its Group companies or by third parties for its or their account. At the discretion of the Executive Board, the shares may be purchased on the stock exchange or by means of a public purchase offer to all shareholders.

(22) Share premium

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

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

(23) Gains and losses recognized directly in equity

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

(24) 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).

(25) Net retained profits/losses

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

The voting rights attributable to minority shareholders are shown in the list of shareholdings. The share of consolidated net income attributable to minority interests amounts to €42 thousand (previous year: €-157 thousand). Summarized financial information for subsidiaries is not presented for reasons of immateriality.

Liabilities

(26) Finanical liabilities

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

in € thousand	31.12.2021	31.12.2020
Long term Financial Loans	42,248	49,611
Short term financial liabilities	13,874	44,490
Total	**56,122**	**94,101**

Financial debt relates to non-current and current leasing liabilities totaling € 50,832 thousand (previous year: € 58,020 thousand), as well as current annuity loans and the utilization of credit lines.

The liabilities to banks existing as of December 31, 2021 are due in full as of January 31, 2022 in accordance with the agreements concluded. The following collateral has been provided by the lending banks for all liabilities to banks existing at the balance sheet date:

Collateral to financial assets

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

Collateral to non-financial assets

- Pledge of IP rights
- Assignment as security of warehouses in Germany and abroad
- Assignment of all claims under trade credit insurance policies
- Assignment of the remuneration claim and the loan repayment claim under a cooperation agreement, pledge of the related rental collateral account
- Pledge of Delticom AG's shares in Delticom North America Inc.
- Collateral on all other material assets of the Delticom Group

(27) Provisions

Provisions had the following breakdown:

in € thousand	31.12.2021	31.12.2020
Long-term provisions	115	118
Other short-term provisions	3,565	2,702
Total	**3,680**	**2,820**

The provisions have developed as follows:

in Tausend €	01.01.2021	Consumption	Resolution	Feed	31.12.2021
Other provisions long-term	118	3	0	0	115
Other provisions short-term	2,702	1,368	166	2,397	3,565
Total	**2,820**	**1,371**	**166**	**2,397**	**3,680**

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

Non-current provisions include the costs of fulfilling obligations to retain business records. Furthermore, the non-current portions of the performance-related compensation of the Board of Management are reported here.

(28) Deferred tax liabilities

There are no deferred tax liabilities.

(29) Trade accounts payable

in € thousand	31.12.2021	31.12.2020
Accounts payable	84,608	68,830
thereof liabilities with associated companies and related parties (category: persons in key positions)	102	0

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

(30) Additional notes concerning financial instruments

Net profits and losses from financial instruments are as follows:

in € thousand	2021	2020
Financial assets at amortized cost	460	87
Financial assets and liabilities (FVTPL)	398	-211
Financial liabilities at amortized cost	-2,608	-2,778
thereof net interest income	-2,148	-2,691

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

in € thousand	Measurement category according to IFRS 9	**Book Value 31.12.21**	Balance sheet valuation according to IFRS 9			**Fair value 31.12.21**
			Amortized cost (AC)	Fair value not affecting income	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**4,868**	4,868	0	0	**4,868**
Accounts receivable	AC	**16,465**	16,465	0	0	**16,465**
Other receivables	AC	**24,579**	24,579	0	0	**24,579**
Derivative financial assets	FVTPL	**96**	0	0	96	**96**
Liabilities						
Accounts payable	FLAC	**84,608**	84,608	0	0	**84,608**
Other current liabilities	FLAC	**3,021**	3,021	0	0	**3,021**
Other original financial liabilities	FLAC	**5,290**	5,290	0	0	**5,290**
Derivative financial liabilities	FVTPL	**0**	0	0	0	**0**
Leasing liabilities	n/a	**50,832**	0	0	0	**50,832**
Thereof cumulated according valuation categories IFRS 9						
Financial assets measured at amortized cost		**45,912**	45,912	0	0	**45,912**
Financial Assets Held for Trading (FVTPL)		**96**	0	0	96	**96**
Other financial liabilities (FLAC)		**92,919**	92,919	0	0	**92,919**
Financial Liabilities Held for Trading (FVTPL)		**0**	0	0	0	**0**

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

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

The fair value of cash and cash equivalents, current receivables, trade payables and other current financial assets and liabilities approximates the carrying amount due to the short remaining term. For the non-consolidated companies, the fair value as of the balance sheet date corresponds to the acquisition cost for these investments. The carrying amount of the derivative financial instruments corresponds to the fair value.

The maximum default risk can be seen from the carrying amount of each financial asset, including derivative financial instruments, recognized in the balance sheet, less the valuation allowances on these assets recognized as of the balance sheet date. As the contracting parties for derivatives are reputable financial institutions, the Group assumes that they will meet their obligations.

We have classified the financial instruments in the category Financial assets held for trading in the amount of € 96 thousand (2020: € 22 thousand) and in the category Financial liabilities held for trading in the amount of € 0 thousand (2020: € 324 thousand) in Level 2 of the fair value hierarchy.

Level 2 is subject to the condition that a stock exchange or market price is available for a similar financial instrument or that the calculation parameters are based on data from observable markets. The fair value is determined by discounting the future cash flows at the market interest rate with an equivalent term. Since the interest conditions correspond approximately to the market level, the carrying amount of the financial liabilities corresponds approximately to the fair value (level 2 of the fair value hierarchy).

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

Delticom recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period in which the change occurred. No such transfers took place during the 2021 financial year.

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

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

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

(31) Other current liabilities

These are mainly prepayments received, credit balances from customers, value added tax, social security contributions and wage and church tax. In addition, liabilities were accrued using the best estimate method.

Furthermore, the balance sheet item includes € 0 thousand in liabilities from derivative financial instruments (previous year: € 324 thousand) that are due within one year.

All current liabilities are due within one year.

in € thousand	31.12.2021	31.12.2020
Sales tax (VAT)	5,696	4,353
Contract liabilities (advance payments received)	5,273	5,662
Customer credits	5,214	4,028
Social security contributions	152	90
Income and church tax	88	112
Other current liabilities	3,021	3,841
Total	**19,444**	**18,086**

(32) Zur Veräußerung gehaltene Schulden

Liabilities held for sale according to IFRS 5 relate to the intended sale of the shares in Delticom North America Inc. These include trade payables (€ 6,451 thousand), current financial liabilities (€ 2,198 thousand) and other current liabilities (€ 726 thousand).

Other notes

Contingent liabilities and other financial commitments

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

Significant financial obligations exist from:

in € thousand	31.12.2021	31.12.2020
Order commitments for goods	76,948	45,435
Other financial commitments	51,744	21,627
Total	**128,692**	**67,062**

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

Other financial obligations include leases with terms of between eight and twelve years. These relate to new leases for warehouses in northern Germany. Leases are scheduled to commence in 2023 and 2024 respectively.

In addition, there are leases for assets of low value and with a term of less than 12 months.

Accounting for derivative financial instruments

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

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

The remaining terms of the forward exchange transactions were all less than 6 months as of the balance sheet date (previous year: 6 months).

Risk Management

For the principles of risk management we refer to section *Risk Report* in the Management Report.

Currency risk

Delticom has international operations, which means that the company is exposed to market risks as a result of changes in foreign exchange rates. Currency risks result primarily from holdings of cash and cash equivalents and trade payables and receivables. To reduce these risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a corresponding sale transaction in EUR.

If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign currencies from operations in the E-Commerce division are not hedged. Where possible, Delticom make use of the natural currency hedge: inflows in foreign currencies are used to cover the outflows in foreign currencies.

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

The following table shows the positive and negative 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 31.12.2021)	Result +10% in €	Result -10% in €	Net exposure
CHF	1.0364	-59,312	59,312	-593,120
DKK	7.4378	24,800	-24,800	247,998
GBP	0.8402	-19,985	19,985	-199,851
NOK	10.0215	-2,125	2,125	-21,252
PLN	4.5848	-101,478	101,478	-1,014,784
RON	4.9485	0	0	0
RUB	85.3582	-19,555	19,555	-195,548
SEK	10.282	13,122	-13,122	131,217
USD	1.1372	-2,026,887	2,026,887	-20,268,868
Others	n/a	31,204	-31,204	312,038

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

Interest rate risk

For financial instruments with variable interest rates, there is a cash flow risk from interest. Due to the low level of interest rates, sensitivities were determined using a hypothetical change of 10 basis points. An increase in interest rates by 10 basis points results in a loss of € 60 thousand (previous year: € 48 thousand), a decrease in interest rates by 10 basis points results in a gain of € 0 thousand (previous year: € 48 thousand). The sensitivity analysis included both bank balances and variable-interest financial liabilities.

Liquidity risk

In August 2021, the operational restructuring of the company was declared successfully completed by the restructuring and turnaround consultant. At the end of the completed financial year, the follow-up financing of the company was secured by signing a syndicated loan agreement.

With the first disbursement under the new syndicated loan agreement in January 2022, the financial restructuring of the company was also successfully completed. Under the new syndicated loan agreement, comparable collateral has been agreed as in the note on section (26) Financial debt, and there is also an obligation to comply with financial covenants relating to net gearing, equity and minimum liquidity.

Exposure to liquidity risk

The following table shows the contractual residual terms of the financial liabilities at the balance sheet date, including estimated interest payments. These are non-discounted gross amounts including contractual interest payments, but excluding the effect of offsetting:

in € thousand		Contractual cash flows					
2021	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	5,290	**5,290**	5,290	0	0	0	0
Bank loans	5,000	**6,426**	60	303	726	5,337	0
Leasing liabilities	50,832	**53,758**	1,516	7,579	7,335	15,669	21,659
Accounts payable trade	84,608	**84,608**	84,608	0	0	0	0
Derivative financial liabilities	0	**0**	0	0	0	0	0

in € thousand		Contractual cash flows					
2020	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	30,665	**30,665**	30,665	0	0	0	0
Bank loans	5,417	**5,692**	23	5,669	0	0	0
Leasing liabilities	58,050	**61,043**	1,507	7,490	8,983	17,571	25,492
Accounts payable trade	68,830	**68,830**	68,830	0	0	0	0
Derivative financial liabilities	324	**324**	324	0	0	0	0

Credit risk

Delticom supplies goods to trading companies with different credit ratings. With regard to some customers, there can be temporary concentrations of risk, which can represent a burden on the group's earnings and liquidity position. For this reason, Delticom has concluded credit insurance policies and commission transactions with some customers, which limit the financial impact on the company to such an extent that a threat to its continued existence can be ruled out. The total of credit-insured gross receivables amounts to € 6,837 thousand (previous year: € 2,711 thousand). The deductible for credit-insured receivables is between 10 % and 15 %.

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

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

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

in € thousand	2021	2020
Expenses for the complete derecognition of receivables	-1,051	-1,820
Income from receipts on receivables written off	65	212

Trade receivables and contract assets

Delticom's credit risk is mainly influenced by the individual characteristics of each customer. Orders for which customers do not pay in advance are automatically checked using complex rules and blocked. For blocked orders, the credit risk team performs a manual check.

The Group limits its credit risk on trade receivables by establishing a credit limit policy. A maximum payment period of 30 days is set for private and corporate customers.

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

In € thousand Receivables from deliveries and services	Book value	Not overdue	less than 30 days	30 to 60 days	60 to 90 days	over 90 days	value adjusted
as of 31.12.2021	16,465	10,749	3,144	626	381	5,372	3,809
Value adjustment rate in %		0.2	0.4	1.0	2.0	70.0	
as of 31.12.2020	19,090	13,468	2,657	1,145	685	3,993	2,858
Value adjustment rate in %		0.2	0.4	1.0	2.0	70.0	

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

The allowances for trade receivables developed as follows:

in € thousand	2021	2020
Write-downs – balance on January 1	**2,858**	**3,145**
Additions (expenses for write-downs)	3,290	2,884
Reversals	-80	-381
Use of write-downs	-2,260	-2,790
Write-downs – balance on December 31	**3,808**	**2,858**

Related party disclosures

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

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

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

- Binder GmbH (number of shares 2,133,561, 14.4 % interest)
- Prüfer GmbH (number of shares 4,374,910, 29.5 % interest)

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

Sale of goods:

in € thousand	2021	2020
to associated companies and related parties (category: persons in key positions)	1	4
to associated companies and related parties (category: not consolidated subsidiary companies)	0	0

Purchase of goods and services:

in € thousand	2021	2020
from associated companies and related parties (category: persons in key positions)	0	0
from associated companies and related parties (category: not consolidated subsidiary companies)	0	0

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

Executive bodies

The Company's corporate bodies are the Annual General Meeting, the Supervisory Board and the Management Board. In the financial year 2021, the Executive Board consisted of the following members:

- Alexander Eichler, Ilmenau: Distribution Logistics, IT, Process/Quality Management
- Philip von Grolman, Hemmingen: Purchasing, Pricing

- Thomas Loock, Kleve: Accounting, Controlling, Treasury, Corporate Communication, Human Resources, Legal Affairs
- Torsten Pötzsch, Pfaffing: Sales, Marketing, Shop Management/ Shop IT
- Andreas Prüfer, Hanover: Wholesale/Supplier Management, Corporate Communications, IT Project Management, Real Estate Management
- Harald Blania, Burgthann (limited to March 31, 2021): CPO (Chief Performance Officer)

During fiscal year 2021, the Supervisory Board was composed as follows:

- Alexander Gebler, Chairman of the Supervisory Board: Lawyer, Hanover
- Michael Thöne-Flöge, Deputy Chairman of the Supervisory Board: Entrepreneur, Hanover Mr. Thöne-Flöge is a member of a control body comparable to a supervisory board, namely the administrative board at Opticland GmbH, Nuremberg.

- Karl-Otto Lang, Supervisory Board member: Managing Director, Wiesbaden

The Supervisory Board was granted compensation of €150 thousand (previous year: €80 thousand) for the financial year 2021. This exclusively comprises fixed compensation without performance-related components. In the financial year 2021, the remuneration of Supervisory Board members Michael Thöne-Flöge amounted to €45 thousand (previous year: €20 thousand), Alexander Gebler to €70 thousand (previous year: €42 thousand), and Karl-Otto Lang to €35 thousand (previous year: €8 thousand).

Compensation of the governing bodies

The remuneration of Delticom AG's Managing Board members is based on the remuneration system approved by the Annual General Meeting on April 30, 2012. The new remuneration system approved by the Annual General Meeting on May 11, 2021 was not yet applied in 2021. The compensation of the Executive Board is generally composed of fixed and variable compensation.

The fixed compensation is a non-performance-related basic compensation including fringe benefits.

The variable compensation is structured as a performance bonus and a discretionary bonus. The performance bonus is a variable component with a long-term incentive effect, which is measured on the basis of "Group sales" and "Group EBT".

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

In addition to the fixed salary and the performance bonus, members of the Board of Management may receive a discretionary bonus as a further component of variable compensation in cash or in the form of option rights to no-par value shares in the Company on the basis of the stock option plan applicable at the time.

The total compensation of the Board of Management for the financial year 2021 amounts to €2,062 thousand. This also includes the remuneration of Andreas Prüfer and Harald Blania (until March 31, 2021) totaling € 630 thousand, which they received for their board activities as part of their consulting agreements for Delticom AG. The total remuneration of the Managing Board includes basic remuneration including fringe benefits totaling € 1,641 thousand, performance bonuses totaling € 191 thousand and discretionary bonuses totaling € 230 thousand. The compensation of the Board of Management is as follows:

Board member	Fixed remuneration			Variable remuneration			Total remuneration
	Basic remuneration	Fringe benefits	Total fixed remuneration	Performance bonus	Discretionary bonus		
In Tsd. €					cash	Granting of stock	
Philip von Grolman	243	0	243	87	0	0	330
Torsten Pötzsch	248	17	265	0	150	0	415
Thomas Loock	286	17	303	93	80	0	476
Alexander Eichler	191	9	200	11	0	0	211
Andreas Prüfer	499	0	499	0	0	0	499
Harald Blania	131	0	131	0	0	0	131
	1,598	**43**	**1,641**	**191**	**230**	**0**	**2,062**

The basic compensation, the fringe benefits (with the exception of employer contributions to pension insurance) and the discretionary cash bonus are short-term benefits. In the case of Thomas Loock and Torsten Pötzsch, the fringe benefits include employer contributions to pension insurance (post-employment benefits) of € 8 thousand each. Benefits due in the long term thus amounted to € 191 thousand.

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

	1st tranche 1/5/2017	2nd tranche 1/10/2018	3rd tranche 12/28/2018	Total stock 31.12.2021
Philip von Grolman	8,000	8,000	8,000	24,000
Andreas Prüfer	8,000	8,000	8,000	24,000

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

	Fair value 1st tranche 1/5/2017	Fair value 2nd tranche 1/10/2018	Fair value 3rd tranche 12/28/2018
Philip von Grolman	30,000	23,040	15,280
Andreas Prüfer	30,000	23,040	15,280

The fair values per share at the respective grant dates were €3.75 (Jan. 5, 2017), €2.88 (Jan. 5, 2018) and €1.91 (Dec. 28, 2018). No stock options were issued to members of the Management Board in 2021.

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

Dividend

On May 11th, 2021, the Annual General Meeting decided not to distribute a dividend for the 2020 financial year and to carry forward the 2020 accumulated loss of € 29,953 thousand to new account.

Proposal for the appropriation of profits

The Executive Board proposes not to pay a dividend for the fiscal year 2021.

Exempting Consolidated Financial Statements

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

Shareholdings

Consolidated subsidiaries:

Name, registered office	Fixed capital interest % 2021	2020
Direct		
All you need GmbH, Berlin	100	100
DeltiCar SAS, Paris (France)	100	100
Delticom North America Inc., Benicia (USA)	75	75
Delticom O.E. S.R.L., Timisoara (Romania)	100	100
Delticom Russland OOO, Moskau (Russia)	100	100
DeltiLog Ltd., Witney (Great Britain)	100	100
DeltiLog GmbH, Hanover	100	100
DS Road GmbH, Pratteln (Switzerland)	100	100
Giga GmbH, Hamburg	100	100
Gourmondo Food GmbH i.L., Hannover	100	88
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover	100	100
Tirendo GmbH, Berlin (formerly Tirendo Holding GmbH)	100	100
Toroleo Tyres GmbH, Gadebusch	100	100
Toroleo Tyres TT GmbH & Co. KG, Gadebusch	100	100
TyresNet GmbH, Munich	100	100
Indirect		
Delticom TOV, Lwiw (Ukraine) (via Delticom O.E. SRL)	99	99
Ringway GmbH, Hanover (via DeltiLog GmbH)	100	100
Gigatires LLC, Benicia (USA) (via Delticom North America Inc.)	100	100
Tireseasy LLC, Benicia (USA) (via Delticom North America Inc.)	100	100

Delticom sold its shares in Extor GmbH by way of a share purchase and assignment agreement dated June 30, 2021. This resulted in a gain on deconsolidation of €5 thousand.

In 2021, Tirendo Deutschland GmbH was merged with Tirendo GmbH (formerly Tirendo Holding GmbH). Delticom AG held a 100 % indirect interest in Tirendo Deutschland GmbH.

Supplementary report

By way of an agreement dated January 14, 2022, Delticom AG sold its shares in Delticom North America Inc. Accordingly, the assets and liabilities were recognized in accordance with IFRS 5. Explanations of the assets and liabilities held for sale can be found in sections "(20) Assets held for sale" and "(32) Liabilities held for sale" of the notes to the consolidated financial statements.For its 75 % interest in Delticom North America Inc. the company will receive an amount of between USD 7 million and USD 8 million. In addition, a gain on disposal of around EUR 2.5 million is expected.

Delticom holds an indirect interest in Delticom TOV, Lviv (Ukraine) via Delticom OE S.R.L. and a direct interest in Delticom Russland OOO, Moscow. The companies do not have any significant assets or have already been impaired. Delticom AG decided to close Delticom TOV and discontinue the operations of Delticom Russland OOO already during 2021. Accordingly, the Ukraine conflict has no material impact on Delticom AG's development.

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

Auditor's fees

In 2021, the following fees were recorded for the auditor PricewaterhouseCoopers GmbH, Hanover:

in € thousand	2021
Audits of the financial statements	428
Other confirmation and valuation services	33
Tax consultancy services	0
Other services	0
Total	**461**

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

The fees reported under other assurance services relate to services in connection with regulatory requirements of the German Packaging Ordinance and the first-time remuneration report.

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

The declaration required by Section 161 of the German Stock Corporation Act (AktG) was submitted by the Management Board and Supervisory Board on 23 March 2022 and made available to shareholders on our website www.delti.com.

Notes to the cash flow statement

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

in € thousand	31.12.2020	Cash changes	Non-cash changes		31.12.2021
			Reclassifications Maturities	Acquisitions/ disposals recognized directly in equity	
Loans	0	5,000	0	0	5,000
Short term bank loans	36,082	-30,792	0	0	5,290
Leasing liabilities	58,020	-9,053	0	1,865	50,832
Total	**94,102**	**-34,845**	**0**	**1,865**	**61,122**

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

Responsibility Statement

To the best of our knowledge, we declare that, according to the principles of proper interim consolidated reporting applied, the interim consolidated financial statements provide a true and fair view of the company‘s net assets, financial position and results of operations, that the interim consolidated management report presents the company‘s business including the results and the company‘s position such as to provide a true and fair view and that the major opportunities and risks of the company‘s anticipated growth for the remaining financial year are described.

Hanover, 23 March 2022

(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.

To Delticom AG, Hanover

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

Audit Opinions

We have audited the consolidated financial statements of Delticom AG, Hanover, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to December 31, 2021 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Delticom AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. (paragraph) 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the

Group Management Report" section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the following matters were most significant in our audit:

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

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

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

Hereinafter we present the key audit matters:

Accounting for revenues
Matter and issue

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

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

Audit approach and findings

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

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

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

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

Reference to further information

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

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

Matter and issue

In the Company's consolidated financial statements, the balance sheet items "Intangible assets", "Rights of use" and "Property, plant and equipment" include a total of € 88.2 million (40.9 % of the balance sheet total or 232.0 % of equity). The goodwill reported under intangible assets amounts to € 35.3 million.

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

Goodwill is tested for impairment at Group level and thus at the level of a group of cash-generating units. The impairment test of other intangible assets with determinable useful lives, rights of use and property, plant and equipment is performed at the level of the cash-generating units to which the respective asset is allocated. The basis for this test is the present value of the future cash flows of the respective cash-generating unit or group of cash-generating units to which the respective assets are allocated. This present value is compared with the carrying amount of the respective cash-generating unit or group of cash-generating units as the recoverable amount in the impairment test. In the impairment test of goodwill, the carrying amount includes the goodwill. In the first step, the present value is generally determined on the basis of the fair value less costs to sell.

The present value is determined using discounted cash flow models, whereby the Group's five-year operating plan prepared by the legal representatives and acknowledged by the Supervisory Board represents the starting point and is extrapolated using assumptions about, for example, long-term growth rates in order to depict a sustainable situation (so-called "perpetual annuity"). This also takes into account assumptions about the expected impact of the ongoing Corona crisis on the Group's business activities. Discounting is carried out using the weighted capital costs of the respective cash-generating unit or group of cash-generating units.

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

Audit approach and findings

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

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

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

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

Reference to further information

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

Other information

The legal representatives are responsible for the other information.

The other information comprises

- the corporate governance statement pursuant to § 289f HGB and § 315d HGB obtained by us before the date of this auditor's report
- the compensation report in accordance with § 162 AktG obtained by us before the date of this auditor's report, for which the Supervisory Board is also responsible
- all other parts of the annual report expected to be made available to us after the date of the auditor's report - without further cross-references to external information - with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and evaluate the risks of material misstatement - whether intentional or not - of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the override of internal control.

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

king statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Audit opinion

Pursuant to § 317 Abs. 3b HGB, we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the attached file Delticom_AG_KA+KLB_ESEF-2021-12-31.zip and prepared for disclosure purposes comply in all material respects with the requirements of § 328 Abs. 1 HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of § 328 Abs. 1 HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file in accordance with § 317 Abs. 3a HGB and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to § 317 Abs. 3a HGB (IDW EPS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1).

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the award of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

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

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

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- Evaluate the technical validity of the ESEF documentation, that is, whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification for that file.

- We assess whether the ESEF documents provide a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.
- We assess whether the inline XBRL (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as in force on the reporting date, allows for an adequate and complete machine-readable XBRL copy of the XHTML rendition.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on May 11, 2021. We were assigned by the Supervisory Board on June 24, 2021. We have been the auditors of the consolidated financial statements of Delticom AG, Hanover, without interruption since fiscal year 2019.

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

NOTE ON OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited Group management report and do not replace them. In particular, the "Report on the audit of the electronic reproductions of the consolidated financial statements and the Group management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the audit is Martin Schröder.

Hanover, 23 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Schröder	ppa. Martin Sochor
German Public Auditor	German Public Auditor

Compensation report of Delticom AG

1. General information

This compensation report pursuant to § 162 of the German Stock Corporation Act (AktG) presents and explains the compensation of the current and former members of the Management and Supervisory Board of Delticom AG in fiscal year 2021 in accordance with the requirements of the AktG. In order to facilitate the classification of the information and to promote understanding, the general features of the compensation systems for the Management Board and the Supervisory Board applicable in fiscal year 2021 are also presented. The preparation of the compensation report in accordance with § 162 AktG is the responsibility of the Management Board and the Supervisory Board.

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

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

2.1. Overview

A new compensation system was adopted by the Annual General Meeting in fiscal year 2021. This is explained in more detail in section 2.2. The compensation taken into account in 2021 was paid in accordance with the 2012 compensation system described below.

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

- Fixed compensation
- Variable compensation

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

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

- performance bonus and
- a discretionary bonus.

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

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

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

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

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

Individual members of the Management Board work exclusively for Delticom AG as part of consulting agreements and are not included in the above-mentioned compensation model. The reasons for this are to be found in Delticom AG's restructuring process. Details on this are presented in section 4.2. on the compensation of the Management Board.

Option rights

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

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

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

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

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

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

	1st tranche 05.01.2017	2nd tranche 05.01.2018	3rd tranche 28.12.2018	Option rights granted	Expired	Stock of option rights 31.12.2021
Susann Dörsel-Müller	8,000	8,000	8,000	24,000	-16,500	7,500
Philip von Grolman	8,000	8,000	8,000	24,000	0	24,000
Andreas Prüfer	8,000	8,000	8,000	24,000	0	24,000
Thierry Delesalle	8,000	8,000	0	16,000	-14,500	1,500

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

In 2021, no stock options were issued to members of the Management Board. No stock options have yet been exercised by the entire Management Board. Due to the withdrawal of Susann Dörsel-Müller in 2020, a total of 16,500 of her stock options expired in 2020 (10,000) and 2021 (6,500) in accordance with the stock option plan. Due to the withdrawal of Thierry Delesalle in 2019, a total of 14,500 of his stock options expired in 2019 (11,000) and 2021 (3,500) in accordance with the stock option plan.

Current stock option plan

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

2.2. Changes of the compensation system

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

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

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

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

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

Each Management Board member receives **basic compensation** in the form of a fixed salary for the performance of his or her Management Board mandate. This is paid in twelve monthly installments. It may vary for individual Management Board members, taking into account in particular the role on the Management Board, experience, area of responsibility and market conditions. Members of the Mangement Board receive **fringe benefits** in line with standard market practice. Such fringe benefits include, for example, allowances for insurance, reimbursement of tax consultancy costs, and housing and relocation expenses on initial appointment or change of principal place of work, including any taxes incurred in connection therewith. The Supervisory Board determines the maximum monetary value of fringe benefits as a percentage of basic compensation for each member of the Management Board before the start of a fiscal year.

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

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

- Net income at 65 % and
- individual targets at 35 %

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

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

150 % target achievement. The calculated bonus is paid out in cash no later than one month after publication of the consolidated financial statements.

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

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

The total compensation to be granted for a fiscal year, i.e. the total of all compensation contributions made by the company for the fiscal year in question, including fixed salary, variable compensation and fringe benefits, is limited in the sense of a maximum compensation. This amounts to € 500,000 for each member of the Management Board. The reference point is the expenses of the company for a fiscal year, irrespective of when the actual payment of the respective amounts is made.

In the 2021 fiscal year, following the reorganization of the compensation system and the resolution of the Annual General Meeting on May 11, 2021, Management Board contracts for Management Board members Torsten Pötzsch, Philip von Grolman and Andreas Prüfer were revised or extended with effect from January 1, 2022, so that the new compensation system did not yet take effect in 2021.

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

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

In accordance with the compensation system adopted at the Annual General Meeting on April 30, 2012, the members of the Supervisory Board receive purely fixed compensation. Accordingly, the members of the Supervisory Board receive fixed annual compensation of € 10,000. The compensation of the Chairman of the Supervisory Board amounts to € 50,000 and that of the Vice Chairman to € 20,000.

A new compensation system was also adopted for the Supervisory Board at the Annual General Meeting on May 11, 2021. The members of the Supervisory Board will thereafter continue to receive purely fixed compensation. The members of the Supervisory Board will thereafter receive fixed annual compensation of € 35,000. The compensation of the Chairman of the Supervisory Board will be € 70,000 and that of the Vice Chairman € 45,000. This compensation already applied to the Supervisory Board for the full fiscal year 2021.

Payments were made in fiscal year 2021 partly for 2020 (under the old compensation system) and partly for 2021 (under the new compensation system) due to the transition of the compensation system.

4. Compensation of the Management Board in 2021

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

The compensation granted to the members of Delticom AG's Management Board in fiscal year 2021 is presented below. For this purpose, "granted" compensation is deemed to be compensation that actually accrued to the members of the Management Board in fiscal year 2021. The payments made to the members of Delticom AG's Management Board in 2021 were still made in full in accordance with the compensation system in place since 2012.

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

Management Board member	Fixed compensation			Variable compensation				Total compensation	Ratio of fixed to variable compensation
					Discretionary bonus				
	Basic compensation	Fringe benefits	Total fixed compensation	Performance bonus	Cash	Granting of stock options	Total variable compensation		
Philip von Grolman	243,000.00	0.00	243,000.00	46,719.87	0.00	0.00	46,719.87	289,719.87	84/16
Andreas Prüfer	453,769.30	0.00	453,769.30	106,751.00	0.00	0.00	106,751.00	560,520.30	81/19
Torsten Pötzsch	247,923.60	17,137.94	265,061.54	0.00	0.00	0.00	0.00	265,061.54	100/0
Thomas Loock	286,023.60	17,558.28	303,581.88	29,907.00	80,000.00	0.00	109,907.00	413,488.88	73/27
Alexander Eichler	190,833.31	9,134.00	199,967.31	2,662.00	0.00	0.00	2,622.00	202,589.31	99/01
Harald Blania	184,111.34	0.00	184,111.34	0.00	0.00	0.00	0.00	184,111.34	100/0
	1,605,661.15	43,830.22	1,649,491.37	185,999.87	80,000.00	0.00	265,999.87	1,915,491.24	86/14

4.1. Fixed compensation

Fixed compensation relates to both payments and expenses in fiscal year 2021. Ancillary expenses include rent and social security costs paid in 2021.

Andreas Prüfer has served as a member of the Management Board of Delticom AG in 2021 as part of a consulting agreement concluded with the Supervisory Board. This was concluded after the existing service agreement expired on December 31, 2020. The reason for this is that, as part of the restructuring, an agreement was reached with the banks to the effect that Mr. Prüfer should continue to perform his Management Board activities, but as a consultant. For the period of his board activities in 2021 he received a fee of € 499,246.15, of which he was paid € 453,769.30 in 2021.

Harald Blania is a member of the Managing Board of Delticom AG within the scope of a consulting agreement. In accordance with the contractual agreements, this activity is being performed on an interim basis until the restructuring of Delticom AG has been completed. Mr. Blania was appointed to the Management Board of Delticom AG until March 31, 2021. He received a fee of € 184,111.34 for the period of his board activities in 2021, of which € 137,361.34 was paid for his board activities in 2021 and € 46,750 for his board activities in December 2020.

4.2. Variable compensation

The variable compensation is divided into a performance bonus and a discretionary bonus, which can be granted in cash or on the basis of stock options. The variable compensation relates to payments in 2021 based on developments in fiscal years 2018, 2019 and 2020.

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

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

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

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

$$\text{Amount in euros} \times \frac{\text{Group EBT according to IAS 1.83}}{\text{€ 2,5 million}}$$

This results in the following initial values to be multiplied by the individual amounts in euros for the two components and the respective fiscal year:

	2020	2019	2018
Group revenues in € thousand	541,261	625,754	645,724
Group EBT in € thousand	2,590	-41,054	426
Initial values			
Group revenues	10,83	12,52	12,91
Group EBT	1,04	-16.42	0,17

To align the compensation structure with long-term corporate development, payment is spread over time and the deferred compensation components are also subject to adjustment by means of a bonus/malus system geared to sustainability:

- 1/3 of the performance bonus is paid on the day after the Annual General Meeting of the fiscal year following fiscal year X, i.e. fiscal year X+1, without any adjustment of the amount.
- 1/3 of the performance bonus will be paid on the day after the Annual General Meeting of the fiscal year after next after fiscal year X, i.e. fiscal year X+2. This component is paid out after adjustment according to the following criteria based on the development of Group revenues and Group EBT:
  - The parts of components 1 and 2 attributable to this third are each multiplied by a factor of between 0.75 and 1.25. The factor for component 1 is 0.75.
  - The factor relating to component 1 is 0.75 if Group revenues in fiscal year X+1 are 87.5 % or less of consolidated sales in fiscal year X. The factor relating to component 2 is 0.75 if Group revenues in fiscal year X+1 are 87.5 % or less.
  - The factor relating to component 1 is between 0.75 and 1.25 if Group revenues in fiscal year X+1 are more than 87.5 % but less than 112.5 % of Group revenues in fiscal year X. The bonus or malus is equal to twice the percentage by which Group revenues in fiscal year X+1 exceeds or falls short of Group revenues in fiscal year X.
  - The factor for component 1 is 1.25 if the Group revenues in fiscal year X+1 is more than 112.5 % of the Group revenues in fiscal year X. The factor for component 2 is 1.25 if the Group revenues in fiscal year X+1 is more than 112.5 % of the Group revenues in fiscal year X.
  - The factor for component 2 is 0.75 if Group EBT in fiscal year X+1 is 75 % or less of Group EBT in fiscal year X.
  - The factor for component 2 is between 0.75 and 1.25 if the Group EBT in fiscal year X +1 is more than 75 % but less than 125 % of the Group EBT in fiscal year X. The bonus or malus is equal to the simple bonus or malus. The bonus or malus corresponds to the simple percentage by which the Group EBT in fiscal year X+1 is above or below the Group EBT in fiscal year X.
  - The factor relating to component 2 is 1.25 if the Group EBT in financial year X+1 is more than 125 % of the Group EBT in fiscal year X. The bonus or malus is equal to the simple percentage by which the Group EBT in fiscal year X is above or below the Group EBT in fiscal year X.
- The last third of the performance bonus will be paid on the day after the Annual General Meeting in fiscal year X+3. The calculation of the bonus or malus is based on the above principles, but with regard to component 1, the double percentage by which Group revenues in fiscal year X+2 exceed or fall short of Group revenues in fiscal year X and with regard to component 2, the single percentage by which Group EBT in fiscal year X+2 exceeds or falls short of Group EBT in fiscal year X shall be used as a basis.

For the individual Management Board members, this results in the following starting amounts per component for the various years (in €):

Management Board member	Component	Individual amount in euros	Product for payment in 2021 based on revenues, EBT 2020 = initial amount 2020	Product for payment in 2021 based on revenues, EBT change 2020 = initial amount 2019	Product for payment in 2021 based on revenues, EBT change 2020 = initial amount 2018
Philip von Grolman	Revenues	4,500.00	48,713.00	56,318.00	58,115.00
	Group EBT	4,500.00	4,662.00	0.00	767.00
Thomas Loock	Revenues	5,000.00	44,605.00	16,719.00	-
	Group EBT	6,000.00	32,242.00	0.00	-
Alexander Eichler	Revenues	625.00	4,335.00	-	-
	Group EBT	625.00	3,532.00	-	-
Andreas Prüfer	Revenues	9,000.00	97,427.00	0.00	0.00
	Group EBT	9,000.00	9,324.00	0.00	0.00

The payment of the performance bonus for 2020 to Andreas Prüfer was already made in full in 2021 as part of a settlement of the amount of € 106,751 resulting for him for 2020. The performance bonuses for the multi-year compensation components 2018 and 2019 were already paid to him in 2020. Following completion of the restructuring, Mr. Prüfer will receive an Management Board compensation contract from 2022 in line with the new compensation system adopted in 2021.

This results in the following base amounts for the various years, taking into account the one-third amount from the respective component (in €):

Management Board Member	Component	Individual amount in euros	Product for payment in 2021 based on revenues, EBT 2020 = initial amount 2020	Product for payment in 2021 based on revenues, EBT change 2020 = initial amount 2019	Product for payment in 2021 based on revenues, EBT change 2020 = initial amount 2018
Philip von Grolman	Revenues	4,500.00	16,237.83	18,772.67	19,371.67
	Group EBT	4,500.00	1,554.00	0.00	255.67
Thomas Loock	Revenues	5,000.00	14,868.27	5,573.00	-
	Group EBT	6,000.00	10,747.20	0.00	-
Alexander Eichler	Revenues	625.00	1,444.83	-	-
	Group EBT	625.00	1,777.17	-	-

Mr. Pötzsch was appointed to the Management Board of Delticom AG as of January 1, 2021. No variable compensation was paid out for him in 2020. Mr. Eichler became a member of the Management Board of Delticom AG as of June 1, 2020, so that his share of variable compensation for 2020, which was paid out in 2021, only relates to seven months.

In determining the amount to be paid out for the performance bonus of the respective Management Board member for fiscal year 2021, Group revenues and Group EBT for fiscal years 2018, 2019 and

2020 are ultimately to be used, taking into account the bonus/malus provision. These developed as follows:

in € thousand	2020	2019	2018
Group revenues	541,261	625,754	645,724
Group EBT	2,590	-41,054	426
Development of revenues in 2020		86,5 %	83,8 %
Factor revenues	1/3	1/3, thereof 0,75	1/3, thereof 0,75
Development of Group EBT in 2020		-	608 %
Factor Group EBT	1/3	0	1/3, thereof 1,25

This results in compensation per Management Board member with regard to the performance bonus as follows:

Management Board member in €	Performance bonus	Payment in 2021 based on revenues, EBT 2020 = first third from 2020	Payment in 2021 based on revenues, EBT change 2020 = second third 2019	Payment in 2021 based on revenues, EBT change 2020 = third third 2018	Payment in 2021 + 1st third from 2020 entitlement + 2nd third from 2019 entitlement + 3rd third from 2018 entitlement
Philip von Grolman	Revenues	16,237.83	14,079.48	14,528.81	46,719.87
	Group EBT	1,554.00	0.00	319.75	
Thomas Loock	Revenues	14,868.27	4,291.53	0.00	29,907.00
	Group EBT	10,747.20	0.00	0.00	
Alexander Eichler	Revenues	1,444.83	0.00	0.00	2,622.00
	Group EBT	1,177.17	0.00	0.00	
Andreas Prüfer*	Revenues	97,427.00	0.00	0.00	106,751.00
	Group EBT	9,324.00	0.00	0.00	
					185,999.87

*full settlement of the performance bonus for 2020

Thomas Loock received two **discretionary bonuses in cash** totaling € 80,000 in fiscal year 2021. Mr. Loock received € 50,000 for services in connection with the refinancing of Delticom AG. By achieving operational and process targets in connection with internal and external financial reporting and communication, Mr. Loock received a further discretionary bonus of € 30,000.

Discretionary bonuses in the form of **option rights** were not issued in fiscal year 2021.

No variable compensation was reclaimed from the members of the Management Board by Delticom AG.

To limit the effects of extraordinary positive developments, a **cap** on variable compensation applies. For no fiscal year may the sum of the performance bonus and discretionary bonus (together variable compensation) exceed a certain predefined limit (€ 500,000). If this were mathematically the case, the performance bonus would be reduced pro rata up to this limit.

Due to the multi-year compensation components, the exact amount of the performance bonus will only be determined in the future or will also depend on future performance indicators or on discretionary bonuses that may still be determined by the Supervisory Board for 2021. Therefore, no statement can be made at present on compliance with the maximum compensation for 2021 within the meaning of § 162 (1) Sentence 2 No. 7 AktG, but only in future periods.

The maximum compensation under the new compensation system adopted in 2021 totaling € 500,000 (total compensation for all compensation components expended by the Company in a fiscal year) will not yet apply in 2021, as the contracts are still subject to the 2012 compensation system.

4.3. Comparative presentation

The compensation of the members of the Management Board of Delticom AG has developed as follows over the past years in relation to the performance criteria presented for the performance bonus or to the employees of the Delticom Group (in %):

Annual change	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Management Board member					
Philip von Grolman	-2.7	-2.6	-1.9	0.3	-0.6
Andreas Prüfer	-19.6	16.3	-2.3	0.3	9.1
Thomas Loock	26.7	219.6	100.0	-	-
Alexander Eichler	39.0	100.0	-	-	-
Torsten Pötzsch	100.0	-	-	-	-
Harald Blania	44.9	100.0	-	-	-
Member of the Supervisory Board					
Alexander Gebler	100.0	0.0	-	-	-
Michael Thöne-Flöge	225.0	0.0	0.0	0.0	33.3
Karl-Otto Lang	100.0	0.0	-	-	-
Development of the company					
Net income of Delticom AG	-20.2	106.4	-1,356.8	-164.7	-45.1
Revenues	8.2	-13.5	-3.1	-3.3	10.1
Group EBT	91.0	106.3	-9,737.1	-74.3	-74.9
Average salary of employees on a full-time basis					
Employees	2.1	3.3	-1.0	3.5	-0.9

Thomas Loock was appointed to Delticom AG's Management Board in 2019. Harald Blania and Alexander Eichler were appointed to Delticom's Management Board in 2020, Torsten Pötzsch in 2021. Alexander Gebler and Karl-Otto Lang were elected to the Supervisory Board of Delticom AG in 2020.

All employees of Delticom AG, converted to full-time equivalents, are included as employees.

No compensation was promised or granted by a third party to any Management Board member with regard to his Management Board activities.

In 2021, there are no commitments to members of the Management Board in the event that they cease to be members of the Management Board, neither for former members nor for active members of the Management Board of Delticom AG.

5. Compensation of the Supervisory Board in 2021

A new compensation system for the Supervisory Board was resolved at the Annual General Meeting on May 11, 2021, under which members will continue to receive purely fixed compensation. Due to the transition of the compensation system, payments were made in fiscal year 2021 partly for 2020 (under the previous compensation system) and partly for 2021 (under the new compensation system).

In fiscal year 2021, the following amounts were granted to the members of the Supervisory Board:

- Alexander Gebler (Chairman) – € 41,667 for 2020
- Michael Thöne-Flöge (Vice Chairman) – € 65,000, thereof € 45,000 for 2021 and € 20,000 for 2020
- Karl-Otto Lang – € 4,166.67 for 2020

Delticom AG formed provisions of € 70,000 and € 35,000 for the Supervisory Board compensation of Mr. Gebler and Mr. Lang in the 2021 financial statements.

6. Resolution by the Annual General Meeting

The Annual General Meeting 2022 of Delticom AG will adopt on the approval of this compensation report, which has been prepared and audited in accordance with § 162.

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Group revenues (€ million)	585.37	541.26	625.75	645.72	667.70	606.60	559.79	501.70	505.54	456.38	480.01
Group EBITDA (€ million)	17.09	15.04	-6.64	9.00	9.30	15.10	14.28	15.29	22.18	35.31	55.05
EPS (€/share)	0.49	0.55	-3.27	-0.13	0.09	0.36	0.28	0.24	0.97	1.87	3.04
Number of shares outstanding (million)	14.83	12.46	12.46	12.46	12.46	12.46	11.95	11.95	11.86	11.85	11.85
Dividend per share (€/share)**	0.00	0.00	0.00	0.00	0.10	0.50	0.50	0.25	0.50	1.90	2.95
Number of employees	174	196	261	235	185	156	129	247	179	144	116
Number of partner garages (thousand)*	34.00	38.00	39.00	40.00	43.00	43.90	41.90	39.30	36.00	33.30	29.70
Number of shops*	359	410	519	469	453	387	245	163	137	128	126
Number of customers (customer base, thousand)*	17,432	15,945	14,940	13,601	12,230	10,879	9,583	8,319	7,314	6,160	5,310

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

10.05.2022	3-monthly notification
10.05.2022	Annual General Meeting
11.08.2022	6-monthly report
10.11.2022	9-monthly notification
28.–30.11.2022	German Equity Forum Frankfurt

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