Annual Report 2022

DELTICOM

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 over 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 351 online shops and online distribution platforms in 72 countries, serving more than 18 million customers.

As part of the service, the ordered products can be sent to one of Delticom's around 30,000 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 2022, Delticom AG generated revenues of around € 509 million. At the end of the last fiscal year, 178 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

		01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021	-/+ (%, %p)
Revenues	€ million	509.3	585.4	-13.0
Total income	€ million	542.9	614.0	-11.6
Gross margin[1]	%	21.6	21.9	-0.2
Gross profit[2]	€ million	143.7	156.6	-8.2
EBITDA	€ million	15.0	17.1	-12.2
EBITDA margin	%	2.9	2.9	+0.0
EBIT	€ million	4.2	7.1	-40.2
Net income	€ million	2.8	6.8	-58.7
Earnings per share	€	0.19	0.49	-58.7
Total assets	€ million	195.2	217.5	-10.2
Inventories	€ million	43.3	46.6	-7.0
Investments[3]	€ million	2.6	1.2	+124.6
Equity	€ million	39.7	38.0	+4.4
Equity ratio	%	20.3	17.5	+2.9
Return on equity	%	7.1	17.9	-10.8
Liquidity position[4]	€ million	3.0	4.9	-38.7

(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 2022

Revenues

> € 509 million

2021: € 585,4 million

EBITDA totalled

€ 15.0 million

2021: € 17,1 million

EBIT amounted to

€ 4.2 million

2021: € 7,1 million

Increase of EBIT totalled

0.8 %

2021: 1,2 %

Consolidated net income amounted to

€ 2.8 million

€ 0,19 earnings per share

Increase of equity ratio to

20.3 %

2021: 17,5 %

Content

Letter to Our Shareholders

Dear shareholders,

At the beginning of the past fiscal year, we were able to complete the refocusing on our core business "Tyres Europe" by selling the shares in our US subsidiary. After we were already able to complete the operational turnaround in late summer 2021 through decisive and swift action, a syndicated loan agreement concluded with three financing partners and with a term of two years secured the company's financing at the end of 2021. The first payment under this agreement in January of the past fiscal year also marked the end of the financial restructuring. The contract was successfully extended in March of this year until December 20, 2024. In this connection, the financing framework was reduced by € 20 million from € 60 million to € 40 million.

The past fiscal year presented Europe with numerous challenges. Widespread uncertainty about future geopolitical developments, uncertainty about the level of future energy costs, and concerns about the overall economic trend did nothing to lift the spirits of private consumers in terms of consumption. The result was a reluctance to spend on all those products whose purchase was not perceived as absolutely necessary. In Europe, these products also include new replacement tyres.

The German tyre trade, for example, was confronted with a downward trend in sales. In the winter tyre business, sales to consumers slumped by more than 12 % year-on-year. The virtually unchanged demand for all-weather tyres was unable to compensate for the 5.7 % decrease in sales in the summer tire business, but merely mitigated it. In addition, sales of replacement passenger car tyres to domestic consumers in the fiscal year just ended, at more than 7 million tyres, were around 16 % down on the pre-Corona year 2019.

In the European replacement tyre market, too, 2 % fewer tyres were sold by the industry to retailers in the largest consumer tyre sub-segment in terms of volume – this includes passenger car, SUV and light truck tyres – in the full year 2022 than in the corresponding period of the previous year. Over the course of the year, the mood became increasingly gloomy. While sales volumes to retailers in the first half of the year were more than 7 % higher than in the previous year and expectations were correspondingly positive, the final quarter saw double-digit sales declines across all product segments. For the year as a whole, sales of all-season tyres increased by 6 %. At the same time, however, sales of winter and summer tyres fell by 6 % each.

Delticom AG was unable to escape this downward market trend. Nevertheless, despite the difficult market environment, the company succeeded in achieving the full-year revenues and operating EBITDA targets set at the beginning of the year. This development once again shows that Delticom is highly capable of adapting flexibly to rapidly changing market conditions. At € 509.3 million, revenues in the past fiscal year were in the upper third of the forecast corridor of between € 480 million and € 520 million. Stronger demand in business with commercial customers partially compensated for the weaker performance of business with end customers. Inflation-related price increases also had an impact.

Income from the U.S. sale amounting to € 3.8 million enabled us to compensate for costs in connection with the syndicated financing and expenses of a one-off character that were not directly related to operating activities. At € 15.0 million, our operating EBITDA was at the upper end of the forecast range of between € 12 and 15 million.

Of course, we are not independent of market events. But we have a high degree of resilience: The transnational orientation of our business can at least partially offset developments in individual markets. Our broad customer and product portfolio is a key success factor. We have taken advantage of growth and earnings opportunities as they arise and at the same time further improved our processes.

Revenues in the past fiscal year amounted to € 509.3 million, a decrease of 13.0 % from the previous year, when we achieved revenues of € 585.4 million. In 2021, our US business had still contributed more than € 78 million to Group revenues. As already mentioned at the beginning of this letter, we successfully sold our shares in the U.S. business as part of the refocusing on our European core business at the beginning of the reporting year. In our core "Tyres Europe" business, sales were 0.4 % higher than in the previous year, taking into account inflationary price developments over the course of the year.

The developments on the raw material markets did not remain without consequences for purchasing prices. At 21.6 %, the gross margin for the past fiscal year was slightly lower than in the previous year, when the margin was 21.9 %. This slight decline resulted mainly from a change in the sales mix. The share of revenues accounted for by the B2B business increased year-on-year due to weaker demand in the business with private end consumers. However, somewhat lower margins in B2B were offset by correspondingly lower costs.

EBITDA decreased in the past fiscal year from € 17.1 million in 2021 to € 15.0 million. This corresponds to a reduction of 12.2 %. Expenses relating to other periods amounting to € 2.5 million had a negative impact on earnings in 2022. In addition, the development of the exchange rate last year had a negative effect on earnings in the amount of € 2.6 million. While the exchange rate result in 2021 was still € +0.7 million, it amounted to € -1.9 million in the past fiscal year.

Net income amounted to € 2.8 million or € 0.19 per share (2021: € € 6.8 million or € 0.49 per share).

The Management Board will not propose a dividend payment for the past fiscal year. This resolution is accompanied by the clear objective of further strengthening Delticom AG's liquidity and earnings power, as well as its equity, with the aim of allowing shareholders to participate in the company's success again in the future.

Against the backdrop of the positive earnings performance, we were able to further strengthen the Delticom Group's equity. Mainly due to the US sale and the positive development in working capital, total assets decreased by more than € 22 million year-on-year to € 195.2 million. The equity ratio consequently increased from 17.5 % to 20.3 %.

Apart from the aforementioned syndicated loan agreement, the company has no non-current financial liabilities to banks. The year-on-year increase in non-current liabilities resulted from the leasing of a further warehouse location at the end of the year and the associated recognition of rental payment obligations and corresponding rights of use. Current financial liabilities to banks amounted to € 12.7 million at the end of the year, compared with € 5.3 million in the previous year. The expansion of credit lines was accompanied by a significant reduction in trade accounts payable. Cash and cash equivalents amounted to € 3.0 million at the balance sheet date, a decrease of € 1.9 million year-on-year. The development of liquidity during the year is subject to considerable fluctuations due to seasonality and payment terms in the tyre trade and is comparatively low at the end of the year. Liquidity is closely controlled by means of stringent working capital management in order to be able to seize market opportunities in the best possible way.

We will continue to respond flexibly to prevailing market conditions in the current fiscal year. It remains to be seen to what extent the ECB's key interest rate policy will be able to curb inflation in the currency area. Further increases in the cost burden on private households and corresponding effects on consumer spending cannot be ruled out at the present time. Whether and to what extent European demand for replacement tyres can benefit from a catch-up effect this year will depend to a large extent on the overall economic conditions. For the current fiscal year, we are planning a sales corridor of between € 500 million and € 534 million. This forecast is based on a ceteris paribus scenario: We do not anticipate any further deterioration in the general economic and sector-specific conditions, nor conversely do we expect external factors to have a positive impact on our business. Depending on our revenues planning, we are aiming for operating EBITDA in a range between € 14 million and € 18.9 million. In the current fiscal year, we also intend to pass on any increases in cost prices to our customers. Furthermore, we are continuing to work on exploiting optimization potential in our cost structure. In addition, we will allocate programming capacities to the further automation of downstream processes and the harmonization of the existing system landscape.

We would like to thank all our employees, who once again supported us with great commitment and motivation, our long-standing business partners for their loyalty and, last but not least, you, our shareholders, who once again accompanied us on our path to a profitable future with your trust.




from left: Alexander Eichler, Andreas Prüfer, Johannes Schmidt-Schultes, Philip von Grolman

Hanover, 29th March 2023

Alexander Eichler Andreas Prüfer Johannes Schmidt-Schultes Philip von Grolman

Report of the Supervisory Board

Dear Shareholders,

In fiscal year 2022, the Supervisory Board closely supported Delticom's Managing Board in an environment that continued to be challenging, and made the related decisions. Fiscal year 2022 was characterized by major geopolitical risks and drastically rising prices, which led to strained consumer sentiment and lower purchasing power. In this environment, Delticom continued to focus on its core business and profitability and, in particular, sold its 75 % share in Delticom North America Inc. and fully acquired its shares in Extor GmbH. The Supervisory Board was able to make full use of the company's internal control system and the reports of the respective functionaries for its analyses.

We regularly and extensively reviewed Delticom's financial position, net assets and results of operations, particularly in view of the geopolitical and economic challenges. We obtained reports from the Managing Board on all key factors influencing the business and on significant business transactions. The Managing Board provided us with monthly written reports with the scope and content we requested. In the course of the fiscal year, the information requirements for the reports of the individual Executive Board members concerning their respective areas of responsibility were revised at the meetings of the Supervisory Board. Even beyond the Supervisory Board meetings, 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 telephone calls and personal meetings.

Urgent decisions were made in writing, by telephone or e-mail. 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, with one member participating by telephone in two cases. All members of the Audit Committee attended all meetings of the Audit Committee.

Mr. Alexander Gebler has resigned from his position as Chairman and member of the Supervisory Board with effect from the end of January 6, 2023 for personal reasons. We would like to thank Mr. Gebler for his outstanding commitment to Delticom over the past years. At the same time, we are very pleased that with Dr. Andrea Hartmann-Piraudeau, who was initially appointed by the Hanover Local Court until the end of the 2023 Annual General Meeting, we have been able to recruit an entrepreneur to the Supervisory Board, who will bring strengths in particular in the areas of organization and strategy development as well as communication, while at the same time making the Supervisory Board younger and more diverse.

Following the departure of Mr. Gebler, the position of Chairman of the Supervisory Board has been taken over by Mr. Karl-Otto Lang. Mr. Michael Thöne-Flöge is Deputy Chairman. The Supervisory Board has established an Audit Committee within the meaning of Art. 107 par. 4 sentence 2 AktG. The members of the Supervisory Board and Audit Committee in the reporting period were, as a whole, familiar with the sector in which the Company operates. The Chairman of the Audit Committee is Mr. Michael Thöne-Flöge, an expert in the field of auditing. Mr. Karl-Otto Lang is an expert in the field of accounting and also a member of the Audit Committee.

Meetings of the Supervisory Board and the Audit Committee and resolutions adopted outside meetings

In order to do justice to the scope of the issues at hand, the Supervisory Board held seven face-to-face meetings in 2022, three of which were held in the first half of the year and four in the second half. One meeting was held in the form of a conference call. No meetings were held in the form of video conferences.

At the meeting on Jan. 17, 2022, the Supervisory Board dealt among other things with the assessment of target achievement and variable compensation at Executive Board level.

On Jan. 18, 2022, the Supervisory Board held a conference call in which Dr. Blania and Mr. Loock reported on the status of the disbursement requirements under the syndicated loan agreement and Mr. Loock informed the Supervisory Board about the status of projects in the areas of ESG, compliance and risk management.

At the financial statements meeting on March 23, 2022, the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, reported to the Supervisory Board on the main results of their audit of the annual financial statements as of December 31, 2021, and were available to answer questions from the Supervisory Board. At this meeting, the Supervisory Board approved the annual financial statements and the consolidated financial statements. The auditors had previously audited the financial statements. There were no doubts about the independence of the auditors. In addition, the Supervisory Board dealt among other things with the compensation report, the report of the Supervisory Board, the dependent company report, the corporate governance statement and the declaration of conformity with the German Corporate Governance Code and, where necessary, adopted resolutions on these matters.

At this meeting, the Supervisory Board also set specific targets for its composition and drew up a competency profile for the entire body. In addition, the Supervisory Board dealt, among other things, with the internal control and risk management systems and the aspects of environmental, social and governance (ESG) in the Delticom Group, the new Management Board remuneration system 2022, and the agenda and proposed resolutions for the 2022 Annual General Meeting. Furthermore, the members of the Management Board reported to the Supervisory Board from their respective areas of responsibility, and the Supervisory Board resolved to grant a discretionary bonus to Management Board member Alexander Eichler and to approve the resignation of Management Board member Thomas Loock and the conclusion of a corresponding termination agreement relating to his service on the Management Board.

At the meeting held after the Annual General Meeting on May 10, 2022, the Supervisory Board adopted a resolution on the amendment of the information regulations of the Supervisory Board and the allocation of responsibilities among the Executive Board members. In addition, the individual Executive Board members reported on the course of business in their respective areas.

A meeting was held on June 27, 2022, with Supervisory Board member Karl-Otto Lang participating by telephone. At this meeting, the Supervisory Board resolved to appoint Dr. Johannes Schmidt-Schultes as a member of the Management Board in the function of CFO and to conclude a management service agreement with him.

At the meeting held on July 11, 2022, in which Supervisory Board member Karl-Otto Lang was connected by telephone, the Supervisory Board resolved to appoint Management Board member Dr. Andreas Prüfer as CEO and to expand his area of responsibility to include IT.

At a further meeting on September 12, 2022, the Management Board reported in particular on the current market situation, the status of the investment in Extor GmbH, key earnings figures, and the schedule for 2023.

The main topics discussed at the Supervisory Board meeting on November 22, 2022 were the determination of the focus and scope of the audit by the auditor, reports from the CFO's department and on the status of the Roverlog project, resolutions on the information regulations of the Supervisory Board and on the allocation of responsibilities within the Executive Board, and information from the Executive Board, in particular on IT projects and investment planning.

In addition, three resolutions were adopted by telephone or e-mail. These related to:

- the issuance of stock options to Executive Board members, partly as a long-term variable compensation component under the Executive Board service contracts and partly as a discretionary bonus (Jan. 06, 2022),
- the approval of the resignation of Executive Board member Torsten Pötzsch and the approval of the conclusion of a termination agreement concerning his Executive Board service contract (Sept. 26, 2022), and
- the granting of a discretionary bonus to Executive Board member Alexander Eichler (November 22, 2022).

The Audit Committee held a 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 final financial statement documents and audit reports, and preparations for the upcoming financial statements meeting on March 23, 2022. The auditor reported in detail to the Audit Committee on the accounting process, the effectiveness of the internal control and risk management system, the internal audit system, and the audit of the financial statements. The Audit Committee dealt in detail with the issues and suggestions presented by PWC and received the appropriate answers to all its numerous queries. The Audit Committee also dealt with the independence of the auditor and the quality of the audit. A meeting of the Audit Committee was also held on June 15, 2022. The main topics discussed were the reports by the responsible managers for the internal control system (ICS), risk management system (RMS) and compliance management system (CMS) in the company.

Corporate governance, conflicts of interest

On March 23, 2022, 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/cor- porate-governance/). The declaration of conformity is updated annually after the Supervisory Board's balance sheet meeting, otherwise as required.

In 2022, the Supervisory Board again reviewed whether (potential) conflicts of interest had arisen among the members of the Supervisory Board. 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 legal provisions, a conflict of interest exists if there is reason to fear that a member of a governing body will not base his or her decision solely on the interests of the company, but will also take into account his or her own interests or those of third parties when making decisions. There were no such conflicts of interest in the past fiscal year.

Audit of annual and consolidated financial statements

At the balance sheet meeting on March 29, 2023, in the presence of the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, the Supervisory Board dealt intensively with the annual financial statements and audit reports for fiscal year 2022 and the compensation report in accordance with section 162 of the German Stock Corporation Act (AktG), in particular the annual financial statements in accordance with German commercial law and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in each case as of December 31, 2022, as well as the management report on the Company and the Group and the dependent company report for fiscal year 2022.

Representatives of the auditors reported on the main findings of the audits and were available to the Supervisory Board to provide additional information. The auditor's reports, the annual financial statements and consolidated 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 2022, were submitted to us in good time so that we had sufficient opportunity to examine them. The auditor had previously audited the financial statements. There are no doubts as to the independence of the auditor.

In the opinion of the auditor, the annual financial statements and the consolidated financial statements for fiscal year 2022 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 2022 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 2022 in accordance with Section 162 (3) of the German Stock Corporation Act (AktG) with regard to the existence of the required disclosures and also with regard to its content. The auditor's report on the compensation report reads as follows: *"In our opinion, the accompanying compensation report complies, in all material respects, with the disclosures pursuant to § 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 Board of Management had taken the measures required under Section 91 (2) of the German Stock Corporation Act (AktG) to identify at an early stage any risks that might 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 2022. The Supervisory Board approved the annual financial statements and the consolidated financial statements for fiscal year 2022 on March 30, 2023. The annual financial statements of Delticom AG are thus adopted.

Personnel changes in the Supervisory Board and Management Board

For information on changes to the Supervisory Board, please refer to the comments above. In addition to these, the following should be reported on the changes in the Managing Board:

After successfully completing the refinancing of Delticom and establishing a good basis for the future, Thomas Loock had decided to take on new professional challenges and resigned from his position as a member of the Managing Board and CFO effective May 10, 2022. Following a temporary takeover of the finance department by Dr. Andreas Prüfer, Dr. Johannes Schmidt-Schultes was appointed as a member of the Management Board and CFO for a period of one year from September 01, 2022.

In July 2022, the Supervisory Board extended the area of responsibility of Dr. Andreas Prüfer. Dr. Prüfer was appointed CEO and additionally assigned responsibility for IT.

With effect from September 30, 2022, Mr. Torsten Pötzsch left the Management Board of Delticom AG at his own request. Mr. Pötzsch initiated important changes in the areas of marketing and sales. Since Mr. Pötzsch's departure, these departments have been taken over by Dr. Andreas Prüfer, who had already been responsible for them in the past.

Dr. Schmidt-Schultes had in the meantime informed the Supervisory Board that he would not be available for a further term of office, whereupon it was agreed with Dr. Schmidt-Schultes that he would step down on March 31, 2023. Following his departure, Dr. Schmidt-Schultes' areas of responsibility will be assumed in part by Dr. Andreas Prüfer and in part by Mr. Philip von Grolman. In this context, the Supervisory Board dealt intensively with succession planning for the finance department, in particular also the responsibilities at the management level below the Executive Board and the organization of work in this area.

The members of the Supervisory Board undertook the training and development measures required for their duties on their own responsibility. They received appropriate support from the Company, in particular through the provision of access to a didactically prepared multimedia portal for training and continuing education measures for Supervisory Board members. The Company also provided Dr. Hartmann-Piraudeau with appropriate support for her induction into office and bore the costs of a training course in which she participated.

The Supervisory Board would like to thank the Management Board and all employees for their outstanding work in the past year. Thanks to them, our company was steered safely through a not always easy course.

Hanover, 30.03.2023

Karl-Otto Lang

(Chairman of the Supervisory Board)

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2022 at € 2.36.

Development of the stock markets

2022 stock market

In the first quarter of 2022, the effects of the COVID 19 pandemic and the Russia-Ukraine conflict weighed on the German stock market. Above all, rising commodity prices, continuing supply bottlenecks and interest rate concerns put enormous pressure on the DAX. This was mainly due to the interest rate hikes by the European Central Bank (ECB) to a key interest rate of now 2.5 %.

This development was also fueled by the decision of the U.S. Federal Reserve. Due to high inflation, it raised the key interest rate in the USA to a high of 4.5 %. After starting the new year at 16,021 points, the DAX initially reached a new all-time high at 16,272 on 04.01.2022. However, the outbreak of the Russia-Ukraine war on 24.02.2022 abruptly ended the general upward trend. In conjunction with the massive interest rate hikes by the FED and the ECB in response to rising inflation in the USA and Europe, this also led to a slide in the DAX over the course of the year, which reached its low for the year at 11,976 points on 28.09.2022. After a moderate recovery in the fourth quarter, it ended trading at 13,924 points. For the year as a whole, it was thus down 2,097 points or 13.1 %. The other German indices also ended the year clearly negative with -29.22 % (MDAX), -28.79 % (SDAX) and -25.61 % (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 2022 over the course of the year.

DEX performance

After beginning the year at € 6.62, DEX reached an annual low on 23.11.2022 and 28.11.2022 at € 1.78. The shares' annual high was recorded on 05.01.2022 at € 6.78. DEX closed the year on € 2.36. In the course of 2022 the market capitalisation of DEX decreased from € 94.9 million to € 35.0 million.

Share performance 2022
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 € 0.19 (2021: € 0.49). Diluted earnings per share are € 0.19 (previous year: € 0.49).

The calculation of the earnings per share was based on net income after taxes totalling € 2,812,736.54 (previous year: € 6,813,037.20) and the weighted average number of shares outstanding during the fiscal year totalling 14,831,361 shares (previous year: 13,778,142 shares).

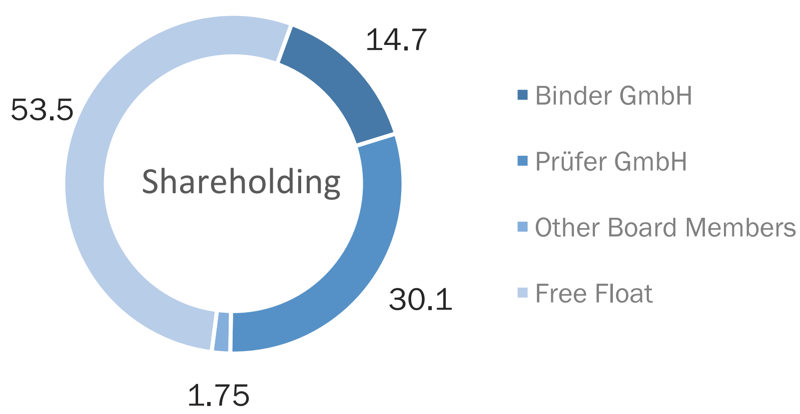
The Management Board will not propose a dividend payment for fiscal year 2022. This resolution is accompanied by the clear objective of further strengthening Delticom AG's liquidity, earnings power and equity.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2022.

Shareholder structure

Shareholding in % of the 14,831,361 shares outstanding, as of 31.12.2022



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 04.03.2023):

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

Investor relations activities

Since the IPO we have attached great importance to the ongoing dialogue with institutional and private investors, as well as analysts and the financial press. The aim of our investor relations activities is to pass on comprehensive 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 2022, the Management Board presented business developments and strategy of the company at the Hamburg Investor's Day. 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 presentations for download.

The investor relations department gladly answers any further questions:

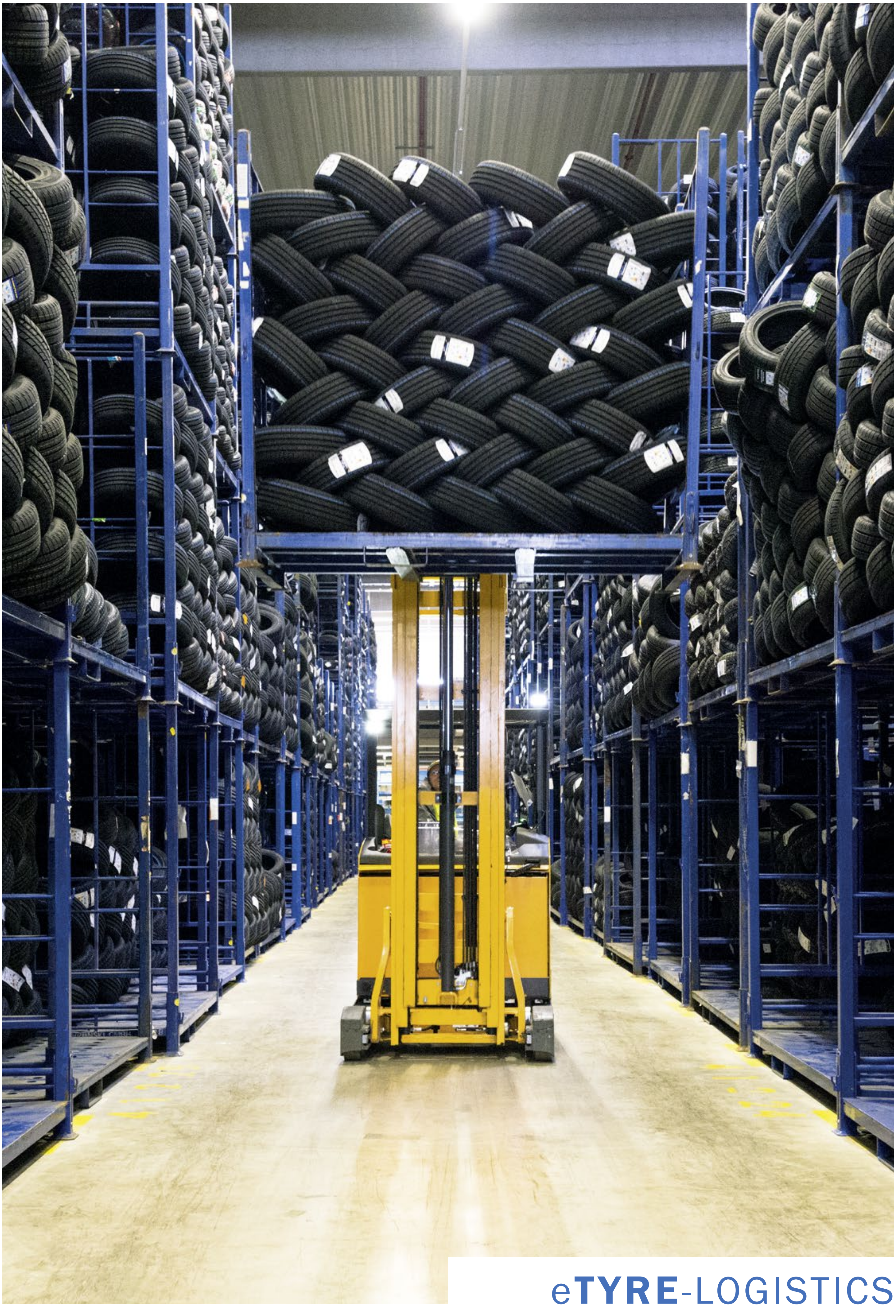
Melanie Becker
Brühlstraße 11
30169 Hanover
Phone: +49 511 93634-8903
E-Mail: melanie.becker@delti.com

Stock key information

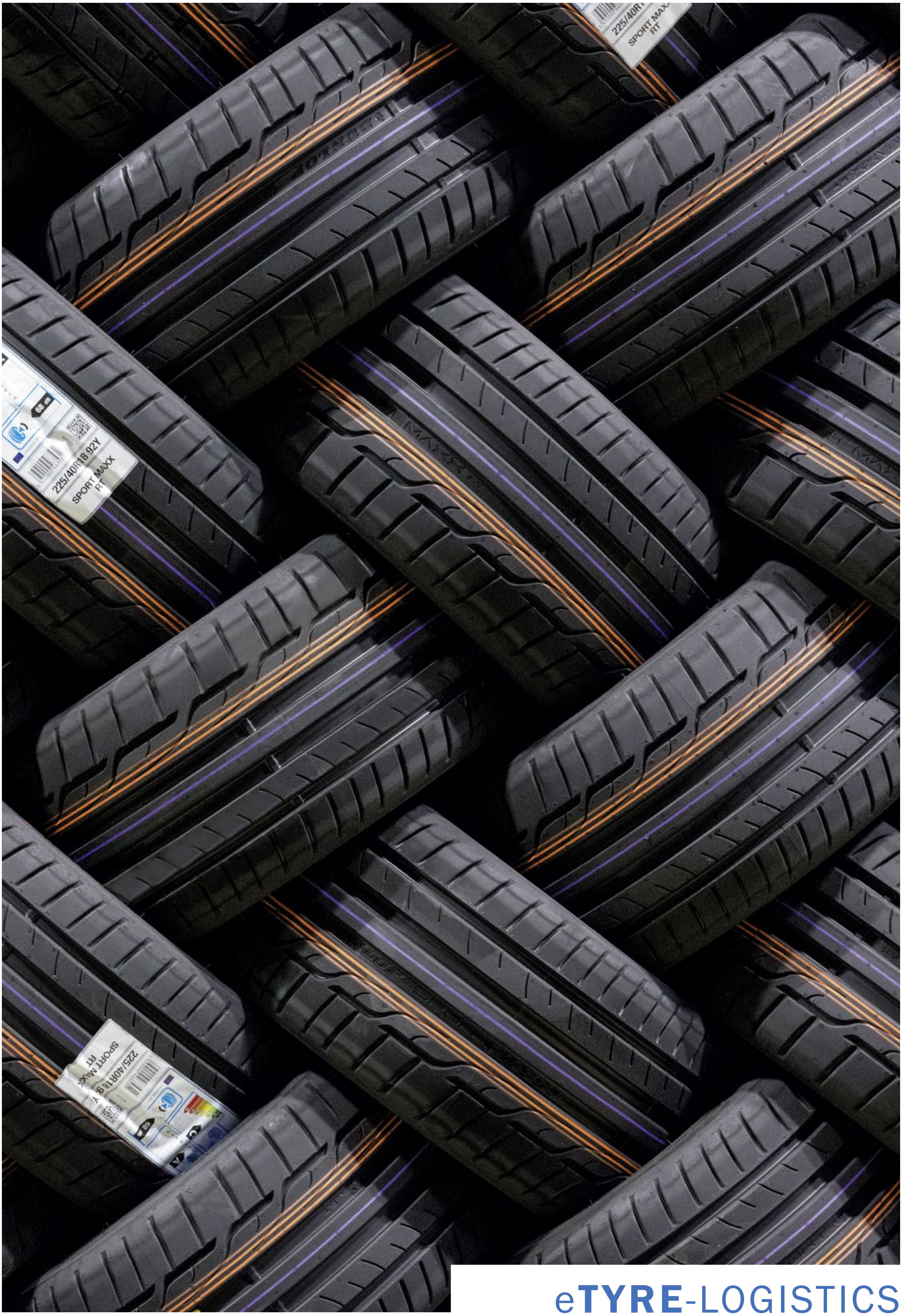
		01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Number of shares	shares	14,831,361	14,831,361
Share price on first trading day[1]	€	6.62	6.24
Share price on last trading day of the period[1]	€	2.36	6.40
Share performance[1]	%	-64.4	+2,6
Share price high/low[1]	€	6,78 / 1,78	10,35 / 6,16
Market capitalisation[2]	€ million	35.0	94.9
Average trading volume per day (XETRA)	shares	17,449	18,772
EPS (undiluted)	€	0.19	0.49
EPS (diluted)	€	0.19	0.49

(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 351 online shops and online distribution platforms in 72 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 183 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 6 foreign subsidiaries are included in the consolidated financial statements as of 31.12.2022 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*.

Under an agreement dated January 14, 2022, Delticom North America Inc. and its subsidiaries Gigatires LLC and Tireseasy LLC were sold. In this connection, non-recurring income of € 3.8 million was realized.

Gourmondo Food GmbH was deleted from the commercial register on April 8, 2022 and deconsolidated.

Delticom AG has reacquired all shares in Extor GmbH. With effect from June 30, 2022, Delticom AG has thus acquired a controlling interest in the company.

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 generally 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 about 250 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 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 72 countries.

Streamlined value chain

We focus on online trading and maintain a tightly-knit network of around 30,000 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 2022.

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 30,000 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, more than 18 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 more than 18 million customers have made purchases in our online shops (previous year: 17.4 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 Europe-wide network of partner garages and hotlines catering for the different languages.

The group offers its product range in 72 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Until the end of 2021, the company was also active in the USA. The shares in the US subsidiary were sold at the beginning of the fiscal year 2022 against the background of refocusing on the core business of "Tyres Europe".

Employees

178 employees

As of 31.12.2022, the Delticom group had a total of 178 employees (including trainees) (31.12.2021: 174). For the year as a whole, the average number of 183 employees worked for the company (previous year: 174). This calculation is based on the number of employees, taking into account the hours worked.

Education and training

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

We offer training to junior staff both in business and IT areas. A total of 2 young people completed their apprenticeships in our company in the 2022 financial year. A total of 2 trainees were employed as of the end of 2022 (previous year: 2).

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, the most important financial performance indicators are revenues and operating earnings before interest, taxes, depreciation and amortization (operating EBITDA) for the group as a whole. Operating EBITDA reflects the result of the Delticom Group's operating activities. As income from project business has stabilized in fiscal year 2022 and projects will continue to be driven by operating business in the future, with the associated earnings contributions to be realized, income from project business is included in the calculation of operating EBITDA. Significant income and expenses of a non-recurring nature that are not directly related to operating activities are eliminated. Expenses in connection with refinancing continue to be classified as non-operating and are also eliminated.

In fiscal year 2022, the Company changed the calculation for operating EBITDA during the year, as income from project business has stabilized over the course of the year and there is also corresponding earnings potential going forward. Based on the definition applicable in 2021 and at the beginning of the past fiscal year, operating EBITDA for fiscal year 2022 would have been calculated as shown below:

	2022	2021
Group EBITDA	€ 15,0 million	€ 17,1 Mio. €
Earnings from project businesses	€ -2,9 million	€ -5,9 million
Earnings from US sales	€ -3,8 million	-
Earnings from the sale of land	-	€ -0,3 million
Costs related to the syndicated loan agreement/restructuring	€ 2,1 million	€ 4,9 million
Operative EBITDA	€ 10,4 million	€ 15,8 million

After applying the adjusted definition for calculating operating EBITDA in the course of 2022, which will also be applied in the future as described above, the following calculation results for operating EBITDA for the full year 2022. For comparability, 2021 is also presented accordingly for information purposes.

	2022	2021
Group EBITDA	€ 15,0 million	€ 17,1 million
Earnings from US sales	€ -3,8 million	-
Costs related to the syndicated loan agreement	€ 2,1 million	€ 0,2 million
Earnings with a one-off character	-	€ -0,3 million
Expenses with a one-off character	€ 1,7 milllion	€ 4,7 million
Operative EBITDA	€ 15,0 million	€ 21,7 million

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 2022 the number of 853 thousand new customers was lower than in 2021 (1,032 thousand). The company has thus not 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 against the backdrop of weaker demand in business with private end customers. In addition, customers who come back contribute to the success of the business. In the past year 420 thousand of those customers (2021: 495 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 18 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 multi-shop approach, we are not only able to fulfil the requirements of different customer groups in the best possible way, but also respond quickly and flexibly to changing market conditions and customer needs.

Sustainable and profitable growth

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

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

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

Focus

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

Online only

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

Optimised sourcing

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

Logistics

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

Liquidity management

The main objective of liquidity management is to ensure that the company is solvent at all times. The seasonality in the tyre trade results in broad fluctuations in our cash position over the course of the year. In order to 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 30,000 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

At the end of fiscal year 2021, the Company's follow-up financing was secured by signing a syndicated loan agreement with a term of 2 years. This was preceded by the successful completion of the operational restructuring in the summer of the corresponding 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 2022

The global economy weakened significantly in the course of the year 2022 in the face of high energy prices and great uncertainty. In addition, monetary policy, which was tightened extremely quickly as a result of the sharp rise in inflation, had a dampening effect on global economic growth. Although global output remained on the whole on an upward trend into the third quarter against a background of easing supply bottlenecks and the continuing normalization of activity in those sectors of the economy particularly affected by the coronal pandemic, the pace of growth in the first three quarters of the year was still very modest. Towards the end of the year, however, global economic momentum again slowed markedly according to experts at the Kiel Institute for the World Economy (IfW Kiel). All in all, the Kiel Institute expects global gross domestic product to increase by 3.2 % in the past year.

Macroeconomic development

Europe

The economy in the euro zone also expanded noticeably initially into the fall, despite the effects of the Ukraine war. Of the major economies, Spain and France as well as Italy were still able to record quarter-on-quarter growth in the third quarter. However, in view of high inflation, rising interest rates and the weaker global economic environment, economic activity in the currency area recently lost momentum. The energy crisis weighed on both household purchasing power and manufacturing industry. For the euro zone, IfW Kiel expects GDP to increase by 3.4 % in 2022.

Germany

After the German economy grew by 0.8 % quarter-on-quarter in the first three months of the past year and also posted slight gains in the second and third quarters, growth stagnated in the final quarter. High energy prices increasingly affected consumers, depressing household purchasing power and dampening private consumption. Despite this, the domestic labor market remained robust. For example, employment was again noticeably up in October. Employment subject to social security contributions also showed strong growth in September.

Overall, the experts at Kiel Institute for the World Economy (IfW) expect German GDP to increase by 1.9 % for the year as a whole.

Sectoral developments

E-Commerce

According to the Global Digital Report 2023, around 65 % of the world's population already uses the Internet, an increase of 1.9 % year-on-year. 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 97 %, in Western Europe at 95 %. While 86 % of Internet users in Northern Europe have already made purchases online, the figure in Western Europe is 84 %. In Central Europe, too, penetration is already comparatively high at 90 % and an e-shopper share of 75 %. Southern and Eastern Europe are currently still lagging behind in terms of Internet penetration and online shopping (e-shoppers): while Southern Europe has 86 % and 65 % (e-shoppers), Eastern Europe currently brings up the rear with 75 % and 46 % (e-shoppers). Experts estimate that European e-commerce generated sales of € 797 billion in 2022. This corresponds to a year-on-year increase of 11 %. Growth was thus lower than in 2021, where the increase compared with the corresponding comparative period was still 13 %.

In view of the energy crisis and high prices, consumer sentiment in this country was tense in the past year. The general uncertainty was reflected in a noticeable reluctance to buy, especially for items that were not immediately necessary. This also had an impact on domestic online retailing. According to the Bundesverband E-Commerce und Versandhandel e. V. (bevh - German E-Commerce and Distance Selling Trade Association), sales of e-commerce goods in 2022 fell by 8.8 % from € 99.1 billion to € 90.4 billion. The sector was therefore unable to match the high level of sales achieved in the previous year.

Replacement tyre business

Consumer reluctance to buy also left its mark on the domestic replacement tyre business. According to the European Tyre and Rubber Manufacturers' Association (ETRMA) and the German Rubber Industry Association (WdK), a total of 6.2 % fewer replacement passenger car tyres were sold to consumers last year. At 41 million units sold, this represents a new low since the outbreak of the Corona pandemic. In the pre-Corona year 2019, demand for replacement passenger car tyres in Germany was 48.5 million units.

Summer tyre sales

Despite plenty of sunshine, temperatures in this country were still relatively cold at the beginning of March and nights were frosty almost nationwide. Towards the end of the month, colder air masses from the north led to a change in the weather, which in some cases even resulted in fresh snow. As a result of the weather, the summer tyre business did not benefit from an early start to the season, in contrast to the previous year. In addition, Easter fell in mid-April, two weeks later than in the previous year. Economic and geopolitical developments, and the resulting reluctance to buy, impacted the rest of the season. In contrast to the previous year, the summer tyre business did not reach its seasonal peak until May. According to the industry associations, demand for summer tyres was down 5.7 % in Germany last year. Sales of all-weather tyres came close to the previous year's level. However, this was not enough to compensate for the decline in sales of summer tyres. The bottom line is that cumulative sales were 2.7 % down on the previous year.

Winter tyre business

October 2022 was the warmest tenth month of the year since German weather records began. From the middle of the month, high temperatures of up to 28.7°C were recorded once again. Mild weather also predominated in November and December. Consequently, the winter tyre business was unable to benefit from the stimulus weather. The subdued propensity to spend and comparatively mild weather conditions resulted in a double-digit drop in winter tyre sales for the German tyre trade. Over the year as a whole, retailers sold 12.2 % fewer winter tyres to consumers.

Sales trend Europe

With regard to the European replacement tyre market, ETRMA speaks of a mixed development for 2022. In the largest sub-segment by volume, consumer tyres (passenger cars, SUVs and light trucks), the industry sold 7.4 % more tyres to retailers in the first six months of last year than in the same period of the previous year. However, the war in Ukraine and the associated increase in energy and cost of living prices had an impact on sales volumes as the year progressed. Over the year as a whole, demand for consumer tyres was 2.0 % down on the previous year. All-season tyre sales were up 6 %, while winter and summer tyre sales each fell by 6 %. The decline was even more pronounced in the final quarter. In Q4 2022 , a total of 13 % fewer passenger car, SUV and light truck tyres were sold compared with the corresponding prior-year period. Demand for summer tyres (-14%), winter tyres (-17%) and all-season tyres (-10%) was down by a significant double-digit percentage year-on-year.

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.

In the past fiscal year, the Delticom Group generated total revenues of € 509.3 million, a decrease of 13.0 % compared to the previous year's figure of € 585.4 million. In fiscal year 2021, the US business, which was successfully sold at the beginning of last year, had contributed around € 78 million to consolidated revenues. Consequently, sales in the European core tyre business were

0.4 % higher than in the previous year. The increase is associated with the inflationary price trend over the course of the year.

Regional split

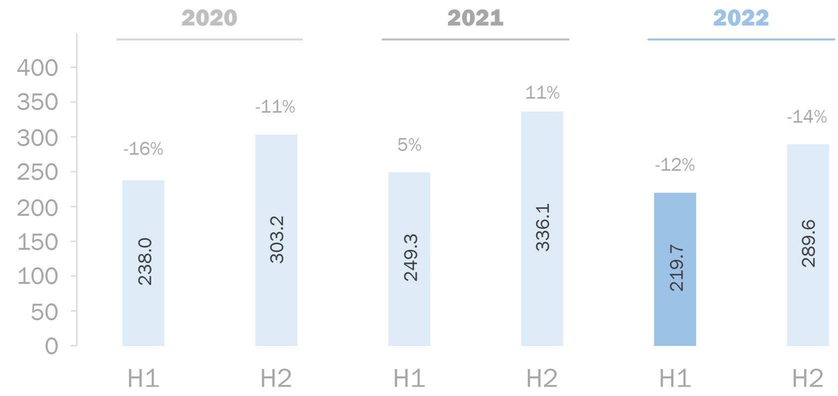
The Group operates in 72 countries worldwide, with a large proportion of sales being generated in the countries of the EU. In total, € 417.5 million (2021: € 412.7 million, +1.2 %) was generated here in the reporting period. Outside the EU, the company operates in other European non-EU countries. The shares in the US subsidiary were successfully sold in January 2022. The sales generated in the USA in 2021 are accordingly included in full in the sales statement for the non-EU countries. Non-EU countries accounted for sales of € 91.8 million in 2022 (2021: € 172.6 million, –46.8 %; excluding USA: -3.1 %).

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, the Delticom group generated total revenues of € 90.5 million (Q1 2021: € 102.2 million, –11.5 %, excluding USA: +4.4 %). Unlike in the previous year, the summer tyre business was unable to benefit from spring-like weather conditions in March. In addition, Easter last year fell in mid-April, two weeks later than the year before. Russia's attack on Ukraine in February last year unsettled consumers in many places. The sanction measures imposed against Russia in the wake of the attack led to significant energy price increases with a corresponding impact on consumer sentiment. Business performance in the second quarter was also impacted by economic and geopolitical developments. Consumer reluctance to spend was reflected in a delayed seasonal progress. It was not until mid-May that the summer tyre business in Germany reached its seasonal peak. At € 129.2 million, sales in Q2 2022 were 12.1 % lower than a year earlier (Q2 2021: € 147.0 million, excluding USA: +1.0 %). On a half-year basis, sales amounted to € 219.7 million, a decrease of 11.9 %

compared to the same period of the previous year (H1 2021: € 249.3 million). In the European core tye business, sales growth of 2.4% was achieved on a half-year basis. The decline in unit sales to private end customers was partially offset by a positive demand in the business with commercial customers.

2nd half year

The Delticom group generated revenues of € 118.6 million in Q3 2022 (Q3 2021: € 127.0 million, –6.6 %, excluding USA: +10.6%). In view of the upcoming winter season, the business had benefited in September from increased winter tyre demand both in business with private end customers and with commercial end customers. This positive trend did not continue in the final quarter. Mild weather conditions and a lack of snowfall gave motorists the opportunity to postpone the purchase of new tyres at the expense of safety. Sales in the final quarter amounted to € 171.0 million. This corresponds to a decrease of 18.2 % compared with the same period of the previous year (Q4 2021: € 209.1 million, excluding USA: -8.0 %). At € 289.6 million, sales in H2 2022 are thus 13.8 % below the previous year (H2 2021: € 336.1 million). Sales in the European core tyre business were 1.2 % lower in the second half of the year compared to the previous year.

Key expense positions

Cost of goods sold

The largest expense item is the cost of materials, which includes the cost prices of goods sold. The decrease in the reporting period by 12.7 % from € 457.4 million to € 399.1 million is exclusively associated with the sale of the US business at the beginning of the year. The cost of materials in the European core tyre business went slightly up year-on-year due to price developments. As a result, the cost of materials ratio (ratio of cost of materials to sales) increased year-on-year from 78.1 % to 78.4 %.

Personnel expenses

On 31.12.2022, the group had a total of 178 employees (including trainees) (31.12.2021: 174). In the reporting period on average 183 staff members were employed at Delticom group (previous year: 174). Personnel expenses amounted to € 14.0 million (2021: € 13.4 million, +4.8 %).

The personnel expenses ratio (staff expenditures as percentage of revenues) amounted to 2.8 % in the past financial year (2021: 2.3 %).

Other operating expenses

Transportation costs

Within other operating expenses, transportation costs are the largest single item. They amounted to € 40.7 million in the reporting period. The significant decrease of 24.2 % compared to the previous year (2021: € 53.6 million) is to a large extent associated with the sale of the US business. Due to the volume development in the European core tyre business and in some cases shorter delivery distances to customers following the commissioning of the new warehouse location in the border triangle of Germany, France, and Switzerland opened at the beginning of the previous fiscal year, transport costs in the European core tyre business also declined over the year as a whole.

Rents and overheads

Expenses for rent and operating costs increased by 20.7 % in the reporting period from € 2.9 million in the previous year to € 3.5 million. This mainly relates to operating costs. The year-on-year increase is partly due to the inflation-related rise in energy supply costs. In addition, a service and maintenance contract was concluded in H2 2021 for a new warehouse technology, which was used for the first time at the Alsace site in the 2022 / 2023 winter season, in order to further automate the process flows.

Direct warehousing costs

Stocking costs increased in the reporting period from € 9.9 million to € 11.6 million (+16.5 %). In the first quarter of the previous year, the new warehouse in Alsace had been gradually ramped up operationally. In line with the capacities available at the respective warehouse locations and taking into account the distribution routes to customers, the warehouse split was managed last year. More volume was handled via the new location in Alsace than in the previous year. On-site activities in this facility are fully outsourced to specialist companies. The corresponding costs for temporary and contract workers are included in warehousing costs. At the Hanover location, a permanent core team in the warehouse is responsible for smooth operations. Wages and salaries are included in personnel expenses. The management team is also in charge for the Alsace location. Accordingly, the two central warehouses have different cost structures. Due to the distribution management last year, the ratio of warehousing costs to sales increased from 1.7 % in the previous year to 2.3 %.

Marketing costs

Marketing expenses in the reporting period amounted to € 13.8 million (2021: € 18.8 million, –26.5 %). The significant year-on-year decrease resulted to a large extent from the sale of the US company. Over the course of the year the company adjusted marketing expenses in its European core tyre business in line with weaker demand in business with private end customers. The marketing expense ratio was 2.7 % of sales (2021: 3.2 %).

Financial and Legal

Finance and legal expense in the reporting period amounted to € 7.2 million, compared with € 10.7 million in the previous year (–32.2 %). The significant decrease was mainly due to the absence of restructuring costs (2021: € 4.5 million). This cost effect is partly offset by the acquisition fees incurred in direct connection with the follow-up financing, which are spread over the term of the syndicated loan agreement on a pro rata basis over the corresponding financial years, as well as legal and consulting fees directly related to the syndicated loan agreement.

Bad debt losses

Bad debt losses in the reporting period amounted to € 3.2 million, down from € 4.3 million in 2021. The decrease by 27.2 % resulted not only from weaker demand in business with private end customers but also from a further streamlining of receivables processes.

Depreciation

Depreciation on property, plant and equipment decreased in the year under review to € 1.6 million (2021: € 1.7 million).

The amortisation of intangible assets amounted to € 0.8 million (2021: € 1.5 million).

At the end of the financial year 2022, a further warehouse location was leased. Accordingly, the increase in depreciation and amortization for rights of use pursuant to IFRS 16 from € 6.8 million in the previous year to € 7.2 million is mainly due to the fact that the corresponding rights of use were recognized on a pro rata basis in the financial year ended.

Depreciation and amortization increased by 7.4 % from € 10.0 million to € 10.8 million in the reporting period. Due to buliding damage to a leased warehouse, this location can no longer be operated by the company. The rights of use from the underlying lease were written down accordingly. This unscheduled write-off amounts to € 1.2 million.

Earnings position

Gross margin

Gross margin (gross margin excluding other operating income) for the past fiscal year was 21.6 % compared with 21.9 % in the corresponding prior-year period. Due to the price development on the raw material markets, purchase prices increased during the year. The company succeeded in passing the price increase on to customers accordingly. The slight year-on-year decline in margins resulted from a change in the sales mix. Due to weaker demand in business with private end customers, the share of sales generated with commercial customers increased year-on-year. Although margins here are lower than in business with private end customers, this share of business also has a lower cost structure. The gross margin achieved in the final quarter of the year was higher than in the previous year at 22.2 % (Q4 2021: 21.6 %).

Other operating income

Other operating income increased to € 33.6 million (2021: € 28.6 million) in the reporting period. The increase by 17.2 % is mainly due to the earnings contribution of € 3.8 million generated in connection with the sale of the US company. In addition, due to damage to building, a smaller warehouse location can no longer be used. The reversal of the liability for the remaining term of the lease also resulted in income from the disposal of assets amounting to € 1.2 million. The rights of use were amortized in the corresponding amount. Marketing subsidies, income from transport losses and other income are regularly generated from operating activities. Other operating income also includes gains from exchange rate differences amounting to € 7.1 million (2021: € 4.7 million). We report currency losses within other operating expenses (2022: € 9.0 million, 2021: € 4.0 million). The balance of currency gains and losses in the reporting period was € –1.9 million (2021: € 0.7 million).

Gross profit

In the reporting period, gross profit decreased by 8.2 % from € 156.6 million to € 143.7 million compared with the corresponding prior-year figure. In relation to total income of € 542.9 million (2021: € 614.0 million), gross profit was 26.5 % (2021: 25.5 %). Gross profit margin in the European core tyre business was virtually unchanged year-on-year (2021 excluding USA: 26.4%).

EBITDA

EBITDA decreased in the reporting period from € 17.1 million to € 15.0 million, a decrease of 12.2 %. The EBITDA margin for the full year is 2.9 % (2021: 2.9 %). Expenses relating to other periods amounting to € 2.5 million depressed EBITDA in the 2022 financial year. Currency developments also had a negative impact on earnings with € 2.6 million (FX result 2022: €-1.9 million, 2021: €+0.7 million). In 2021, extraordinary income from the project transactions and a land sale had overcompensated the extraordinary expenses by € 1.3 million. In 2022, the extraordinary earnings contributions from the US sale were offset by extraordinary expenses of almost the same amount. Operating EBITDA amounts to € 15.0 million (2021: € 21.7 million for information, € 15.7 million reported). Group EBITDA is the starting point for calculating operating EBITDA. Expenses relating to other periods also have a corresponding impact on operating EBITDA, as they are not eliminated.

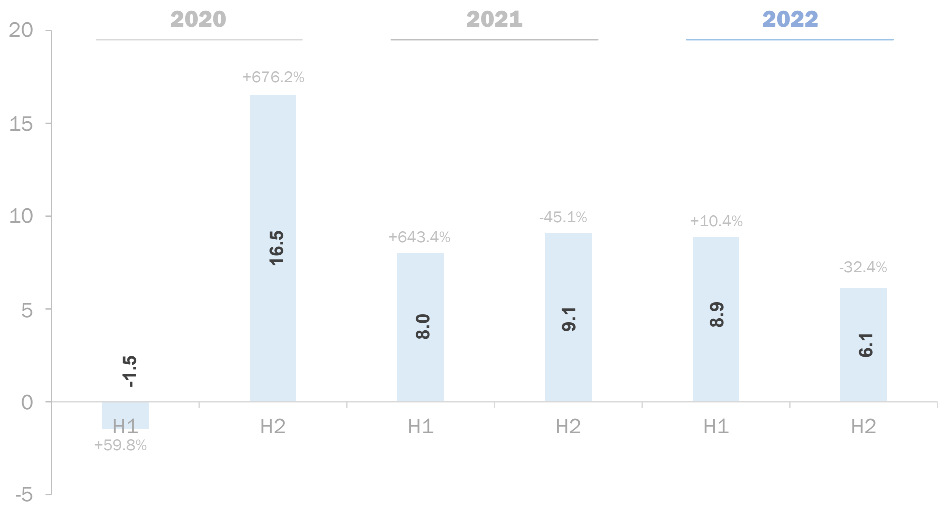
EBITDA generated in H1 2022 was € 8.9 million, significantly higher than in the same period of the previous year (H1 2021: € 8.0 million). The EBITDA margin for H1 2022 totalled 4.0 % (H1 2021: 3.2 %).

Total EBITDA of € 6.1 million was achieved in H2 2022 , after € 9.1 million in H2 2021 (–32.4 %). The currency effect made a major contribution to the earnings performance in the second half of the year. The balance of currency gains and losses amounts to € -1.9 million for the second half of the year, compared with € +0.3 million in H2 2021. Accordingly, the negative impact on earnings amounts to € 2.2 million. In addition, sales in the European core tyre business in H2 –

unlike in the first half of the year – were lower than in the same period of the previous year. Severance payments, costs in connection with the full consolidation of Extor GmbH, and costs in connection with the Finance work program had an additional negative impact on earnings in H2 2022.

EBITDA

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



EBIT

The EBIT achieved in 2022 amounted to € 4.2 million, after € 7.1 million in the previous year. This corresponds to an EBIT margin of 0.8 % (2021: 1.2 %).

Financial income

Financial income of € 863 thousand was generated in the reporting period (2021: € 158 thousand). This income resulted primarily from the exchange of collateral at the beginning of the year. The rental collateral deposited in cash at the beginning of the rental period for the warehouse location in Alsace was replaced by a rental guarantee. Interest expense for the past fiscal year amounts to € 1.9 million (2021: € 2.3 million). The decrease is associated with the reduction in the company's debt, which resulted in a lower utilization of credit lines during the year compared with the previous year. The financial result was € –1.0 million (2021: € –2.1 million).

Income taxes

For the year under review, tax expense amounted to € 0.4 million. This comprises the utilization of previously recognized deferred tax assets and, to a lesser extent, income taxes. In 2021, deferred tax assets were recognized on loss carryforwards not recognized in the corresponding prior year. This had resulted in tax income of € 1.9 million in the previous year.

Net income and dividend

Consolidated earnings are lower year-on-year at € 2.8 million and € 0.19 per share (2021: € 6.8 million and € 0.49 per share). The earnings of Delticom AG that are relevant for the dividend payment amount to € –9.4 million and € –0.63 per share (2021: € 2.5 million and € 0.17 per share). With regard to the development of earnings in the individual company, we refer to the financial statements of Delticom AG on page 58 et seq. of this report.

The Managing Board will not propose a dividend payment for fiscal year 2022. This resolution 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

	2022	%	+%	2021	%	+%	2020	%
Revenues	**509,295**	**100.0**	**-13.0**	**585,374**	**100.0**	**8.2**	**541,261**	**100.0**
Other operating income	33,561	6.6	17.2	28,630	4.9	-13.1	32,956	6.1
Total operating income	**542,856**	**106.6**	**-11.6**	**614,004**	**104.9**	**6.9**	**574,217**	**106.1**
Cost of goods sold	-399,125	-78.4	-12.7	-457,395	-78.1	9.3	-418,329	-77.3
Gross profit	**143,731**	**28.2**	**-8.2**	**156,610**	**26.8**	**0.5**	**155,888**	**28.8**
Personnel expenses	-14,007	-2.8	4.8	-13,363	-2.3	-6.3	-14,266	-2.6
Other operating expenses	-114,721	-22.5	-9.1	-126,154	-21.6	-0.3	-126,584	-23.4
EBITDA	**15,003**	**2.9**	**-12.2**	**17,093**	**2.9**	**13.7**	**15,039**	**2.8**
Depreciation	-10,779	-2.1	7.4	-10,034	-1.7	3.6	-9,682	-1.8
EBIT	**4,224**	**0.8**	**-40.2**	**7,059**	**1.2**	**31.8**	**5,357**	**1.0**
Net financial result	-1,040	-0.2	-50.7	-2,112	-0.4	-23.7	-2,767	-0.5
EBT	**3,183**	**0.6**	**-35.6**	**4,947**	**0.8**	**91.0**	**2,590**	**0.5**
Income taxes	-371	-0.1	-119.9	1,866	0.3	-56.4	4,280	0.8
Consolidated net income	**2,813**	**0.6**	**-58.7**	**6,813**	**1.2**	**-0.8**	**6,870**	**1.3**

Overall statement on the earnings position

The German tyre trade was confronted with a downward trend in sales last year. In the winter tyre business, sales to consumers slumped by more than 12 % year-on-year. Demand for all-weather tyres remained virtually unchanged year-on-year, but was unable to fully compensate for the 6 % decline in sales of summer tyres. With 41 million unit sales of replacement passenger car tyres, sales to domestic consumers last year were 15 % behind the pre-Corona year 2019. The geopolitical and economic developments have led to a high level of uncertainty among consumers and consequently to consumer restraint. Delticom was unable to fully decouple from this development in the past fiscal year. However, thanks to the international orientation of its business, the company is able to at least partially compensate for developments in individual markets. Delticom's broad customer and product portfolio are key success factors. Weak demand in business with private end customers was cushioned last year by stronger dealer business. At € 509.3 million, full-year revenues are in the upper third of the € 480 million to € 520 million range forecasted at the beginning of the year. Despite a difficult market environment, sales in the European core tyre business were in line with the previous year (+0.4 %).

Against the backdrop of price developments on the raw materials markets, purchasing prices for tyres also rose last year. The company succeeded in passing on the higher purchase prices to customers. The slight decline in gross margin from 21.9 % in the previous year to 21.6 % resulted from a change in the sales mix. The earnings contribution of € 3.8 million generated in connection with the sale of the shares in the U.S. company fully offset the extraordinary expenses - such as the costs arising from and in connection with the syndicated loan agreement. EBITDA in the Group amounts to € 15.0 million(2021: € 17.1 million). Expenses relating to other periods in the amount of € 2.5 million burdened earnings in the past fiscal year. The company buys and sells tyres in foreign currencies. The negative currency development - primarily with regard to the US dollar - also led to an adverse effect on earnings of € -2.6 million in a year-on-year comparison. However, due to hedging, the effects offset each other over time. At € 15.0 million (2021: €15.7 million), operating EBITDA is at the upper end of the range of € 12 million to € 15 million forecast during the year. Due to the expenses relating to other periods, which are not eliminated, operating EBITDA is lower by this amount, as is Group EBITDA. Against the background of the burdens on earnings, a difficult market development and the associated challenges, we are satisfied with the development of earnings. The Company has taken advantage of growth and earnings opportunities as they arise and has continued to optimize processes in order to further improve cost structures for the future.

Financial and assets position

The sale of the shares in the US subsidiary at the beginning of the past fiscal year completed the refocusing on the European core tyre business. The Delticom group's financial position and net assets were further strengthened in the past fiscal year by means of stringent working capital management.

Investments

Property, plant and equipment

The investments in property, plant and equipment of € 2.6 million (2021: € 0.8 million) reported for 2022 are mainly replacement and equipment investments in our warehouses as well as plant and office equipment.

Intangible Assets

Delticom also invested € 9 thousand in intangible assets (2021: € 0.4 million).

The total of the investments made in 2022 in the amount of € 2.6 million is thus higher than the previous year's value of € 1.2 million.

Rights of use according to IFRS 16

The rights of use from leases to be recognized in accordance with IFRS 16 amounted to € 49.1 million at the balance sheet date (31.12.2021: € 42.5 million). Scheduled amortization of rights of use amounting to € 7.2 million was recognized in the reporting period. Due to damage to a warehouse building, an impairment loss of € 1.2 million was recognized on this rights of use.

Working Capital

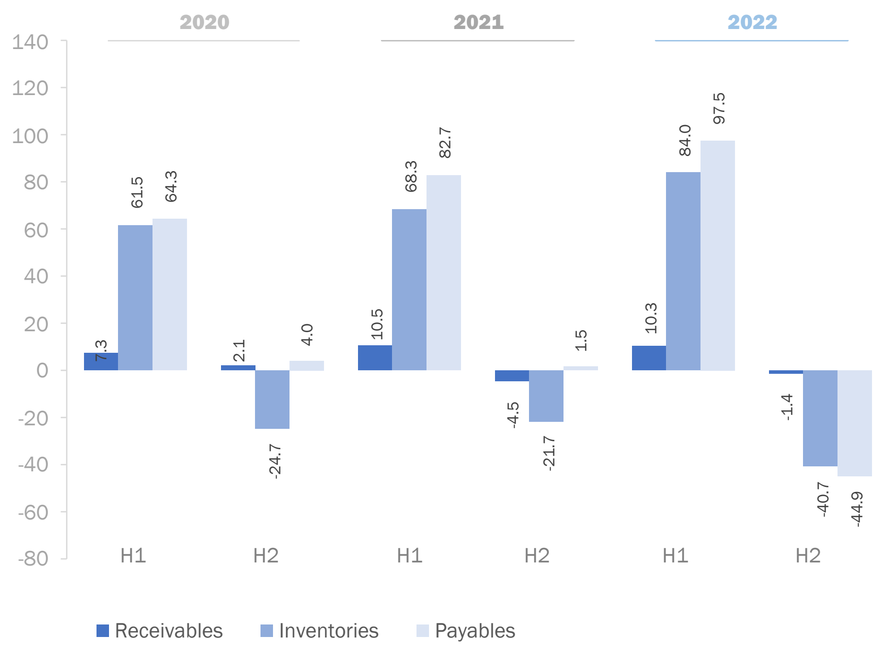
Working Capital

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 € 31.3 million over the course of the year (31.12.2022: € –0.4 million, 31.12.2021: € –31.7 million).

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

Working Capital

in € million



Receivables

In total, working capital commitment in receivables - reduced by prepayments received from customers as well as customer credits - increased from € 6.0 million as of 31.12.2021 to € 8.9 million as of 31.12.2022. Average Days Sales

Outstanding (DSO, average receivables divided by average revenue per day) with 5.3 was slightly higher compared to the previous year (2021: 4.8).

The accounts receivable stood at € 17.2 million on the reporting date (31.12.2021: € 16.5 million). At € 4.7 million, advance payments received from customers were slightly lower in a closing date comparison (31.12.2021: € 5.3 million). The liability position of customer credits on the reporting date stood at € 3.6 million (31.12.2021: € 5.2 million).

Inventories

The largest item in current assets is inventories. While part of the summer stockpiling for 2022 had already been brought forward to the end of 2021, at the end of the last fiscal year the Company acted in line with the year-end inventory targets. At € 43.3 million, inventories are lower by € 3.3 million compared with the reporting date (31.12.2021: € 46.6 million).

As a result of the higher average level of inventories over the year, the average range of coverage (average level of inventories divided by average cost of materials per day) has increased to 41.1 days (2021: 33.3 days).

Payables

Trade payables are traditionally a major source of financing in the tyre trade. For the purposes of the analysis, we reduce these liabilities by the credit balances with suppliers (included in other assets). This balance of trade payables reduced by credit balances with suppliers is significantly lower in a reporting date comparison with € 52.6 million (31.12.2021: € 84.3 million). This significant reduction is associated with the planned reduction in inventories and the corresponding adjustment of inventories to the market situation. In the course of 2022, the situation with regard to sea freight times for goods from Asia increasingly eased again. Stocking of goods produced in Europe was also less advanced at the balance sheet date than in the previous year. The company does not anticipate any significant shortages in the current year.

Cash flow

With regard to the prior-year figures in the cash flow statement presented below, we refer to the explanations in the notes to the consolidated financial statements in the section "Changes in comparative information".

Operating cash flow

Cash flow from operating activities for the reporting period was negative at € –5.5 million. The year-on-year reduction (2021: € +16.9 million) is mainly due to working capital. The Company uses the indirect cash flow method for the calculation.

Investing activities

Cash outflows for investments in property, plant and equipment amounted to € 2.6 million (2021: € 0.8 million) in the past fiscal year. In addition, Delticom invested € 9 thousand in intangible assets in the reporting period (2021: € 0.4 million). Excluding the cash balance of the US company as of 31.12.2021 in the amount of € 1.1 million, the sale of the US shares resulted in a cash inflow of € 5.7 million. As a result, cash flow from investing activities amounted to € 3.1 million (previous year: € –0.4 million).

Financing activities

In the reporting period, the Delticom Group recorded a cash flow from financing activities of € –0.6 million (2021: € -16.2 million). The raising of a medium-term loan in the amount of € 1 million and the year-on-year expansion of credit line utilization were offset by the repayment of finance and leasing liabilities in the amount of € 9.1 million.

Liquidity according cash flow

The starting point is the liquidity at the reporting date 31.12.2021 of € 6.0 million. Cash and cash equivalents at the beginning of the period include € 1.1 million in cash and cash equivalents that were included in assets held for sale in the prior-year balance sheet. The net outflow in the reporting period amounted to € 3.0 million. Liquidity at the balance sheet date amounted accordingly to € 3.0 million. At the reporting date, the Group had net liquidity (liquidity less current financial debt) of € –19.6 million. The starting point is net liquidity less current financial debt at the beginning of the year of € –9.0 million plus the change in cash and cash equivalents by € –3.0 million and less the reduction in current financial debt in the reporting date comparison by € 8.7 million. With regard to the reasons for this development, we refer to the comments in the section *Balance sheet structure - Current financial resources*.

Free cash flow

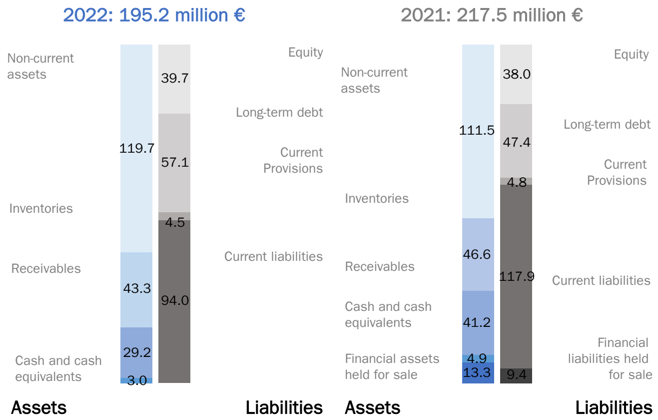
Free cash flow (operating cash flow less cash flow from investing activities) decreased year-on-year from € 16.5 million to € –2.4 million. This development is mainly due to the significant reduction in trade accounts payable and the corresponding development in working capital.

Balance sheet structure

As of 31.12.2022 the balance sheet total amounted to € 195.2 million (31.12.2021: € 217.5 million, –10.2 %). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abridged Balance Sheet

in thousand €

	31.12.2022	%	+%	31.12.2021	%	30.06.2021	%
Assets							
Non-current assets	119,659	61.3	7.3	111,488	51.3	118,001	49.4
Fixed assets	95,070	48.7	7.7	88,242	40.6	92,984	38.9
Other non-current assets	24,589	12.6	5.8	23,246	10.7	25,018	10.5
Current assets	75,529	38.7	-18.5	92,661	42.6	120,954	50.6
Inventories	43,340	22.2	-7.0	46,593	21.4	68,326	28.6
Receivables	29,205	15.0	-29.1	41,200	18.9	47,788	20.0
Liquidity	2,984	1.5	-38.7	4,868	2.2	4,840	2.0
Financial assets held for sale	0	0.0	-100.0	13,310	6.2	0	0.0
Assets	**195,188**	**100.0**	**-10.2**	**217,459**	**100.0**	**238,956**	**100.0**
Equity and Liabilities							
Long-term funds	96,744	49.6	13.4	85,345	39.2	77,566	32.5
Equity	39,670	20.3	4.4	37,982	17.5	32,183	13.5
Long-term debt	57,074	29.2	20.5	47,363	21.8	45,383	19.0
Provisions	115	0.1	0.0	115	0.1	115	0.0
Liabilities	50,959	26.1	20.6	42,248	19.4	45,268	18.9
OtherNonCurrentLiabilities	6,000	3.1	20.0	5,000	2.3	0	0.0
Short-term debt	98,444	50.4	-19.8	122,739	56.4	161,390	67.5
Provisions	4,467	2.3	-7.2	4,813	2.2	4,834	2.0
Liabilities	93,977	48.1	-20.3	117,925	54.2	156,555	65.5
Financial liabilities held for sale	0	0.0	-100.0	9,375	4.4	0	0.0
Equity and Liabilities	**195,188**	**100.0**	**-10.2**	**217,459**	**100.0**	**238,956**	**100.0**

Non-current assets

On the assets side, non-current assets increased from € 111.5 million to € 119.7 million. The increase in intangible assets and rights of use from € 80.5 million to € 86.3 million resulted mainly from the lease of a further warehouse location and the capitalization of the corresponding rights of use. The increase in property, plant and equipment from € 7.8 million by € 1.0 million to € 8.7 million is largely due to the removal of a technical asset from the lease and its capitalization at residual value. In addition, technical equipment and machinery were capitalized as part of the full consolidation of Extor GmbH.

Other non-current assets increased by € 1.4 million to € 24.6 million (31.12.2021: € 23.2 million). Deferred tax assets from loss carryforwards decreased by € 0.9 million year-on-year to € 11.0 million. Non-current receivables in connection with project developments and subletting amounted to € 13.6 million (31.12.2021: € 11.6 million).

Inventories

The largest item in current assets is inventories. They decreased by € 3.3 million in the reporting period and amounted to € 43.3 million (previous year: € 46.6 million) at the balance sheet date 31.12.2022. The reasons for the increase of 7.0 % are presented in detail under *Financial Position - Working Capital*.

Receivables

Trade accounts receivable amounted to € 17.2 million at the end of the year and were thus € 0.7 million (+4.5 %) higher than in the previous year (31.12.2021: € 16.5 million). Within other current assets amounting to € 11.9 million (2021: € 24.6 million), tax refund claims decreased from € 9.9 million to € 5.0 million. The decrease in other current receivables from € 14.1 million at 31.12.2021 to € 5.0 million was mainly due to receivables in connection with project development transactions. Against the backdrop of economic developments, there are delays in the progress of projects. As this receivables will not become cash-effictive in 2023, they were reclassified to non-current receivables. The total receivables including income tax receivables decreased to € 29.2 million (31.12.2021: € 41.2 million) at the reporting date.

Liquidity position

Cash and cash equivalents recorded a net outflow of € –3.0 million. As of 31.12.2022, cash and cash equivalents amounted to € 3.0 million (31.12.2021: € 4.9 million). Due to the seasonal nature of the business and the payment terms typical in the tire trade, liquidity at year-end is comparatively low.

Current assets totaled € 75.5 million (31.12.2021: € 92.7 million) at the balance sheet date. The decrease of € 17.1 million results primarily from lower inventories and the reclassification of receivables from project business from current to non-current receivables.

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 financial year 2022, assets amounting to € 13.3 million had to be classified as *held for sale* as of the balance sheet date 31.12.2021. As of 3.12.2022, this balance sheet item accordingly has a value of zero.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments decreased by € 24.3 million or 19.8 % to € 98.4 million (31.12.2021: € 122.7 million).

As part of the € 94.0 million in short-term liabilities as of 31.12.2022, € 53.9 million (31.12.2021: € 84.6 million) were recorded as accounts payable, corresponding to a share of 27.6 % of balance sheet total.

Current financial debt amounted to € 22.6 million at the balance sheet date, an increase of € 8.7 million compared with the previous year (2021: € 13.9 million). They include the current portion of lease obligations under long-term leases amounting to € 9.9 million (31.12.2021: € 8.6 million). Current financial debt to banks thus amounted to € 12.7 million at the end of the year (31.12.2021: € 5.3 million). The year-on-year increase in the utilization of credit lines is accompanied by a reduction in trade payables.

In the other current liabilities of € 17.5 million (previous year: € 19.4 million) € 4.7 million are attributable to payments received on account of orders (previous year: € 5.3 million) and € 3.6 million to customer credits (previous year: € 5.2 million).

Long-term liabilities

Non-current liabilities of € 57.1 million (previous year: € 47.4 million) include lease obligations under long-term leases in accordance with IFRS 16 amounting to € 51.0 million (31.12.2021: € 42.2 million). The increase in this non-current financial debt by € 8.7 million in the reporting date comparison results from the leasing of a further warehouse location at the end of the past financial year. Non-current liabilities also include non-current provisions of € 0.1 million (31.12.2021: € 0.1 million) and other non-current liabilities of € 6.0 million (31.12.2021: € 5.0 million). In connection with the design of the new financing structure, the Company raised a medium-term loan of € 5 million at the end of the financial year 2021, which was granted outside the financing group and is to be reported accordingly under other non-current liabilities. At the beginning of the financial year under review, a further medium-term loan of € 1 million was disbursed, which was also granted to the Company outside the banking syndicate.

The total of non-current and current financial debt, including other non-current liabilities, amounted to € 79.6 million at the reporting date, an increase of € 18.5 million or 30.2 % compared with the reporting date (31.12.2021: € 61.0 million). The increase resulted to a large extent from the rise in lease obligations. The disbursement of the medium-term loan at the beginning of the year was an important part of the successful completion of the financial restructuring at the beginning of the 2022 fiscal year. Interest-bearing financial liabilities, including other non-current liabilities, accounted for 40.8 % of total assets at the reporting date (31.12.2021: 28.1 %).

Financial restructuring completed

The following table shows the development of debt as of the reporting date and breaks down non-current and current liabilities into their main components. The increase in lease obligations pursuant to IFRS 16 within non-current **liabilities** in the financial year 2022 results from the leasing of a further warehouse location. As in the previous year, there were no non-current liabilities to banks at the balance sheet date of 31.12.2022. The medium-term loans raised outside the banking syndicate are reported under other non-current liabilities.

A very good proportion of **current** liabilities consists of trade accounts payable. These were significantly reduced compared with the previous year. Current financial debt includes the current portion of lease obligations arising from rental agreements, which also increased in line with the new leases signed last year. Accordingly, current financial debt relates only to a minor extent to financial debt to banks in the form of credit line drawings.

in € million	2022	2021	+/- YOY
Non-current liabilities	**57.1**	**47.4**	**9.6**
Non-current financial liabilities	51.0	42.3	8.7
thereof lease liability IFRS 16	51.0	42.3	8.7
thereof financial liablities to banks	0.0	0.0	0.0
Other non-current liabilities	6.0	5.0	0.0
Remaining	0.1	0.1	0.9
Current liabilities	**98.4**	**122.7**	**-24.3**
Accounts payable	53.8	84.6	-30.8
Current financial liabilities	22.6	13.9	8.7
thereof current financial liabilities to banks	12.7	5.3	7.4
thereof current component liability IFRS 16	9.9	8.6	1.3
Remaining	22.0	24.2	-2.2
Total	155.4	170.1	-14.7

Liabilities classified as held for sale

In preparation for the successful sale of the shares in the US subsidiary, liabilities of € 9.4 million were classified as *held for sale* as of 31.12.2021. At the reporting date 31.12.2022, this balance sheet item accordingly has a value of zero.

Equity and equity ratio

On the liabilities side, equity increased by € 1.7 million or 4.4 % to € 39.7 million (previous year: € 38.0 million). The consolidated net profit of € 2.8 million achieved in the past financial year contributed to a further strengthening of equity. Against the background of the significant balance sheet contraction compared with the previous year, the structure of equity and liabilities shows an increase in the equity ratio from 17.5 % to 20.3 %. The total of property, plant and equipment, intangible assets, rights of use, financial assets and inventories amounting to € 138.4 million was covered by non-current financing funds at the reporting date 31.12.2022 to 69.9 % (previous year: 63.3 %).

Overall statement on the financial and assets position

Sustainable balance sheet

The successful sale of the shares in the US company at the beginning of the past fiscal year not only completed the refocusing on the European core tyre business. In addition, this transaction has contributed to a further strengthening of the Delticom Group's financial and asset position. The positive net income for the year has contributed to a further strengthening of equity. Against this backdrop and in line with the balance sheet reduction, the equity ratio went up compared to the previous year. In March of the current fiscal year, the syndicated financing of the Delticom Group was successfully extended until December 20, 2024. As a result of the positive company development and stringent working capital management, the company was able to reduce the financing framework by a further € 20 million to a total of € 40 million. Liquidity is subject to significant fluctuations during the year due to seasonality. Accordingly, credit lines are required intra-year for interim financing. The company also continues to receive payment terms from its suppliers in line with market conditions.

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 2022.

Results of operations of Delticom AG

Revenues

In the 2022 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 € 255.3 million (2021: € 262.7 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 € 255.3 million. These figures are referred to as "adjusted revenues" below.

In the financial year elapsed, Delticom generated total revenues of € 730.8 million (2021: € 755.7 million). Adjusted revenues amounted to € 475.6 million (2021: € 493.0 million, -3.5 %).

Other operating income

Other operating income increased to € 15.4 million (2021: € 5.1 million) in the reporting period. The increase of 202.6 % results on the one hand from the income of € 3.3 million generated in connection with the disposal of the US investment. On the other hand, € 6.9 million relates to gains from exchange rate differences (2021: € 3.6 million). Delticom reports currency losses under other operating expenses (2022: € 7.9 million, 2021: € 3.3 million). The balance of currency gains and losses in the reporting period amounted to € –1.0 million (2021: € 0.3 million).

Key expense positions

Revenues related to the sale of merchandise from Delticom to Pnebo in an amount of € 255.3 million (2021: € 262.7 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 € 357.8 million in the period under review (2021: € 369.0 million). The decrease of 3.0 % is mainly due to the development of revenues. Compared to the previous year, the cost of materials ratio increased from 74.9 % to 75.2 %.

Personnel expenses

The company employed an average of 152 staff in the period under review (2021: 141). Personnel expenses increased by 17.4 % from € 10.4 million to € 12.2 million compared to the previous year. The personnel expense ratio (ratio between personnel expenses and adjusted revenues) amounted to 2.6 % in the period under review (2021: 2.1 %).

Other operating expenses

Transportation costs

Within other operating expenses, transport costs are the largest single item. In the reporting period, they amounted to € 37.6 million (2021: € 44.9 million). The decrease of 16.4 % resulted not only from the development of volumes but also in part from shorter delivery distances to customers following the start-up of the new warehouse location in the border triangle of Germany, France and Switzerland opened at the beginning of the previous fiscal year. The share of transport costs in adjusted sales amounted to 7.9 % (2021: 9.1 %).

Warehousing costs

Expenses for warehousing increased by 12.2 % in the reporting period from € 7.8 million in the previous year to € 8.8 million. As a percentage of adjusted sales, warehousing costs amounted to 1.8 % (2021: 1.6 %).The increase in costs is associated with the different cost structure of the two central warehouse locations and the corresponding distribution of volumes compared with the previous year.

Marketing

Marketing costs amounted to € 10.7 million in the reporting period, after € 11.8 million in 2021 this correponds to a decrease of 9.4 %. In line with the weaker demand in the business with private end customers, the company adjusted its marketing expenses in the course of the year. The ratio in relation to adjusted revenues amounted to 2.3 % (2021: 2.4 %).

Depreciation

Depreciation and amortization of intangible assets and property, plant and equipment decreased by 19.9 % in the period under review from € 2.7 million to € 2.1 million.

Assumption of losses & depreciation of financial assets

Expenses from the assumption of losses from subsidiaries amounting to € 1.2 million were recorded in the reporting period (2021: € 0.0 million). Write-downs of financial assets amounted to € 13.0 million (2021: € 1.8 million). Against the backdrop of a highly inflationary interest rate environment, the impairment tests for Delticom AG's investments resulted in unscheduled write-downs on the carrying amounts of selected subsidiaries. In 2021, the write-downs included the impairment losses to be recognized on shares and loans in Delticom Russland OOO. The company's operating business was discontinued in the corresponding fiscal year.

Earnings position

Gross margin

The gross margin (gross margin excluding other operating income) for the past financial year was 24.8 % compared with 25.1 % in the corresponding prior-year period. The year-on-year decline was mainly due to the change in the sales mix. Due to weak demand in business with private end customers, the share of sales with commercial customers increased year-on-year.

Gross profit

Gross profit increased by 3.2 % in the period under review, from € 129.0 million in the comparable prior-year period to € 133.1 million. Gross profit in relation to adjusted total operating income of € 490.9 million (2021: € 498.0 million) amounted to 27.1 % (2021: 25.9 %).

EBITDA

Earnings before taxes, net interest income, income from investments, depreciation and amortization are virtually unchanged year-on-year at € 2.5 million (2021: € 2.5 million, –1.7 %).

EBIT

Earnings before interest, taxes and income from investments (EBIT) amounted to € 0.4 million (2021: € –0.1 million) in the reporting period.

Financial income

Income from participating interests amounted to € 2.6 million in the reporting period (2021: € 1.1 million). The income from profit transfer agreements decreased by 39.8 % from € 2.4 million in 2021 to € 1.4 million in 2022. The income is offset by interest and similar expenses of € 1.3 million (2021: € 1.8 million).

Income taxes

With regard to income taxes, there was an expense of € 1.2 million for the reporting period. In 2021, income of € 2.4 million was generated. The effect in the financial year under review was mainly due to deferred tax expense.

Income and dividend

Earnings 2022 were € –9.4 million, compared with a prior-year figure of € 2.5 million. This corresponds to earnings per share for the fiscal year of € –0.63 (2021: € 0.17). The main reason for the significant decline is the extraordinary write-downs on the carrying amounts of investments in selected subsidiaries. With regard to the dividend, we refer to the explanations in the Group management report.

in € thousand	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Revenues	**730,845**	**755,674**
Other operating income	15,378	5,082
Cost of materials	-613,142	-631,754
Personnel expenses	-12,224	-10,409
Depreciation	-2,131	-2,660
Other operating expenses	-118,370	-116,062
Income from participating interests	2,645	1,094
Other interest received and similar income	437	318
Depreciations of financial assets	-12,955	-1,814
Expenses from loss transfers	-1,190	0
Paid interest and similar expenses	-1,308	-1,818
Income from profit transfer agreements	1,448	2,406
Expenses from loss transfers	1,202	2,442
Earnings after taxes	-9,364	2,500
Loss carried forward	-27,453	-29,953
Balance sheet result	**-36,817**	**-27,453**

General statement of the Management Board on the earnings situation

Last year, Delticom AG did not succeed in increasing its revenues compared to the previous year. Due to the multi-shop approach, parts of the revenues are shifted to subsidiaries. The slight year-on-year decline in the gross margin is primarily due to the change in the sales mix. The sharp year-on-year decline in Delticom AG's earnings was mainly due to write-downs on financial assets. Due to the highly inflationary interest rate environment and the resulting need to recognize corresponding borrowing costs as part of the impairment test for the carrying amounts of investments within Delticom AG, there was a need to write down selected financial assets.

Financial and assets position Delticom AG

In the past fiscal year, the refocusing on the core business and stringent working capital management led to a strengthening of Delticom AG's financial position and net assets as of the 31.12.2022 balance sheet date.

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 € 2.5 million in 2022 (2021: € 0.6 million) and relate mainly to the expansion of the shipping capacity in our warehouses. In addition, Delticom invested a total of € 9.1 thousand in intangible assets in the period under review. These investments relate mainly to expansions of software licenses.

Balance sheet structure

Total assets of € 149.7 million as of 31.12.2022 were 14.7 % below the previous year's € 175.4 million.

Non-current assets

On the assets side, non-current assets decreased from € 79.0 million to € 58.3 million compared with the prior-year basis. This significant decrease is mainly associated with the impairment losses recognized on the carrying amounts of investments in selected subsidiaries. At the beginning of the past fiscal year, collateral was also exchanged for the warehouse in Alsace. The rental deposit, which was initially paid in cash when the warehouse was rented, was replaced by a rental guarantee.

Inventories

Inventories amounted to € 2.3 million (2021: € 7.2 million) in the reporting period. They mainly comprise merchandise in transit. Due to the shift in the timing of summer stocking compared with the previous year, inventories are lower on a year-on-year basis.

Receivables

Receivables due from associated companies in the reporting period amounted to € 44.6 million (2021: € 40.1 million). Trade receivables of € 22.9 million are 40.1 % higher than the previous year (2021: € 16.4 million).

Other assets amounting to € 7.3 million (2021: € 17.7 million) mainly relate to receivables in connection with sales and import VAT.

Liquidity

Liquid assets recorded a net decrease of € 2.3 million. "Balance sheet liquidity" amounted to € 1.3 million as of 31.12.2022 (2021: € 3.6 million, –63.8 %).

The total current assets of € 78.3 million were below the corresponding figure for the previous year (2021: € 85.0 million).

Deferred tax assets

Delticom has made use of the capitalization option pursuant to Section 274 (1) sentence 2 HGB and has capitalized deferred tax assets in the amount of € 12.4 million (2021: € 11.2 million).

Provisions and liabilities

On the equity and liabilities side of the balance sheet, provisions and liabilities decreased by 12.1 % or € 16.3 million, from € 135.0 million to € 118.6 million. While provisions increased by € 0.4 million to € 6.3 million (previous year: € 6.0 million), liabilities decreased to € 112.3 million (previous year: € 129.0 million).

Within the € 112.3 million of liabilities as of 31.12.2022 (2021: € 129.0 million), € 50.6 million, was attributable to trade payables. Compared with the previous year's € 81.6 million this amount decreased by € 31.0 million or 37.9 %.

Liabilities due to banks

The year-on-year increase in liabilities to banks of € 12.7 million (2021: € 5.1 million) exclusively comprises financial liabilities of a short-term nature. The higher credit line utilization at the end of the year is accompanied by the significant reduction in trade accounts payable.

Equity

On the liabilities side, shareholders' equity decreased significantly by € 9.4 million or 24.8 % to € 28.4 million (2021: € 37.8 million) against the background of the necessary impairment losses on selected investments. The structure of liabilities and equity shows a reduction in the equity ratio from 21.5 % to 19.0 % compared with the previous year.

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	31.12.2022	31.12.2021
Fixed Assets	**58,310**	**78,986**
Intangible assets	876	1,480
Property, plant and equipment	7,647	6,637
Financial assets	49,786	70,869
Current Assets	**78,320**	**84,967**
Inventories	2,256	7,223
Accounts receivables	22,937	16,374
Receivables from affiliated companies	44,560	40,120
Other receivables and other assets	7,276	17,678
Cash and cash equivalents	1,292	3,572
Deffered item	**651**	**226**
Deffered taxes	**12,381**	**11,179**
Assets	**149,662**	**175,358**

in € thousand	31.12.2022	31.12.2021
Equity	**28,403**	**37,767**
Subscribed capital	14,831	14,831
Share premium	50,189	50,189
Retained earnings	200	200
Balance sheet loss	-36,817	-27,453
Provisions	**6,318**	**5,951**
Provisions for taxes	63	46
Other provisions	6,255	5,905
Liabilities	**112,329**	**129,007**
Liabilities to banks	12,735	5,068
Payment received on account of orders	3,571	4,086
Accounts payable	50,637	81,593
Payables to affiliated companies	26,468	25,099
Other liabilities	18,918	13,162
Deferred item	**2,613**	**2,633**
Passiva Shareholders' Equity and Liabilities	**149,662**	**175,358**

Overall statement on the financial and assets position

Sustainable Balance Sheet

The significant reduction in inventories and the associated reduction in trade accounts payable led to a significant year-on-year reduction in the balance sheet. The impairment losses to be recognized on selected investments also contributed to a reduction in total assets. Although these write-downs have reduced the company's equity, Delticom AG's equity base remains adequate.

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 report

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 31.12.2022 between 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 has been completed, the independent internal risk audit department selects several identified risks. The selected risks are new risks included to the inventory list, as well as risks with a particularly high or a particularly low gross risk, and risks with a particularly high or a particularly low probability of occurrence. The gross risk assessment and the effectiveness of the implemented countermeasures are then reviewed for these risks. New findings are reported to the risk manager and updated in the risk management system. The audit manager prepares a protocol for this purpose for documentation and reports to the Board of Management.

Key individual risks

The 2022 risk inventory did not identify any significant individual risks with a net expected loss of between €2 million and €20 million.

Other key individual risks grouped by risk category

On the next pages, the individual risks with a low loss amount (less than EUR 2 million expected net loss) are listed in alphabetical order, grouped by risk category.

Procurement risks

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

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

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

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

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.

COVID-19

Corona has an effect on the overall economic situation. Even the pandemic may be nearing a turning point, many people continued to work from home and reduced their travel activities. While this led to reduced driving, it also led to a need to purchase goods online without contact. So there is a chance that the need for replacement tires will only be postponed, but the benefits of buying online will be sustained.

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

Currency risk

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.

Political Conflict

Political conflict in East Asia could lead to a shortfall in the supply of tires from Asian manufacturers. However, as Delticom procures a small portion of these goods from East Asia and a large portion of goods in Europe, the effect on earnings from this risk for Delticom can be considered low, as the volumes from Asia can be covered by the European brands.

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.

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 up-to-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.

Liquidity risk

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.

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

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.

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.

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 cooperation and mutual expectations, and to provide feedback so that everyone involved can develop further.

Process 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.

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.

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.

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, located in the west of 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.

Tire manufacturers are no longer dependent for Russia. Thus, Delticom is in regular exchange with the affected tire manufacturers. The effects were actively managed.

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.

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

Despite a difficult market environment, the company succeeded last year in achieving the targets set at the beginning of the year for the full year in terms of sales and operating EBITDA. While full-year sales were at the upper third of the forecast range of € 480 million and € 520 million, operating EBITDA with € 15.0 million reached the upper end of the forecasted range of € 12 million to € 15 million. Once again, the company's high level of adaptability to rapidly changing market conditions proved its worth. All extraordinary cost burdens that arose in the course of the year beyond the planning at the beginning of the year were offset by corresponding earnings contributions in operating EBITDA.

Forecast report

Assessment of the full-year guidance 2022

Revenues

The sale of the shares in the US subsidiary at the beginning of the past fiscal year completed the refocusing on the core business of tyres in Europe. The US company had contributed with more than € 70 million to consolidated revenues in the fiscal year 2021. The discontinuation of US revenues in 2022 was taken into account accordingly in our forecast at the beginning of the year. For the core business of Tyres Europe, we forecast full-year revenues in a range of € 480 – 520 million. At the time of formulating the full-year forecast in March of the past fiscal year, there was still considerable uncertainty regarding market developments in the current year. The consequences of Russia's attack on Ukraine and the corresponding impact on overall economic developments could not yet be anticipated with sufficient reliability at the time of the forecast and were therefore not taken into account in the forecast. Over the course of the year, inflation-related price developments and uncertainty about geopolitical and macroeconomic developments left their mark on consumers and consequently on their propensity to spend. Purchases that were not absolutely necessary were postponed. As a result, European motorists were also reluctant to purchase new replacement tyres. Delticom was not able to completely escape this trend. Stronger demand in the business with commercial customers at least partially compensated for the weak demand in the end customer business. In addition, the company succeeded in passing on to customers the higher purchase prices resulting from developments on the raw materials markets over the course of the year. The price effect in revenues compensated for the decrease in volumes. At € 509.3 million, full-year revenueare in the upper third of the range forecasted at the beginning of the year.

EBITDA

With regard to the assessment of the forecast formulated during the year, we refer to the definition of operating EBITDA as presented in the section "Management by Objectives". The starting point is the EBITDA generated by the Delticom Group in the full year in the amount of € 15.0 million, which is additionally burdened by expenses unrelated to the accounting period in the amount of € 2.5

million. To calculate operating EBITDA, the income generated in connection with the sale of the US shares in the amount of € 3.8 million is eliminated. The same applies to the costs incurred in connection with the syndicated loan agreement in the amount of € 2.1 million. Expenses amounting to € 1.7 million, which are of a non-recurring nature and are not directly attributable to operating activities, have also been eliminated. In addition to severance payments, these mainly relate to provisions for legal risks. At € 15.0 million (2021: € 21.7 million for information purposes, € 15.7 million reported), operating EBITDA is at the upper end of the range of € 12 million to € 15 million forecast during the year.

Future macroeconomic environment

Global economy

According to an initial estimate by the Kiel Institute for the World Economy (IfW Kiel), global economic expansion will slow significantly this year as supporting influences on the global economy gradually lose significance. On the one hand, in some, contact-intensive sectors of the economy there was still considerable potential for a normalization of production following the previously recorded corona-related losses, which is now gradually being exhausted. Secondly, the additional money saved during the corona pandemic, which helped to maintain consumption levels against a background of shrinking real incomes, is gradually dwindling. And last but not least, the high order backlogs in industry are increasingly being worked off, so that declining incoming orders will have a greater impact on production in the future. Against this background, the experts at IfW Kiel expect global GDP to increase by 2.2 % overall in the current year.

Europe

Given that high inflation continues to reduce the disposable income of private households, experts expect the economic slowdown in the euro zone to continue in the first quarter 2023 . A gradual recovery in the economy is expected to begin from spring this year at the earliest, provided the impact of upward pressure on prices diminishes. Risks are seen in continued unfavorable developments on the gas market, prolonged inflation and negative reactions of the global financial markets to the new high interest rate environment and major uncertainty due to the Ukraine war, which could dampen economic activity this year. IfW Kiel expects gross domestic product in the euro zone to increase by 0.6 % 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 2023.

Future sector-specific development

E-Commerce

The general trend toward e-commerce will continue to play a role in the future. The Global Digital Report 2023 assumes that around 5 billion people and thus around 65% of the global population already use the Internet today. The German E-Commerce and Distance Selling Trade Association (bevh) expects the advantages of digital shopping, such as service, transparency, and availability, to help e-commerce grow slightly faster than the market as a whole. Currently, bevh expects sales of goods in domestic e-commerce to increase by 4.8 % in the current 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.

2023 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. In view of our market position in Europe and our many years of experience in online retailing, Delticom will continue to benefit from increasing digitalization in the future. The Company's broad customer and product portfolio are key success factors. The organizational realignment of the sales division undertaken last year is accompanied by a further focus on the customer needs of the various customer groups.

Positive customer acquisition trend

Thanks to its multi-shop approach, Delticom Group addresses various customer groups and thus meets the different requirements of online shoppers. In addition to our online shops, we also use other online sales channels to attract additional groups of buyers. The extent to which business with private end customers can benefit from a catch-up effect in the current year will largely depend on the overall economic conditions in the current year. Based on our comprehensive product and service portfolio and our Europe-wide business activities, it is our declared goal to convince at least 1.0 million new customers of our products and value-for-money offerings again in the current fiscal year 2023.

Repeat Customers

More than 18 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

It remains to be seen to what extent the ECB's key interest rate policy will put a stop to inflation in the currency area in the current year. Further increases in the cost of living and energy and the associated impact on consumer spending cannot be ruled out at this point in time. Whether and to what extent European demand for replacement tyres will be able to benefit this year from a catch-up effect following last year's downturn will depend not least on the overall economic conditions in the course of the year. So early in the year, it is not yet possible to derive any indicators for the year as a whole from business developments. In our planning for the current fiscal year, we do not anticipate any further deterioration in the macroeconomic and sector-specific conditions. We also do not anticipate any external factors having a positive impact on business. We are planning full-year revenues in a range of € 500 million to € 534 million.

For the current financial year, the company is also pursuing the goal of passing on possible price increases in purchasing to customers. Although the Company continues to work on improving its cost structure, an inflationary effect cannot be ruled out at present with regard to the development of costs for the year as a whole. In order to reduce fixed costs in the current year, the Company will allocate a good part of the existing programming capacity to the further automation of downstream processes and the harmonization of the existing system load. For operating EBITDA in the full year, we are aiming for a range of € 14 million to € 18.9 million, depending on sales.

Investments

The investments in warehouse infrastructure already planned for 2022 have been postponed by a few months. In the current and coming year we expect to invest a mid-single-digit million amount each in building logistics facilities to reduce costs. Our current planning is to finance these investments by means of the cash inflow from the sale of the US subsidiary last year.

Liquidity

In line with our sales and liquidity planning for the current year, we will build up or reduce inventories in the coming quarters. Close control of working capital management will continue to play a central role. Free cash flow for the full year is expected to be in the mid single-digit millions.

Financing

In March of the current financial year, the Company successfully extended the syndicated loan agreement until December 2024. In this connection, the financing facility was reduced by €20 million to a total of €40 million. In addition to the unchanged credit lines, the financing facility also includes a guarantee line and, to a significantly reduced extent, a letter of credit line. Based on the current level of key interest rates, the Company will offset the higher interest costs in its earnings by eliminating the letter of credit costs to the greatest possible extent in the current year.

Medium term outlook

Increasing digitization worldwide, coupled with steadily rising online penetration, is a key factor for future growth. As the market leader in the European online tyre trade, Delticom will continue to benefit from the growing importance of e-commerce as a sales channel in the medium term. In the medium term, we are aiming for an operating EBIT margin of 3 %.

Free Cashflow

By continuing to focus on optimized inventories and consistent working capital management, Delticom will also generate positive free cash flows in the medium term.

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 was issued by the Executive Board and Supervisory Board on March 29, 2023 and made available to shareholders on our website at www.delti.com.

Information required by takeover law

Report on disclosures pursuant to Section 289a (sentence 1) and Section 315a (sentence 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 2022, taking account of the knowledge and events up until the time when this report was prepared in accordance with § 289a Sentence 1 and § 315a Sentence 1 of the German Commercial Code *(HGB)*, 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.

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 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. Due to this, the vesting period for 139,000 of the above-mentioned issued stock options has already expired. However, 44,646 of these stock options have already been forfeited, so that 94,354 stock options are exercisable subject to the fulfillment of the other exercise conditions.

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

The Annual General Meeting on August 12, 2019 authorized the Executive Board, with the consent of the Supervisory Board (or the Supervisory Board instead of the Executive Board, insofar as option rights are granted to members of the Executive 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 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 issued option rights expire or otherwise lapse - repeatedly until August 11, 2024 (Stock Option Program 2019). This authorization was adjusted by resolution of the Annual General Meeting on May 10, 2022.

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 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 authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)) or issued by the Company on the basis of the authorization resolution of the Annual General Meeting on August 12, 2019 (agenda item 6 b)), taking into account the amendments resolved by the Annual General Meeting on May 10, 2022 under agenda item 7 a). The shares will be issued at the exercise price to be determined in each case in accordance with the above resolutions. The conditional capital increase shall only be carried out to the extent that the holders of the option rights exercise them. The shares - insofar as they come into existence by the beginning of the Annual General Meeting of the Company - shall 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.

The conditional capital I/2019 was entered in the commercial register on September 23, 2019. On the basis of the 2019 stock option program, 124,175 option rights were issued to members of the Board of Management by December 31, 2022 on the basis of a Supervisory Board resolution dated January 6, 2022, each with a vesting period of four years from the issue date. Of these, 49,670 option rights were forfeited on December 31, 2022.

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 I/2020). The conditional capital I/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/O bonds have yet been issued on the basis of the above authorization; the full amount of Conditional Capital I/2020 still exists.

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 - with the approval of the Supervisory Board - 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. Due to this, the vesting period for 139,000 of the above-mentioned issued stock options has already expired. However, 44,646 of these stock options have already been forfeited, so that 94,354 stock options are exercisable subject to the fulfillment of the other exercise conditions.

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		01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Revenues from contracts with customers	(1)	**509,295**	**585,374**
Other operating income	(2)	33,561	28,630
Total operating income		542,856	614,004
Cost of goods sold	(3)	-399,125	-457,395
Gross profit		143,731	156,610
Personnel expenses	(4)	-14,007	-13,363
Amortization and depreciation of intangible assets, rights of use and property, plant and equipment	(5)	-10,779	-10,034
Bad dept losses and specific allowance		-3,162	-4,341
Other operating expenses	(6)	-111,559	-121,813
Earnings before interest and taxes (EBIT)		4,224	7,059
Financial expenses		-1,904	-2,271
Financial income		863	158
Net financial result	(7)	**-1,040**	**-2,112**
Earnings before taxes (EBT)		3,183	4,947
Income taxes	(8)	-371	1,866
Consolidated net income		**2,813**	**6,813**
Thereof allocable to:			
Non-controlling interests		0	63
Shareholders of Delticom AG		2,813	6,750
Earnings per share (basic)	(9)	0.19	0.49
Earnings per share (diluted)	(9)	0.19	0.49

Statement of Recognized Income and Expenses

in € thousand	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Consolidated Net Income	**2,813**	**6,813**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**-219**	**91**
Recycling profit and loss		
Changes in value due to currency translation	-219	91
Total comprehensive income for the period	**2,594**	**6,904**
Attributable to non-controlling interests	0	42
Attributable to shareholders of the parent	2,594	6,862

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2022	31.12.2021
Non-current assets		**119,659**	**111,488**
Intangible assets	(10)	37,215	37,984
Rights of use	(11)	49,106	42,482
Property, plant and equipment	(12)	8,747	7,775
Financial assets		2	2
Deferred taxes	(13)	11,036	11,637
Other non-current receivables	(14)	13,553	11,609
Current assets (without Financial assets held for sale)		**75,529**	**92,661**
Inventories	(15)	43,340	46,593
Accounts receivable	(16)	17,201	16,465
Other current assets	(17)	11,893	24,579
Income tax receivables	(18)	112	157
Cash and cash equivalents	(19)	2,984	4,868
Financial assets held for sale	(20)	**0**	13,310
Assets		**195,188**	**217,459**

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2022	31.12.2021
Equity		**39,670**	**37,982**
Equity attributable to Delticom AG shareholders		**39,670**	**36,998**
Subscribed capital	(21)	14,831	14,831
Share premium	(22)	47,667	47,667
Stock option plan	(21)	272	193
Other components of equity	(23)	-406	-187
Retained earnings	(24)	200	200
Net retained losses	(25)	-22,893	-25,706
Non-controlling interests		**0**	**984**
Liabilities (without Financial liabilites held for sale)		**155,518**	**170,101**
Non-current liabilities		**57,074**	**47,363**
Non current financial liabilities	(26)	50,959	42,248
Non-current provisions	(27)	115	115
Other Non Current Liabilities		6,000	5,000
Current liabilities		**98,444**	**122,739**
Income tax liabilities	(28)	629	1,249
Other current provisions	(27)	3,838	3,565
Contractual liabilities*	(1)	4,670	5,273
Accounts payable	(29)	53,851	84,608
Current financial liabilities	(26)	22,619	13,874
Other current liabilities*	(31)	12,837	14,171
Financial liabilities held for sale	(32)	**0**	**9,375**
Shareholders' equity and liabilities		**195,188**	**217,459**

*Previous year's figures have been adjusted, see section *Changes in comparative information* in the notes to the consolidated financial statements.

Consolidated Cash Flow Statement

in € thousand	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021
Earnings before interest and taxes (EBIT)	**4,224**	**7,059**
Depreciation of intangible assets and property, plant and equipment	10,779	10,034
Changes in other provisions	273	860
Gain (–) / loss (+) from the disposal of non-current assets	4,018	10
Other non-cash expenses and income	-3,963	1,941
Changes in inventories	3,253	-19,043
Changes in receivables and other assets not attributable to investment or financing activities	6,804	-5,923
Changes in payables and other liabilities not attributable to investment or financing activities*	-28,611	23,996
Interest received	161	85
Interest paid	-1,904	-1,677
Income tax paid	-446	-411
Cash flow from operating activities*	**-5,522**	**16,931**
Cash inflow from the disposal of property, plant and equipment	0	769
Payments for investments in property, plant and equipment	-2,592	-792
Payments for investments in intangible assets	-9	-366
Cash inflow from the sale of subsidiaries	5,709	0
Cash inflow from the acquisition of a subsidiary	40	0
Cash flow from investing activities	**3,148**	**-389**
Cash inflow from capital increases	0	16,296
Cash inflow of financial liabilities*	8,446	6,899
Cash outflow of financial liabilities	-9,078	-39,393
Cash flow from financing activities*	**-632**	**-16,198**
Changes in cash and cash equivalents due to currency translation	11	0
Cash and cash equivalents at the start of the period	5,979	5,635
Changes in cash and cash equivalents	-3,006	344
Cash and cash equivalents - end of period	**2,984**	**5,979**

Cash and cash equivalents at the beginning of the period include € 1,122 thousand in cash and cash equivalents, which were included in assets held for sale in the previous year's balance sheet.

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Stock option plan	Retained earnings	Net retained losses	Total	Non-controlling interests	Total equity
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**
as of 1 January 2022	**14,831**	**47,667**	**-187**	**193**	**200**	**-25,706**	**36,998**	**984**	**37,982**
Changes in minority interests						0	0	-984	-984
Stock option plan				79			79	0	79
Consolidated net income						2,813	2,813	0	2,813
Other comprehensive income			-219			0	-219	0	-219
Total comprehensive income			**-219**			**2,813**	**2,594**	**0**	**2,594**
as of 31 December 2022	**14,831**	**47,667**	**-406**	**272**	**200**	**-22,893**	**39,670**	**0**	**39,670**

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 30000 partner garages of Delticom AG worldwide.

The group offers its product range in 72 countries, with a focus on the EU and other European countries such as Switzerland and Norway.

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 29, 2023. 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 2022 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 2022.

As of January 1, 2022, amendments to IAS 37 (Onerous Contracts - Costs of Fulfilling Contracts), IFRS 3 (Reference to the Framework) and IAS 16 (Revenue before Planned Use) are to be applied.

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		Published by the IASB	Mandatory application[1]	Adoption by EU	Anticipated effects
IFRS 17	Insurance contracts	6/25/2020	1/1/2023	yes[2]	No material impact
Amendments IFRS 17	First-time application of IFRS 17 and IFRS 9	12/9/2021	1/1/2023	yes[2]	No material impact
IAS 1	Classification of liabilities as current or non-current	1/23/2020	1/1/2023	yes	No material impact
IAS 1 / IFRS Practice Statement 2	Disclosures on accounting policies	2/12/2021	1/1/2023	yes	No material impact
IAS 8	Definition of estimates	2/12/2021	1/1/2023	yes	No material impact
IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	5/7/2021	1/1/2023	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.

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.

Changes to comparative information

The structure of the consolidated statement of financial position has been adjusted to more clearly present the contract liabilities resulting from contracts with customers. The contract liabilities result from advance payments received (prior year: €5,273 thousand; Jan. 1, 2021: €5,662 thousand), which were presented in other current liabilities in fiscal year 2021. Details on the contract liabilities can be found in section (1).

Furthermore, the consolidated statement of cash flows for the financial year 2021 has been adjusted to the extent that an increase in funds from the inflow of financial funds in the amount of €5,000 thousand reported in the previous year under "Changes in liabilities from contract liabilities and other liabilities not attributable to investing or financing activities" is now shown under "Proceeds from financial liabilities." Accordingly, in the comparative period presented, cash flow from operating activities has been adjusted from € 21,931 thousand to € 16,931 thousand and cash flow from financing activities from € -21,198 thousand to € -16,198 thousand.

Group of consolidated companies

In addition to Delticom AG as the parent company, the group of consolidated companies comprises 10 (previous year: 10) domestic and 6 (previous year: 9) foreign subsidiaries, which were fully consolidated in the consolidated financial statements.

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 commenced in 2021, the assets and liabilities were already recognized in accordance with IFRS 5 in the previous year. In this connection, non-recurring income of €3.8 million was realized, of which €0.9 million from the disposal of minority interests in equity.

Gourmondo Food GmbH was deleted from the commercial register and deconsolidated on April 8, 2022.

Delticom AG repurchased all shares in Extor GmbH. With effect from June 30, 2022, Delticom AG thus acquired a controlling interest in the company. Extor GmbH produces technical equipment for automated warehouse handling. If the acquisition had taken place on January 1, 2022, management estimates that revenues before consolidation of Extor would have been € 0.4 million and Extor's contribution to earnings (before consolidation) for the full year would have been € -0.6 million. On a consolidated basis, there would have been no revenue and a loss of €1.5 million. The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

	in € thousand
Acquired assets	
Technical equipment and machinery	388
Furniture, fixtures and office equipment	49
Inventories	385
Trade accounts receivable	228
Other assets	56
Cash and cash equivalents	40
Prepaid expenses and deferred charges	11
	1,157
Liabilities assumed	
Accrued taxes	5
Other accrued liabilities	37
Advance payments received	633
Trade accounts payable	287
Other liabilities	101
Deferred tax liabilities	27
	1,091
Net assets acquired	**66**
Purchase price	**(€ 2)**
Negative goodwill	**-66**

The income from the acquisition of the company is reported under other operating income. The reason for the negative goodwill is the loss situation of Extor GmbH.

Delticom holds an indirect interest in Delticom TOV, Lviv (Ukraine), and a direct interest in Delticom Russ- land, Moscow. Significant assets of both companies do not exist or have already been impaired. Already during the year 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 single-segment company: The group's business activities consist of the online sale of tires and complete wheels. In E-Commerce, goods are sold to dealers, workshops and end consumers via 351 online stores and sales platforms in 72 countries. The key performance indicators are revenue and operating EBITDA at Group level. With regard to domestic revenue, please refer to (1) Revenue. In geographical terms, non-current assets (goodwill, rights of use, intangible assets, property, plant and equipment, and non-current sublease receivables) account for EUR 93,362 thousand in Germany and EUR 1,176 thousand in Romania and Switzerland. There are no other business areas besides e-commerce that could constitute separately reportable segments.

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 0,8867	GBP 0,8526
USA	USD 1,0674	USD 1,0938
Romania	RON 4,9460	RON 4,9233
Schwitzerland	CHF 0,9877	CHF 1,0071

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 possible consequence of acquisitions, goodwill is recognized in the Group's balance sheet. Upon initial consolidation of an acquisition, all identifiable assets, liabilities and contingent liabilities are recognized at their respective fair values at the acquisition date. One of the significant estimates in this context relates to the determination of the respective fair values of these assets and liabilities at the acquisition date. Land, buildings and office equipment are generally valued on the basis of independent appraisals, while marketable securities are valued at quoted market prices. If intangible assets are identified, the independent opinion of an external valuation expert is used, depending on the nature of the intangible asset and the complexity of determining the fair value. These valuations are closely linked to the assumptions made by management regarding the future development of the value of the respective assets and the discount rate to be applied.

Goodwill

The Group tests annually, and additionally if a triggering event exists, whether the carrying amount of goodwill has been impaired. In this case, the recoverable amount of the cash-generating unit is determined. This corresponds to the higher of the fair value less costs to sell and the value in use. The determination of the recoverable amount involves 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 2022. The basis for the measurement of the FVLCOD is the planning prepared by management for the Delticom business at Group level. This planning is based on the assumption that e-commerce will continue to gain importance in the tire trade in the coming years. In 2022, the overall group will consist of the Automotive and DeltiLog CGUs. The complete integration of the Tirendo business into Delticom in terms of personnel and organization was the reason why the goodwill arising from the acquisition of Tirendo in 2014 is not monitored at the level of Tirendo, but at the level of the overall group (previous year: overall group less Delticom North America) as a cash-generating unit.

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 9.35% (previous year: 7.7%), an average EBITDA margin of 4.3% (previous year: 3.6%), average revenue growth in the detailed planning period of 5.4% (previous year: 2.5%) 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 €10 million (previous year: €44 million).

A 1.0% increase in the WACC would lead to an impairment of €5 million. A 0.5% reduction in the EBITDA margin in perpetuity would lead to an impairment of €7 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	31.12.2022	31.12.2021
Rights of use		
Buildings	48,747	41,339
Technical equipment and machinery	356	1,083
Operating and office equipment	0	60
	49,103	**42,482**
Leasing receivables		
short-term	3,176	1,790
long-term	5,705	4,584
	8,881	**6,374**
Leasing liabilities		
short-term	9,883	8,584
long-term	50,957	42,248
	60,840	**50,832**

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	2022	2021
up to 1 year	9,883	8,584
1–5 years	27,690	21,235
over five years	23,267	21,013
Total	**60,840**	**50,832**

Additions to rights of use during the financial year 2022 amounted to €20,830 thousand (previous year: €1,713 thousand).

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

in € thousand	2022	2021
Depreciation on rights of use		
Buildings	8,091	6,299
Technical equipment and machinery	260	514
Operating and office equipment	34	34
Income from sale and lease back transactions	12	57
Interest expenses	724	594
Expenses in connection with short-term leases (included in other operating expenses)	642	246
Expenses in connection with leases of low-value assets not included in current leases (included in other operating expenses)	59	18

Total lease payments amounted to € 9,804 thousand (previous year: € 9,053 thousand). The amount of lease payments recognized as an expense in accordance with IFRS 16.6 amounted to € 701 thousand in the financial year (previous year: € 264 thousand).

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 €32,064 thousand (previous year: €51,744 thousand) over the minimum lease term.

In addition, there are lease extension options for various warehouses and office premises for periods of between 2 and 5 years, which could lead to cash outflows of € 72,363 thousand (previous year: € 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 extension and termination options. Such contractual terms are used to give the Group maximum operational flexibility with regard to the assets used by the Group. The renewal and termination options can only be exercised by the Group and not by the respective lessor.

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

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

Lease payments are divided into repayment and interest 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 receivables and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment losses. In accordance with IFRS 9, an impairment loss on trade receivables is recognized using the expected loss model if there is objective evidence that the amounts due are not recoverable in full or at all.

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 32.40 % (previous year: 32.65 %). 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

Delticom's business is not very capital-intensive. The seasonal nature of the business and early stocking require stringent working capital management. Budget and guard rail specifications and their continuous monitoring represent a relevant component of capital management. Capital is managed centrally with the aim of optimizing the ratio of equity to debt and reducing the cost of raising capital. In addition to the objective of increasing earnings, it is ensured that all Group companies can operate under the going concern assumption. In order to maintain or optimize the capital structure, it is incumbent on the parent company's Executive Board to adjust the level of dividend payments, carry out capital increases or issue new shares.

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 € 251,977 thousand (previous year: € 231,033 thousand).

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

in € thousand	31.12.2022	31.12.2021
Trade receivables	17,201	16,465
Prepayments received from customers (contract liabilities)	-4,670	-5,273

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 (16). 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 2022, €5,273 thousand (previous year: €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 € 7.1 million (previous year: € 4.3 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 in the amount of € 2.9 million is recognized in 2022 (previous year: € 5.9 million). (previous year: € 5.9 million) was recognized in profit or loss. In addition, other operating income includes € 3.8 million in deconsolidation income from the sale of the 75% interest in Delticom North America Inc. and € 66 thousand resulting from a negative goodwill arising from the initial consolidation of Extor GmbH. 2022 also includes income from derecognized lease liabilities for a leased warehouse in Bratislava in the amount of € 1.2 million. Furthermore, miscellaneous other operating income includes marketing subsidies, income from transport losses and other income.

(3) Cost of sales

The cost of sales amounted to € 399.1 million (previous year: € 457.4 million) resulting exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2022	2021
Wages and salaries	12,124	11,812
Social security contributions	1,677	1,502
Share-based compensation with equity instruments	115	-29
Expenses for pensions and other benefits	90	78
Total	**14,007**	**13,363**

The statutory pension insurance in Germany is a defined contribution plan. Delticom makes contribution payments to the statutory pension insurance scheme 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 amounting to € 803 thousand (previous year: € 694 thousand) were recognized in personnel expenses when due.

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

In 2022, Delticom had an average of 183 employees (previous year: 174 employees).

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

in € thousand	2022	2021
Intangible assets	778	1,499
Rights of use	8,383	6,847
Property, plant and equipment	1,618	1,688
Total	**10,779**	**10,034**

In the case of rights of use, € 7,161 thousand (previous year: € 6,847 thousand) relates to scheduled amortization and € 1,222 thousand (previous year: € 0 thousand) to impairment losses as a result of significant structural defects at a warehouse.

(6) Other operating expenses

in € thousand	2022	2021
Transportation costs	40,689	53,645
Warehousing costs	11,578	9,939
Credit card fees	3,454	4,054
Marketing costs	13,835	18,810
Operations centre costs	9,951	8,928
Rents and overheads	3,541	2,934
Financial and legal costs	7,243	10,677
IT and telecommunications	2,330	2,605
Expenses from exchange rate differences	8,956	3,956
Other	9,982	6,265
Total other operating expenses	**111,559**	**121,813**

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 € 0 thousand (previous year: € 4,509 thousand).

Losses on receivables and individual value adjustments (€ 3,162 thousand; previous year: € 4,341 thousand) are shown as a separate item in the income statement.

(7) Financial result

in € thousand	2022	2021
Financial expenses	-1,904	-2,271
Financial income	863	158
Total	**-1,041**	**-2,112**

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.

Financial income in fiscal year 2022 includes €702 thousand (previous year: €60 thousand) from the early repayment of a rental collateral discounted at the time of acquisition.

(8) Income taxes

The income taxes result from:

	2022			2021		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	-202	9	-193	687	12	699
Deferred income taxes	563	1	564	-2,795	230	-2,565
Total	**361**	**10**	**371**	**-2,108**	**242**	**-1,866**

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

	2022		2021	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Losses carried forward	11,002	0	10,979	0
Intangible assets	72	0	75	0
Rights of use	0	21,871	0	13,860
Property, plant and equipment	1	33	1	33
Inventories	0	660	0	508
Financial assets	48	0	2,083	0
Receivables	196	0	0	2,392
Long-term assets	283	0	0	2,081
Long-term provisions	88	0	3	0
Short-term provisions	284	1,210	120	110
Liabilities	22,873	0	18,336	391
Other equity and liabilities	0	37	78	663
Total	**34,847**	**23,811**	**31,674**	**20,038**
Balancing	23,811	23,811	20,038	20,038
Value on the balance sheet	**11,036**	**0**	**11,636**	**0**

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

in € thousand	2022	2021
Profit before income taxes	2,813	4,947
Delticom AG income tax rate	32.49%	32.49%
Expected tax expense	**914**	**1,607**
Differences from anticipated income tax expense		
Adjustment to different tax rate	-8	-106
Non-deductible operating expenses	776	302
Tax-exempt income	-1,014	0
Non-period income taxes	-317	104
Effect of recognized deferred tax assets on loss carried forward not recognized in prior year	0	-2,364
Effect from utilization of loss carried forward for which no deferred tax assets were recognized in the previous year	-6	-933
Value adjustment of deferred tax assets on loss carryforwards formed in the previous year	16	258
Other tax effects	8	-734
Total adjustments	**-543**	**-3,473**
Actual tax expense	**371**	**-1,866**

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: € 11.0 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 totaling around € 19 thousand were used, for which no deferred tax assets were recognized 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: € 1.8 million) due to a lack of recoverability. They were capitalized on the basis of a substantiated business plan, which was prepared in cooperation with an external consultant.

(9) Earnings per share

Basic earnings per share amount to € 0.19 (previous year: € 0.49). Diluted earnings per share amount to € 0.19 (previous year: € 0.49).

In accordance with IAS 33, basic earnings per share are calculated as the ratio of profit for the period after tax of €2,812,736.54 (previous year: € 6,813,037.20) to the weighted average number of ordinary shares outstanding during the financial year of 14,831,361 (previous year: 13.778.142). The prior-year figure takes into account the capital increases carried out during the year in 2021.

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 2022.

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 2022	**35,338**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	-1,782	-1,825	0
Currency translation	0	0	0	0
As of 31 December 2022	**35,338**	**2,377**	**10,591**	**3,450**
Accumulated depreciation				
As of 1 January 2022	**0**	**4,159**	**12,416**	**3,450**
Additions	0	0	0	0
Disposals	0	-1,782	-1,825	0
Currency translation	0	0	0	0
As of 31 December 2022	**0**	**2,377**	**10,591**	**3,450**
Residual carrying amounts as of 31 December 2022	**35,338**	**0**	**0**	**0**

in € thousand	Domains	Software	Total
Acquisition costs			
As of 1 January 2022	**4,651**	**24,462**	**84,476**
Other additions	0	9	**9**
Disposals	-14	-707	**-4,328**
Currency translation	0	0	**0**
As of 31 December 2022	**4,637**	**23,764**	**80,157**
Accumulated depreciation			
As of 1 January 2022	**3,401**	**23,066**	**46,492**
Additions	124	654	**778**
Disposals	-14	-707	**-4,328**
Currency translation	0	0	**0**
As of 31 December 2022	**3,511**	**23,013**	**42,942**
Residual carrying amounts as of 31 December 2022	**1,126**	**751**	**37,215**

The disposals of intangible assets in the financial year 2022 relate exclusively to Gourmondo Food GmbH, which was deleted from the commercial register and deconsolidated as of April 8, 2022.

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**
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**

(11) Rights of use

in € thousand	Buildings	Technical machinery and equipments	Other equipment, factory and office equipment	Total
Acquisition costs				
As of 1 January 2022	57,075	2,064	136	59,275
Additions	20,830	0	0	20,830
Disposals	-8,121	-1,352	-136	-9,609
Currency translation	0	0	0	0
As of 31 December 2022	69,784	712	0	70,496
Accumulated depreciation				
As of 1 January 2022	15,736	982	76	16,793
Additions	8,090	259	34	8,383
Disposals	-2,792	-884	-110	-3,786
Currency translation	0	0	0	0
As of 31 December 2022	21,034	357	0	21,390
Net book values as of 31 December 2022	**48,750**	**355**	**0**	**49,106**

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**

For information on accounting for rights of use in accordance with IFRS 16, please refer to the section "Significant accounting policies". The additions in 2022 result from a newly leased warehouse and increases in rents for existing leases. The disposals in 2022 relate to machinery and containers acquired in 2022 which were previously leased. In the previous year, the disposals related to machinery in connection with the sale of Extor GmbH. Depreciation and amortization in fiscal 2022 includes impairment losses of € 1,222 thousand (previous year: € 0 thousand) due to significant structural defects in a warehouse.

(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 2022	846	21,184	19,909	41,939
Additions	0	1,423	1,169	2,592
Disposals	0	0	-155	-155
Reclassifications	0	181	-181	0
Currency translation	0	0	-1	-1
As of 31 December 2022	846	22,788	20,741	44,375
Accumulated depreciation				
As of 1 January 2022	80	16,268	17,817	34,165
Additions	20	801	797	1,618
Disposals	0	0	-155	-155
Currency translation	1	0	0	1
As of 31 December 2022	101	17,069	18,459	35,629
Amortised cost as of 31 December 2022	**745**	**5,720**	**2,282**	**8,747**

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**

Property, plant and equipment mainly includes office equipment for the rented office premises as well as tire packaging machines and warehouse equipment. In fiscal year 2021, disposals included reclassifications in connection with the planned sale of Delticom North America Inc.

(13) Deferred taxes

There are deferred tax assets of € 11,036 thousand (previous year: € 11,637 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 participation in warehouse and real estate transactions (€ 7,335 thousand, previous year: € 1,000 thousand), a rental security deposit for a warehouse (€ 0 thousand, previous year: € 5,536 thousand), receivables from subleases (€ 5,705 thousand, previous year: € 4,584 thousand), and deposits paid to the Oberzolldirektion Bern and the Eidgenössische Steuerverwaltung Bern. Currency translation was performed at the closing rate. To account for the general risk of default, other non-current receivables were impaired by € 72 thousand.

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:

	2022		2021	
in € thousand	nominal	discounted	nominal	discounted
up to 1 year	3,332	3,176	1,851	1,790
1–2 years	2,400	2,308	1,408	1,366
2–3 years	1,623	1,589	788	756
3–4 years	550	532	660	636
4–5 years	532	520	532	514
over five years	798	791	1,330	1,311
Total	**9,235**	**8,916**	**6,569**	**6,373**

Subletting resulted in other operating income of € 929 thousand (previous year: € 1,976 thousand) and interest income of € 119 thousand (previous year: € 73 thousand).

Current assets

(15) Inventories

in € thousand	2022	2021
Tyres and Accessories	41,683	40,280
Goods in Transit	1,505	6,160
Other	152	153
Total	**43,340**	**46,593**

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.

Goods in transit relate on the one hand to goods in the amount of € 221 thousand (previous year: € 4,732 thousand) for which no goods had been received as of the balance sheet date, but for which the risk had already been transferred in accordance with Incoterm, and on the other hand to goods in the amount of € 1,283 thousand (previous year: € 1,499 thousand) for which goods had already been issued from the warehouse, but for which the risk had not yet been transferred to the recipient of the goods.

In the reporting year, € 256,974 thousand (previous year: € 279,601 thousand) of inventories were recognized as an expense. The loss-free valuation resulted in valuation allowances of € 734 thousand (previous year: € 291 thousand).

(16) Accounts receivable

in € thousand	2022	2021
Accounts receivable	17,201	16,465

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	2022	2021
Refund claims from taxes	4,975	9,916
Credits with suppliers	1,235	356
Deferrals	1,452	1,494
Receivables from warehouse project	0	8,895
Other current receivables	4,231	3,918
Total	**11,893**	**24,579**

Other current receivables include € 0 thousand in receivables from derivative financial instruments (previous year: € 96 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	2022	2021
Cash	48	1
Bank balances	2,936	4,867
Total	**2,984**	**4,868**

(20) Assets held for sale

In the previous year, the assets held for sale according to IFRS 5 related to the intended sale of the shares in Delticom North America Inc, which was settled in full in fiscal year 2022. In the previous year, this item included 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. As a result, Delticom AG's subscribed capital increased to € 14,831,361.00. There were no changes in 2022.

Equity interests exceeding 10 % of voting rights

Direct capital interests exceeding 10 % of Delticom AG's voting rights exist exclusively on the part of the shareholders Binder GmbH and Prüfer GmbH, both 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.

In addition, GANÉ Aktiengesellschaft, Aschaffenburg, held a 10.05 % interest in Delticom AG as of the balance sheet date.

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

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

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 the 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 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. This pool agreement and the resulting voting right allocations continue to exist unchanged.

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. By the balance sheet date, a total of 45,791 stock options had expired from these tranches.

The vesting period for all stock options is four years, starting on the respective issue date. The stock options are earned in installments during the vesting period. 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, starting on the issue date. The prerequisite for exercising an option right is that 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 is exercised is at least 130% of the exercise price. 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.

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. The exercise prices are €17.61

(05/10/01/2017), €11.39 (05/10/01/2018) and €6.09 (28/12/2018). Expenses totaling €4 thousand were to be recognized in 2022 for the stock options from the 2014 stock option program.

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 issued option rights expire or otherwise lapse - on repeated occasions until 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 vesting period for all stock options is four years, commencing on the respective issue date, with the stock options vesting pro rata during the vesting period. The prerequisite for exercising an option right is that 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 is exercised is at least 130% of the exercise price. The other option conditions also correspond to those of the 2014 Stock Option Plan. The shares participate in profits - insofar as they arise up to the beginning of the Annual General Meeting of the Company from the beginning of the preceding financial year, otherwise from the beginning of the financial year in which they arise.

Stock options were issued for the first timeunder this action option plan in fiscal year 2022. On January 06, 2022, a total of 124,175 stock options were issued to members of the Company's Executive Board, of which 49,670 stock options expired due to the departure of Executive Board members in 2022.

The following assumptions were made to determine the fair value of the stock options issued as of January 06, 2022:

- Dividend yield: 1.25

- volatility of the shares based on historical data: 50%

- risk-free interest rate: -0.27 %

Based on this, the fair value is €3.02 per stock option. Total expenses of €129 thousand were to be recognized in 2022 for the stock options from the 2019 stock option plan.

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 will become immediately exercisable, provided that the vesting 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. There were no changes in 2022.

(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) Consolidated net loss

The loss carryforwards are recognized in the consolidated accumulated deficit. 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 €0 thousand (previous year: €42 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	31.12.2022	31.12.2021
Long term Financial Loans	50,959	42,248
Short term financial liabilities	22,619	13,874
Total	**73,578**	**56,122**

Financial debt relates to non-current and current leasing liabilities totaling € 60,843 thousand (previous year: € 50,832 thousand), as well as current annuity loans and the utilization of credit lines.

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	31.12.2022	31.12.2021
Long-term provisions	115	115
Other short-term provisions	3,838	3,565
Total	**3,953**	**3,680**

The provisions have developed as follows:

in € thousand	01.01.2022	Consumption	Resolution	Feed	31.12.2022
Other provisions long-term	115	0	0	0	115
Other provisions short-term	3,565	1,801	601	2,675	3,838
Total	**3,680**	**1,801**	**601**	**2,675**	**3,953**

Current other provisions mainly include provisions for legal risks and customer bonuses to be reimbursed, as well as 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) Other non-current liabilities

Non-current liabilities (December 31, 2022: € 6,000 thousand; previous year: € 5,000 thousand) include two bullet loans bearing a fixed interest rate of 7.25%. Reference is also made to the disclosures on related parties.

(29) Trade accounts payable

in € thousand	31.12.2022	31.12.2021
Accounts payable	53,851	84,608
thereof liabilities with associated companies and related parties (category: persons in key positions)	121	102

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	2022	2021
Financial assets at amortized cost	863	460
Financial assets and liabilities (FVTPL)	481	398
Financial liabilities at amortized cost	-1,904	-2,608
thereof net interest income	-1,040	-2,148

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 31.12.22**	Balance sheet valuation according to IFRS 9			**Fair value 31.12.22**
			Amortized cost (AC)	Fair value not affecting income (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**2,984**	2,984	0	0	**2,984**
Accounts receivable	AC	**17,201**	17,201	0	0	**17,201**
Other receivables - current	AC	**2,290**	2,290	0	0	**2,290**
Receivable from sublease	n/a	**8,881**	0	0	0	**8,881**
Other receivables - non current	AC	**7,848**	7,848	0	0	**7,911**
Derivative financial assets	FVTPL	**0**	0	0	0	**0**
		39,204	**30,323**	**0**	**0**	**39,267**
Liabilities						
Other non-current liabilities	FLAC	**6,000**	6,000	0	0	**6,252**
Accounts payable	FLAC	**53,851**	53,851	0	0	**53,851**
Other current liabilities	FLAC	**3,647**	3,647	0	0	**3,647**
Other original financial liabilities	FLAC	**12,736**	12,736	0	0	**12,736**
Derivative financial liabilities	FVTPL	**795**	0	0	795	**795**
Leasing liabilities	n/a	**60,843**	0	0	0	**60,843**
		137,872	**76,234**	**0**	**795**	**138,124**

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 (FVOCI)	Fair value affecting income (FVTPL)	
Assets						
Cash and cash equivalents	AC	**4,868**	4,868	0	0	**4,868**
Accounts receivable	AC	**16,461**	16,461	0	0	**16,461**
Other receivables - current	AC	**11,283**	11,283	0	0	**11,283**
Receivable from sublease	n/a	**6,374**	0	0	0	**6,374**
Other receivables - non current	AC	**7,025**	7,025	0	0	**5,158**
Derivative financial assets	FVTPL	**96**	0	0	96	**96**
		46,107	**39,637**	**0**	**96**	**44,240**
Liabilities						
Other non-current liabilities	FLAC	**5,000**	5,000	0	0	**5,761**
Accounts payable	FLAC	**84,608**	84,608	0	0	**84,608**
Other current liabilities	FLAC	**5,214**	5,214	0	0	**5,214**
Other original financial liabilities	FLAC	**5,290**	5,290	0	0	**5,290**
Derivative financial liabilities	FVTPL	**218**	0	0	218	**218**
Leasing liabilities	n/a	**50,832**	0	0	0	**50,832**
		151,162	**100,112**	**0**	**218**	**151,923**

The above table has been adjusted in the prior-year figures. Assets and liabilities that are not attributable to financial instruments are no longer listed. Other financial instruments have been added.

The fair value of other non-derivative financial liabilities relates to short-term 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.

The fair value of the fixed-interest other non-current liabilities is calculated as the present value of the future cash flows for interest and principal repayments based on an interest rate in line with the market. This is therefore a Level 3 fair value.

The fair value of cash and cash equivalents, current receivables, trade payables and other current financial assets and liabilities approximates their carrying amount due to their short remaining term. The carrying amount of derivative financial instruments corresponds to their fair value.

The fair value of non-interest-bearing non-current receivables is calculated as the present value of future cash flows based on an interest rate in line with the market. This is therefore a Level 3 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 any impairment losses on these assets recognized at the balance sheet date. As the counterparties to derivatives are reputable financial institutions, the Group assumes that they will meet their obligations.

We have classified the financial instruments in the held-for-trading category in the amount of € 0 thousand (2021: € 96 thousand) and in the held-for-trading category in the amount of € 795 thousand (2021: € 0 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 using the market interest rate with an equivalent maturity. As the interest rate terms approximate the market level, the carrying amount of the financial debt approximates 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 fiscal year 2022.

Net gains and losses on financial assets measured at amortized cost include changes in impairment losses, gains and losses on disposal, cash inflows, reversals of impairment losses on loans and receivables originally impaired, and currency translation adjustments.

Net gains and losses on financial assets and liabilities whose fair value is recognized in 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 mainly relate to credit balances from customers, sales 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 € 795 thousand in liabilities from derivative financial instruments (previous year: € 218 thousand) due within one year.

All current liabilities are due within one year.

in € thousand	31.12.2022	31.12.2021
Sales tax (VAT)	7,170	5,696
Customer credits	3,647	5,214
Social security contributions	180	152
Income and church tax	152	88
Other current liabilities	1,688	3,021
Total	**12,837**	**14,171**

The amounts reported for other current liabilities as of December 31, 2021 have been adjusted in 2022 to the extent that the advance payments received of €5,273 thousand reported here are now presented as contract liabilities in a separate line in the statement of financial position. Further information on contract liabilities from advance payments received is presented under section (1) Revenue from contracts with customers.

(32) Liabilities held for sale

In the previous year, liabilities held for sale according to IFRS 5 related to the intended sale of the shares in Delticom North America Inc, which was settled in full in fiscal year 2022. In the previous year, this item included 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	31.12.2022	31.12.2021
Order commitments for goods	64,391	76,948
Other financial commitments	33,180	51,744
Total	**97,571**	**128,692**

In the previous year, other financial obligations included those 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. This relates to a lease agreement for a warehouse in Lower Saxony, the use of which commenced in 2022 and runs for 8 years.

Other financial obligations include two leases with terms of between ten 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 effects if receivables or payables in the currencies shown had increased or decreased in value by 10% against the euro. The figures are earnings before income taxes.

Currency	1 Euro = unit FX (as of 31.12.2022)	Result +10% in €	Result -10% in €	Net exposure
CHF	0.9877	-52,834	52,834	-528,342
DKK	7.4364	12,309	-12,309	123,089
GBP	0.8867	-2,231	2,231	-22,313
NOK	10.5191	-3,250	3,250	-32,502
PLN	4.6826	-92,570	92,570	-925,702
RON	4.946	0	0	0
RUB	77.9165	-16,472	16,472	-164,723
SEK	11.1317	-20,780	20,780	-207,798
USD	1.0674	-1,225,607	1,225,607	-12,256,071
Others	n/a	84,191	-84,191	841,912

Currency	1 Euro = unit FX (as of 31.12.2021)	Result +10 % in €	Result -10 % in €	Net exposure in €
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	-1,312	131,217
USD	1.1372	-2,026,887	2,026,887	-20,268,868
Others	n/a	31,204	-31,204	312,038

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: € 60 thousand), a decrease in interest rates by 10 basis points results in a gain of € 60 thousand (previous year: € 0 thousand). The sensitivity analysis included both bank balances and variable-interest financial liabilities.

Liquidity risk

At the end of the financial year 2021, the follow-up financing of the company was secured by signing a syndicated loan agreement with a term of two years plus an extension option. This was preceded by the successful completion of the operational restructuring in the summer of the corresponding year. 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 current agreement, the Company has an obligation to comply with financial covenants relating to net gearing, equity and minimum liquidity. As of December 31, 2022, the covenant with regard to the net gearing ratio as well as the minimum liquidity was complied with. However, the agreed equity covenant was slightly missed. As part of the extension of the syndicated loan agreement, new covenants were agreed on the basis of the updated corporate planning.

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					
2022	Book value	**Total**	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Overdrafts	12,736	**12,736**	12,736	0	0	0	0
Bank loans	6,000	**7,136**	73	1,363	363	5,337	0
Leasing liabilities	60,840	**65,262**	1,813	9,063	9,358	20,974	24,054
Accounts payable trade	53,848	**53,848**	53,848	0	0	0	0
Derivative financial liabilities	0	**0**	0	0	0	0	0

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	52,090	**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

Credit risk

Delticom supplies goods to trading companies with varying credit ratings. With regard to some customers, there may be temporary concentrations of risk which could represent a burden on the group's earnings and liquidity position. Delticom has therefore 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 € 8,739 thousand (previous year: € 6,837 thousand). The deductible for credit-insured receivables is 10%.

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	2022	2021
Expenses for the complete derecognition of receivables	-499	-1,051
Income from receipts on receivables written off	110	65

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 31.12.2022	17,200	9,065	5,968	952	956	3,075	2,816
Value adjustment rate in %		0.4	2.8	10.8	28.1	82.0	
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	

To account for the general credit risk for other non-current receivables not past due (€ 13,980 thousand), impairment losses totaling € 507 thousand were also recognized.

The change in the allowance ratios mainly results from the changed economic conditions, which necessitate an adjustment of the historically observable default rates. In addition, a macroeconomic scaling factor was introduced to take into account higher default expectations (in particular for longer periods of outstanding debt) due to current recession expectations and inflation developments. The tightening of the impairment model based on findings from the review of actual defaults (backtesting) also resulted in the changed impairment rates

Receivables older than 90 days are impaired and given 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 and other non-current receivables developed as follows:

in € thousand	2022	2021
Write-downs – balance on January 1	**3,808**	**2,858**
Additions (expenses for write-downs)	2,662	3,290
Reversals	-588	-80
Use of write-downs	-2,558	-2,260
Write-downs – balance on December 31	**3,324**	**3,808**

The valuation allowances for trade receivables are determined according to the lifetime expected loss model. Additions for allowances include additions for other non-current receivables not past due (€ 507 thousand), calculated according to the 12-month expected loss model.

Related party disclosures

With regard to the persons in key positions (Executive Board and Supervisory Board), we refer to the comments on "Governing 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 2,176,061, 14.67 % interest)
- Prüfer GmbH (number of shares 4,374,910, 29.5 % interest)

The interests in Delticom AG are attributable to Rainer Binder, Hanover, via Binder GmbH, and Andreas Prüfer, Hanover, via Prüfer GmbH and Seguti GmbH, in accordance with Section 34 I sentence 1 no. 1 of the WpHG. In addition, there is an agreement between Binder GmbH and Prüfer GmbH within the meaning of Section 34 II sentence 1 WpHG (voting rights agreement).

In January 2022, Mr. Rainer Binder granted Delticom AG a bullet loan of € 1.0 million via Binder GmbH with a term of 24 months, an interest rate of 7.25% and a signing fee of 4.0% of the loan amount.

Sale of goods:

in € thousand	2022	2021
to associated companies and related parties (category: persons in key positions)	1	1

Purchase of goods and services:

in € thousand	2022	2021
to associated companies and related parties (category: persons in key positions)	0	0

All transactions with related parties are conducted on an arm's length basis.

Executive bodies

The Company's corporate bodies are the Annual General Meeting, the Supervisory Board and the Management Board. In fiscal year 2022, the Management Board consisted of the following members:

- Alexander Eichler, Ilmenau: Distribution logistics, process/quality management, supply chain management, warehouse
- Philip von Grolman, Hemmingen: Car Dealership Business, Category non Tyres Products, Purchasing, Pricing
- Thomas Loock, Kleve (until May 10, 2022): Accounting, Controlling, Treasury, Corporate Communication, Human Resources, Legal Affairs
- Torsten Pötzsch, Pfaffing (until Sept. 30, 2022): Sales, Marketing, Shop Management/Shop IT
- Dr. Andreas Prüfer, Hanover: Wholesale/Supplier Management, Real Estate Management, Sales & Marketing eCommerce
- Dr. Johannes Schmidt-Schultes, Waldbronn (from Sept. 1, 2022): Accounting, Controlling, Treasury, Corporate Communication, Human Resources, Legal Affairs

During fiscal year 2022, the Supervisory Board was composed as follows:

- Alexander Gebler, Chairman of the Supervisory Board: Lawyer, Hanover
- Michael Thöne-Flöge, Vice Chairman of the Supervisory Board: Entrepreneur, Hanover. Mr. Thöne-Flöge is a member of a control body comparable to a supervisory board, in the administrative board at Opticland GmbH, Nuremberg.
- Karl-Otto Lang, Supervisory Board member: Managing Director, Wiesbaden

In January of fiscal year 2023, the following changes occurred in the Supervisory Board:

Mr. Alexander Gebler resigned from his position as Chairman and member of the Supervisory Board with effect from January 06, 2023.

Mr. Karl-Otto Lang then assumed the position of Chairman of the Supervisory Board. Mr. Michael Thöne-Flöge continues as Deputy Chairman.

With effect from January 07, 2023, Ms. Dr. Andrea Hartmann-Piraudeau, entrepreneur, was appointed as the third member of the Supervisory Board by the Hanover Local Court.

Compensation of the executive bodies

The Supervisory Board was granted compensation of €150 thousand (previous year: €150 thousand) for the financial year 2022. This exclusively comprises fixed short-term compensation without performance-related components. In the 2022 financial year, the remuneration of Supervisory Board members Michael Thöne-Flöge amounted to €45 thousand (previous year: €45 thousand), Alexander Gebler to €70 thousand (previous year: €70 thousand) and Karl-Otto Lang to €35 thousand (previous year: €35 thousand).

The remuneration of the members of the Managing Board of Delticom AG is based on the remuneration system approved by the Annual General Meeting on April 30, 2012, as well as the new remuneration system adopted at the Annual General Meeting on May 11, 2021. The remuneration of the Managing Board is generally composed of fixed and variable remuneration.

The fixed compensation is a non-performance-related basic compensation including fringe benefits. The fringe benefits include rent paid in 2022, social security costs and costs of double budgeting.

The variable compensation is structured as a performance-related 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 the key performance indicators "Group revenue" 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 (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 performance bonus, Executive Board members 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 based on the applicable stock option plan (SOP 2012) in the event of extraordinary performance.

Under the 2021 and 2021 compensation systems, members of the Executive Board may receive long-term variable share-based compensation (SOP 2021) in addition to fixed salary and short-term variable compensation based on the achievement of performance targets.

The total compensation of the Executive Board for fiscal year 2022 amounts to €1,775 thousand. In addition, a severance payment of €500 thousand is to be taken into account due to the premature termination of Mr. Pötzsch's service contract. The total compensation of the Board of Management includes basic compensation including fringe benefits, other salary components totaling €1,894 thousand, performance bonuses totaling €50 thousand, and discretionary bonuses totaling €106 thousand. Furthermore, stock options totaling €225 thousand were granted to Executive Board members. The compensation of the Board of Management is as follows:

Board member	Fixed remuneration				Variable remuneration			Total remuneration
	Basic remuneration	Fringe benefits	Other	Total fixed remuneration	Performance bonus	Discretionary bonus		
In Tsd. €						cash	Granting of stock	
Philip von Grolman	260	5	35	300	12	6	75	393
Andreas Prüfer	427	5	0	432	8	0	75	515
Torsten Pötzsch	195	19	500	714	0	0	0	714
Thomas Loock	110	9	0	119	4	0	0	123
Alexander Eichler	220	5	0	225	4	100	75	404
Johannes Schmidt-Schultes	100	4	0	104	23	0	0	126
	1,312	**47**	**535**	**1,894**	**50**	**106**	**225**	**2,275**

The basic remuneration, fringe benefits (with the exception of employer contributions to pension insurance), other salary components and the discretionary cash bonus are short-term benefits. At Thomas Loock, the fringe benefits include employer contributions to pension insurance (post-employment benefits) of €3 thousand.

The compensation of the members of the Board of Management breaks down into the following categories as follows:

in € thousand	
Services due in the short term	1,528
Benefits after termination of employment	500
Other long-term benefits	22
Benefits due on the occasion of termination of employment	0
share-based payments	225
	2,275

Accruals for Executive Board compensation amount to €22 thousand (non-current) and €101 thousand (current).

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

	AOP 2012			AOP 2019	
	1st tranche	2nd tranche	3rd tranche	1st tranche	Total stock 31.12.2022
	1/5/2017	1/10/2018	12/28/2018	1/6/2022	
Philip von Grolman	8,000	8,000	8,000	24,835	48,835
Andreas Prüfer	8,000	8,000	8,000	24,835	48,835
Alexander Eichler	0	0	0	24,835	24,835

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

	AOP 2012			AOP 2019
	Fair value 1st tranche 1/5/2017	Fair value 2nd tranche 1/10/2018	Fair value 3rd tranche 12/28/2018	Fair value 1st tranche 1/6/2022
Philip von Grolman	30,000	23,040	15,280	75,002
Andreas Prüfer	30,000	23,040	15,280	75,002
Alexander Eichler	0	0	0	75,002

The fair values per share at the respective grant dates were € 3.75 (Jan. 5, 2017), € 2.88 (Jan. 10, 2018), € 1.91 (Dec. 28, 2018) and € 3.02 (Jan. 6, 2022).

The exercise prices are € 17.61 (Jan. 05, 2017), € 11.39 (Jan. 10, 2018), € 6.09 (Dec. 28, 2018) and € 6.59 (Jan. 06, 2022).

Due to the departure of former Executive Board members, 16,000 stock options each from the 1st and 2nd tranches and 5,000 stock options from the 3rd tranche of the 2012 stock option program have expired. A further 8,791 stock options expired due to the departure of Delticom AG employees. In addition, 49,670 stock options of the 1st tranche of the stock option program 2019 have expired due to the departure of members of the Management Board in 2022.

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

Dividend

On May 10, 2022, the Annual General Meeting resolved not to pay a dividend for fiscal year 2021 and to carry forward the accumulated loss for 2021 of €27,453 thousand.

Proposal for the appropriation of profits

The Executive Board proposes not to pay a dividend for the fiscal year 2022.

Exempting Consolidated Financial Statements

Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Tirendo 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:

	Fixed capital interest %	
Name, registered office	2022	2021
Direct		
All you need GmbH, Berlin	100	100
DeltiCar SAS, Paris (France)	100	100
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
Extor GmbH, Hannover	100	na
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

Under an agreement dated January 14, 2022, DCNA and its subsidiaries Gigatires LLC and Tireseasy LLC were sold. In this connection, non-recurring income of €3.8 million was realized, of which €0.9 million from the disposal of minority interests in equity.

Gourmondo Food GmbH was deleted from the commercial register and deconsolidated on April 8, 2022.

Delticom AG repurchased all shares in Extor GmbH. With effect from June 30, 2022, Delticom AG thus acquired a controlling interest in the company.

Auditor's fees

In 2022, the following fees were recorded for the auditor PricewaterhouseCoopers GmbH, Hanover:

in € thousand	2022
Audits of the financial statements	533
Other confirmation and valuation services	38
Tax consultancy services	0
Other services	0
Total	**571**

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 remuneration report.

Notes to the cash flow statement

The consolidated statement of cash flows has been prepared in accordance with IAS 7. It is used to assess the extent to which the Group generates cash and cash equivalents. The cash flows are divided into cash flows from operating activities, investing activities and financing activities. The presentation of cash flows from operating activities is based on the so-called indirect method, under which the net profit for the year is modified by non-cash transactions. Cash and cash equivalents comprise cash on hand and bank balances.

in € thousand	12/31/2021	Cash changes	Non-cash changes		31.12.2022
			Reclassifications Maturities	Acquisitions/ disposals recognized directly in equity	
Loans	5,000	1,000	0	0	6,000
Short term bank loans	5,290	7,446	0	0	12,736
Leasing liabilities	50,832	-9,804	0	19,812	60,840
Total	**61,122**	**-1,358**	**0**	**19,812**	**79,576**

in € thousand	31.12.2020	Cash changes	Non-cash changes		31.12.2021
			Reclassifications Maturities	Additions to leasing liabilities	
Long term bank 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**

The cash changes in lease liabilities include cash interest of € 724 thousand (previous year: € 594 thousand).

Supplementary report

In March of the current financial year, the company extended the syndicated loan agreement until December 20, 2024. In this connection, the financing facility was reduced by a further €20 million from €60 million to €40 million. The financing interest rate was increased by 0.5% from 3.5% to 4.0% (margin 1). This margin 1 is added to the corresponding reference interest rates (€ STR or 3-month Euribor) in the event of a credit line being drawn.

There were no other events of particular significance after the end of the financial year.

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, 2022, 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, 2022 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, 2022.

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, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022, 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, 2022. 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 € 95.1 million (48.7 % of the balance sheet total or 239.6 % of equity). The goodwill reported under intangible assets amounts to € 35.3 million.

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

Goodwill is tested for impairment at Group level and thus at the level of a group of cash-generating units. The impairment test of other intangible assets with determinable useful lives, rights of use and property, plant and equipment is performed at the level of the cash-generating units to which the respective asset is allocated. The basis for this test is the present value of the future cash flows of the respective cash-generating unit or group of cash-generating units to which the respective assets are allocated. This present value is compared with the carrying amount of the respective cash-generating unit or group of cash-generating units as the recoverable amount in the impairment test. In the impairment test of goodwill, the carrying amount includes the goodwill. In the first step, the present value is generally determined on the basis of the fair value less costs to sell.

The present value is determined using discounted cash flow models, whereby the Group's five-year operating plan prepared by the legal representatives and acknowledged by the Supervisory Board represents the starting point and is extrapolated using assumptions about, for example, long-term growth rates in order to depict a sustainable situation (so-called "perpetual annuity"). 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. 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 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, the content of the audited group management report disclosures 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 due to fraud (i.e. accounting manipulation and asset misappropriation) 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 about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 fraudulent acts or errors 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 assess the risks of material misstatement of the consolidated financial statements and the group management report, 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.

- 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, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the group management report as a whole.
- we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of adequate and suitable audit evidence, we perform in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant findings of the audit, including any significant 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, where relevant, the actions taken or safeguards implemented to eliminate independence threats.

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. 3a HGB

Declaration of non-issuance of an audit opinion

In accordance with Section 317 (3a) HGB, we were engaged to perform a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the group management report to be prepared for disclosure purposes (hereinafter also referred to as "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") as required by Section 328 (1) HGB.

We do not express an audit opinion on the ESEF documents. Due to the significance of the matter described in the section "Basis for not expressing an opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

Basis for the declaration of non-issuance of an audit opinion

As the legal representatives have not submitted any ESEF documents to us for audit by the time of issuing the audit opinion, we do not express an opinion on the ESEF documents.

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 process of 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 responsibility is to perform an audit of the ESEF documents in accordance with Section 317 (3a) HGB and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Due to the circumstances described in the section "Basis for the explanation of the non-issuance of an audit opinion", we have not been able to obtain sufficient appropriate audit evidence as a basis for an audit opinion on the ESEF documents.

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 10, 2022. We were assigned by the Supervisory Board on December 21, 2022. We have been the auditors of the consolidated financial statements of Delticom AG, Hanover, without interruption since fiscal year 2019.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the audit is Jens Wedekind.

Hanover, 30 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jens Wedekind 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 2022 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 2022 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

The compensation of the Management Board members was originally based on a compensation system adopted in 2012, which is presented in the following section. In fiscal year 2021, a new compensation system was resolved by the Annual General Meeting. This is explained in more detail in section 2.3. In 2022, the compensation system resolved in 2021 was further developed. These adjustments are presented in section 2.4.

The compensation taken into account in 2022 was paid in accordance with the 2012 compensation system described below and the compensation systems adopted in 2021 and 2022.

The compensation of the Management Board members Torsten Pötzsch, Philip von Grolman and Andreas Prüfer (until June 2022) was based on the compensation system adopted in the financial year 2021. Philip von Grolman also receives the performance bonus according to the 2012 compensation system. For Johannes Schmidt-Schultes and Andreas Prüfer (from July 2022), compensation was paid in accordance with the compensation system adopted in the financial year 2022. Affected by this in 2022 were in each case the amendment and payment of the fixed compensation of the aforementioned Management Board members. The payments of variable compensation under the new compensation systems will not be made until 2023. The compensation of Alexander Eichler and Thomas Loock continued to be paid under the 2012 compensation system in 2022.

2.2. Compensation system 2012

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. Accordingly, the compensation of the Management Board was 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 (€ 500,000.00 per Management Board member). If this is the case, the performance and discretionary bonuses are reduced pro rata up to this limit.

In the event of premature termination of Management Board membership without serious cause, Management Board members receive, including fringe benefits, the value of a maximum of two years' compensation (severance payment cap) and no more than the remaining term of the employment contract would result in. With regard to the 2012 compensation system, this regulation continues to be relevant only for Alexander Eichler.

Option rights

Taking into account the specifications on the key features of the 2014 stock option program (SOP) 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 10.01.2018	3rd tranche 28.12.2018	Option rights granted	Expired	Stock of option rights 31.12.2022
Susann Dörsel-Müller	8,000	8,000	8,000	24,000	-21,000	3,000
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	-16,000	0

The exercise price of the respective tranche is € 17.61 (1st tranche), € 11.39 (2nd tranche SOP) and € 8.02 (3rd tranche).

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 21,000 stock options held by her in 2020 (10,000 share options with a value of € 25,255.00 (in each case fair value at grant date)), 2021 (6,500 share options with a value of € 24,375.00) and 2022 (4,500 share options with a value of € 8,595.00) have expired in accordance with the stock option plan. Due to the withdrawal of Thierry Delesalle in 2019, all stock options held by him (16,000 in total) in 2019 (11,000 share options with a value of € 35,595.00), 2021 (3,500 share options with a value of € 13,125.00) and 2022 (1,500 share options with a value of € 4,320.00) respectively have expired 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). This stock option plan also applies to the 2021 and 2022 compensation systems. 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.

By way of a resolution dated December 10, 2021, the Supervisory Board of Delticom AG introduced a stock option plan for members of the company's Management Board (stock option program 2022). On this basis, the Supervisory Board of Delticom AG then resolved on January 6, 2022 to issue 24,835 option rights each to the members of the then Management Board Alexander Eichler, Philip von Grolman, Thomas Loock, Torsten Pötzsch and Andreas Prüfer in accordance with the option conditions of the 2022 stock option plan.

The following stock options were granted to the following members of the Mangement Board in 2022:

	1st tranche 06.01.2022	Option rights granted	Expired	Stock of option rights 31.12.2022
Philip von Grolman	24,835	24,835	0	24,835
Andreas Prüfer	24,835	24,835	0	24,835
Alexander Eichler	24,835	24,835	0	24,835
Thomas Loock	24,835	24,835	-24,835	0
Torsten Pötzsch	24,835	24,835	-24,835	0

The exercise price of the tranche is € 6.59. The fair value per share option at the grant date is € 3.02.

In accordance with the termination agreements of Thomas Loock and Torsten Pötzsch, the option rights granted at the beginning of 2022 expired in full upon their respective departure.

At the end of the financial year 2022, the following Management Board members therefore have stock options from the two stock option plans:

		SOP 2012		SOP 2019	
	1st tranche 05.01.2017	2nd tranche 05.01.2018	3rd tranche 28.12.2018	1st tranche 06.01.2022	Total stock 31.12.2022
Philip von Grolman	8,000	8,000	8,000	24,835	48,835
Andreas Prüfer	8,000	8,000	8,000	24,835	48,835
Alexander Eichler	0	0	0	24,835	24,835
Susann Dörsel-Müller	0	0	3,000	0	3,000

No stock options have yet been exercised by the entire Management Board from the 2012 and 2019 stock option programs.

2.3. Changes of the compensation system in 2021

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. The total target compensation based on a target achievement level of 100 % is as follows for the individual Management Board members (The target compensation of the other Management Board members is presented in section 2.4. in connection with the 2022 compensation system):

Member of the Management Board	Target compensation			
	Fixed compensation	Short-term variable compensation	Share-based payment	Total
Philip von Grolman	260,000.00	70,000.00	75,001.70	405,001.70

The value of the long-term share-based compensation is measured based on the actual allocation made in 2022.

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 and additional expenses for double housekeeping due to the change of the main 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:

- At least 65 % of the net income 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 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, as with the compensation system from 2012, 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 € 500,000.00 (Mr. von Grolman) for the members 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 event of premature termination of service on the Management Board by mutual agreement without serious cause, Management Board members receive as compensation the basic compensation plus the bonuses actually received in the last fiscal year before termination and any long-term share-based compensation granted. Retiring Management Board members receive the value of a maximum of two years' compensation including fringe benefits (severance payment cap) and no more than the remaining term of the employment contract would result in. The compensation payment is reduced by 10 % if the remaining term of the appointment is still more than six months.

In the fiscal year 2021, following the reorganization of the compensation system or the resolution of the Annual General Meeting on May 11, 2021, the respective Management Board contracts for Management Board members Torsten Pötzsch and Philip von Grolman were revised or extended with effect from January 1, 2022. The compensation system 2021 therefore applies to these Management Board members. In 2022 the fixed compensation of this group of persons presented in this report is therefore based on the compensation system 2021.

2.4 Changes to the compensation system in 2022

In fiscal year 2022, there were further changes to the compensation system for the members of the Management Board in order to further develop the compensation system concluded in the previous year. By resolution of the Annual General Meeting on May 10, 2022, Delticom AG's compensation system was accordingly restructured in fiscal year 2022. As of this date, the new compensation system will apply to all new or renewed Management Board contracts.

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 level 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 contracts or contracts up for renewal, whose share of total compensation breaks down as follows:

- Fixed compensation (basic compensation and fringe benefits) – 40 to 60 %.
- Short-term variable compensation (bonus) – 15 to 25%.
- Long-term variable share-based compensation – 25 to 35 %.

The share of long-term share-based variable compensation in the target total compensation must always be greater than the share of short-term variable compensation in the target total compensation.

The target total compensation based on a target achievement level of 100 % is as follows for the individual Management Board members:

Member of the Management Board	Target compensation			
	Fixed compensation	Short-term variable compensation	Share-based payment	Total
Andreas Prüfer	426,527.76	102,500.00	75,001.70	604,029.46
Johannes Schmidt-Schultes	100,000.00	33,333.33	0.00	133,333.33

The value of the long-term share-based compensation is measured based on the actual allocation made in 2022.

In the case of Andreas Prüfer, the compensation system to be taken into account for the target compensation in 2022 is, on the one hand, the compensation system in 2021 and, on the other hand, the compensation system in 2022 due to the adjustment of the service agreement at the beginning of July 2022.

The target compensation for the first half of 2022 is based on the compensation system adopted in 2021. The target compensation for the full calendar year 2022 was based on a fixed compensation of € 325,000.00 and a short-term variable compensation of € 70,000.00. Share-based compensation was paid in the amount of € 75,001.70.

In the second half of 2022, the contract was adjusted in line with the newly adopted 2022 compensation model so that the total target compensation is now as follows: The target fixed compensation in the 2nd half of 2022 is € 540,000.00 per full calendar year and the short-term variable compensation is € 135,000.00. No new stock options were granted in 2022.

Mr. Schmidt-Schultes' target compensation includes the respective pro-rata amount since he joined Delticom AG on September 1, 2022. No share-based compensation was granted, as the cut-off date for the allocation of stock options for the members of the Management Board was before Mr. Schmidt-Schultes joined Delticom AG.

No target amounts were set for Alexander Eichler as he is still compensated according to the 2012 compensation model. Mr. von Grolman is represented in connection with the 2021 compensation model.

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 Management Board receive **fringe benefits** in line with standard market practice. Such fringe benefits include, for example, allowances for insurance, payment of car expenses, and additional expenses for double budgeting due to the change of the main 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 strengthening growth in the core business while operating profitably and efficiently.

The short-term variable compensation is based on the following performance parameters and is weighted as follows:

- Group revenues growth at 20 %,
- Group EBT at 50 % and
- individual targets at 30 %

At the end of each fiscal year, the Supervisory Board will determine the target achievement both in terms of Group revenues growth and Group EBT on the basis of the approved consolidated financial statements and in terms of the individual performance criteria, and aggregate them to form a weighted average. By multiplying the respective individual target compensation of the Management Board member for the short-term variable compensation by the weighted average of target achievements, the amount paid out to the respective Management Board member is calculated.

To this end, the Supervisory Board sets values for each individual performance criterion before the start of the financial year corresponding to target achievement of 0 %, 100 % and 150 %. The value for the respective performance criterion set by the Supervisory Board at 0 % is the minimum threshold that must be exceeded for the performance criterion in question to be included at all in the calculation of the short-term variable compensation. If this value is missed, the performance criterion in question does not contribute to the short-term variable compensation by multiplication with the factor 0 %. The target value for the respective performance criterion is equal to 100 %. Similarly, the Supervisory Board sets a maximum value for each performance criterion at 150 %, above which no further compensation is to be paid. There is a linear STI straight line between 0 % and 150 %.

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 members of the Management Board are granted stock options annually as early as possible within a financial year, taking into account the relevant issue periods. The number of stock options is determined by the Supervisory Board at its due discretion, taking into account the target total compensation and the intended ratio of the individual compensation components.

With their four-year vesting period, the stock options represent long-term variable share-based compensation with a multi-year assessment basis. As with the 2012 compensation system, they thus contribute to the long-term development of the Company and link the compensation of the Management Board with the interests of the shareholders. Due to the four-year waiting period and the requirement to achieve the performance target, the long-term positive development of the Delticom share price is rewarded.

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.

Here, the total compensation to be granted for a financial year, i.e. the total of all compensation contributions expended by the Company for the financial year in question, including fixed salary, variable compensation and fringe benefits, is limited in the sense of a maximum compensation. This amounts to € 1,000,000.00. The calculation basis is the expenses of the Company for a financial year, irrespective of when the actual payment of the respective amounts is made.

In the event of premature termination of service on the Management Board by mutual agreement without serious cause, Management Board members receive as compensation the basic compensation plus the bonuses actually received in the last fiscal year before termination and any long-term share-based compensation granted. Retiring Management Board members receive the value of a maximum of two years' compensation including fringe benefits (severance payment cap) and no more than the remaining term of their employment contract would result in. The compensation payment is reduced by 10% if the remaining term of the appointment is still more than six months.

In the fiscal year 2022, following the reorganization of the compensation system and the resolution of the Annual General Meeting on May 10, 2022, the respective Management Board contracts for Management Board members Andreas Prüfer (from July 2022) and Johannes Schmidt-Schultes were revised. The new compensation system 2022 therefore applies from the effective date of the contract. In 2022, the fixed compensation of Mr. Schmidt-Schultes presented in this report is thus based on the new compensation system 2022 and for Mr. Prüfer there is a pro rata consideration of the compensation system from July 2022.

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.

A new compensation system for the Supervisory Board was resolved 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 € 35,000.00. The compensation of the Chairman of the Supervisory Board is € 70,000.00, that of the Vice Chairman € 45,000.00. This compensation already applied to the Supervisory Board for the full fiscal year 2021.

4. Compensation of the Management Board in 2022

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 2022 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 2022. The payments made to the members of Delticom AG's Management Board in 2022 were not yet made in accordance with the 2021 compensation system with regard to variable compensation, but in accordance with the compensation system adopted in 2012.

The compensation granted to the Management Board breaks down as follows within the meaning of § 162 AktG (in €):

Management Board member	Fixed compensation 2022				Variable compensation				Total compensation	Ratio of fixed to variable compensation
						Discretionary bonus				
	Basic compensation	Fringe benefits	Others	Total fixed compensation	Performance bonus	Bonus/Discretionary bonus	Granting of stock options	Total variable compensation		
Philip von Grolman	259,999.92	4,961.04	34,986.45	299,902.41	57,706.23	6,239.37	75,001.70	138,947.30	438,849.71	70:30
Andreas Prüfer	426,527.76	5,497.32	300.00	432,325.08	0.00	0.00	75,001.70	75,001.70	507,326.78	85:15
Torsten Pötzsch (withdrawn as of 30.09.2022)	194,999.94	19,046.16	500,300.00	714,346.10	17,808.37	120,000.00	0.00	137,808.37	852,154.47	84:16
Thomas Loock (withdrawn as of 10.05.2022)	110,437.75	8,981.68	0.00	119,419.43	125,406.27	0.00	0.00	125,406.27	244,825.70	49:51
Alexander Eichler	219,999.96	4,904.40	300.00	225,204.36	5,540.56	100,000.00	75,001.70	180,542.26	405,746.62	55:45
Johannes Schmidt-Schultes (entry as of 01.09.2022)	100,000.00	3,823.76	300.00	104,123.76	0.00	0.00	0.00	0.00	104,123.76	100:0
	1,311,965.33	47,169.36	536,186.45	1,895,321.14	206,461.43	226,239.37	225,005.10	657,705.90	2,553,027.04	74:26

4.1. Fixed compensation

Fixed compensation relates to both payments and expenses in fiscal year 2022. Ancillary expenses include rent and social security costs paid in 2022. In the case of Mr. Pötzsch, Mr. Loock and Mr. Schmidt-Schultes, double housekeeping is also taken into account with € 1,000.00 per month.

For Philip von Grolman, subsequent calculations were made for employer contributions to social security and pension insurance for previous years, which is presented in other fixed compensation.

Andreas Prüfer acted as a corporate body for Delticom AG with effect from January 1, 2022 on the basis of a new service agreement. In the previous year, Mr. Prüfer received his compensation as part of a consulting agreement.

Effective May 10, 2022, Thomas Loock resigned from his position as a member of Delticom AG's Management Board. In addition to the fixed compensation accrued until May 10, 2022, Mr. Loock received a variable bonus for the calendar year 2021 in the amount of € 125,046.27 (gross). For calendar year 2022, Mr. Loock will receive a pro rata performance-related bonus, payable in May 2023. All stock options expire upon Mr. Loock's withdrawal.

Torsten Pötzsch resigned from his position as a member of Delticom AG's Management Board effective September 30, 2022. In addition to the fixed remuneration accrued until September 30, 2022, Mr. Pötzsch received a severance payment of € 500,000.00 due to the premature termination of his service agreement. No variable compensation is owed for 2022 in accordance with the termination agreement. All stock options expire upon Mr. Pötzsch's departure.

The remaining other fixed compensation relates to the energy flat rate of € 300.00 each.

4.2. Variable compensation

The variable compensation received by the Management Board members in accordance with the previous 2012 compensation agreement in 2022 is presented below.

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 2022 based on developments in fiscal years 2019, 2020 and 2021.

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 €, 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 €, 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:

in € thousand	2021	2020	2019
Group revenues	585,374	541,261	625,754
Group EBT	4,947	2,590	-41,054

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 €), whereby these starting amounts were partially adjusted individually in previous years due to the respective entry dates:

Management Board member	Component	Individual amount in euros = factor	Product for payment in 2022 based on revenues, EBT 2021 = initial amount 2021	Product for payment in 2022 based on revenues, EBT change 2021 = initial amount 2020	Product for payment in 2022 based on revenues, EBT change 2021 = initial amount 2019
Philip von Grolman	Revenues	4,500.00	52,684.00	48,713.00	56,318.00
	Group EBT	4,500.00	8,904.00	4,662.00	0.00
Thomas Loock	Revenues	5,000.00	58,537.00	44,605.00	16,719.00
	Group EBT	6,000.00	11,872.00	32,242.00	0.00
Alexander Eichler	Revenues	625.00	7,317.00	4,335.00	0.00
	Group EBT	625.00	1,237.00	3,532.00	0.00

As of 2022, Mr. Prüfer has a new Management Board compensation contract in accordance 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 2022 based on revenues, EBT 2021 = initial amount 2021	Product for payment in 2022 based on revenues, EBT change 2021 = initial amount 2020	Product for payment in 2022 based on revenues, EBT change 2021 = initial amount 2019
Philip von Grolman	Revenues	4,500.00	17,561.00	16,238.00	18,773.00
	Group EBT	4,500.00	2,968.00	1,664.00	0.00
Thomas Loock	Revenues	5,000.00	19,512.00	14,868.00	5,573.00
	Group EBT	6,000.00	3,957.00	10,747.00	0.00
Alexander Eichler	Revenues	625.00	4,239.00	1,445.00	0.00
	Group EBT	625.00	412.00	1,177.00	0.00

Due to the withdrawal of Thomas Loock, the one-third rule no longer applied in 2022 and was paid out in full.

In determining the amount to be paid out for the performance bonus of the respective Management Board member for fiscal year 2022, Group revenues and Group EBT for fiscal years 2019, 2020 and 2021 are ultimately to be used, taking into account the bonus/malus provision. These developed as follows:

in € thousand	2021	2020	2019
Group revenues	585,374	541,261	625,754
Group EBT	4,947	2,590	-41,054
Development of revenues in 2020		108,2 %	93,5 %
Factor revenues	1/3	1/3, thereof 1,164	1/3, thereof 0,87
Development of Group EBT in 2020		191,0 %	-12,0 %
Factor Group EBT	1/3	1/3, thereof 1,25	1/3, thereof 0,88

This results in compensation per Management Board member with regard to the performance bonus as follows:

in €	Multi-year variable compensation Performance bonus	Payment in 2022 based on revenues, EBT 2021 = first third from 2021	Payment in 2022 based on revenues, EBT change 2021 = second third 2020	Payment in 2022 based on revenues, EBT change 2021 = third third 2019	+ 1st third from 2021 entitlement + 2nd third from 2020 entitlement + 3rd third from 2019 entitlement
Philip von Grolman	Revenues	17,561.23	18,884.63	16,349.81	57,706.23
	Group EBT	2,968.06	1,942.50	0.00	
Thomas Loock*	Revenues	58,537.44	34,583.66	4,291.13	125,405.26
	Group EBT	11,872.23	16,120.80	0.00	
Alexander Eichler	Revenues	2,439.06	1,806.40	0.00	5,540.57
	Group EBT	412.23	882.88	0.00	
					188,652.06

*Full settlement of the performance bonus for 2021 and earlier

Torsten Pötzsch received a discretionary bonus totaling € 137,808.37 in 2022 after the Annual General Meeting for his services relating to the successful completion of special projects in the marketing area and relating to the Group EBT.

Alexander Eichler received two discretionary bonuses in the course of optimisations in process and quality management as well as the implementation of process improvements in the management of the Corona pandemic of € 50,000.00 each in 2022.

Philip von Grolman received a non-cash benefit of € 6,239.37 for the successful completion of the sale of the Delticom North America group.

Discretionary bonuses in the form of **option rights** were issued to the members of the Management Board in fiscal year 2022 (see explanations in section 2.2.).

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 (€ 500,000.00 or € 1,000,000.00). If this were mathematically the case, the performance bonus would be reduced pro rata up to this limit.

Compliance with the maximum compensation for 2022 under the compensation system resolved in 2021 and 2022 totaling € 500,000.00 and € 1,000,000.00 respectively (total of all compensation components expended by the Company for a fiscal year) cannot yet be verified at present, as the variable compensation will not be paid out until 2023.

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	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
Management Board member					
Philip von Grolman	51.4	-2.7	-2.6	-1.9	0.3
Andreas Prüfer	-9.6	-19.6	16.3	-2.3	0.3
Thomas Loock	-40.7	26.7	219.6	100.0	-
Alexander Eichler	-100.4	39.0	100.0	-	-
Torsten Pötzsch	221.5	100.0	-	-	-
Johannes Schmidt-Schultes	100.0	-	-	-	-
Harald Blania	-100.0	44.9	100.0	-	-
Member of the Supervisory Board					
Alexander Gebler	68.0	100.0	0.0	-	-
Michael Thöne-Flöge	-100.0	225.0	0.0	0.0	0.0
Karl-Otto Lang	740.0	100.0	0.0	-	-
Development of the company					
Net income of Delticom AG	-474.6	-20.2	106.4	-1,356.8	-164.7
Revenues	-13.0	8.2	-13.5	-3.1	-3.3
Group EBT	-35.7	91.0	106.3	-9,737.1	-74.3
Average salary of employees on a full-time basis					
Employees	9.4	2.1	3.3	-1.0	3.5

Thomas Loock was appointed to the Management Board of Delticom AG in 2019 and left the company in 2022. Harald Blania and Alexander Eichler were appointed to the Management Board in 2020, Torsten Pötzsch in 2021. Harald Blania and Torsten Pötzsch left Delticom AG in 2021 and 2022 respectively. 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.

Thomas Loock receives pro rata performance-related compensation for the calendar year 2022, payable in May 2023. There are no further commitments to members of the Management Board in connection with the termination of their Management Board activities in 2022 either for former or active members of the Management Board of Delticom AG.

5. Compensation of the Supervisory Board in 2022

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. Payments were made in fiscal year 2022 for 2021.

In fiscal year 2022, the following amounts were granted to the members of the Supervisory Board:

- Alexander Gebler (Chairman) – € 70,000.00 for 2021
- Michael Thöne-Flöge (Vice Chairman) – no payments
- Karl-Otto Lang – € 35,000.00 for 2021

Mr. Thöne-Flöge already received his compensation for 2021 in the financial year 2021.

Supervisory Board compensation for 2022 totaling € 150,000.00 was paid out at the beginning of 2023.

6. Resolution by the Annual General Meeting

At the Annual General Meeting of Delticom AG on May 10, 2022, the compensation report for the fiscal year 2021, which was prepared and audited in accordance with Section 162 of the German Stock Corporation Act, was approved by 87.5 %. For this reason, the structure of the compensation report was retained in its previous form.

The Annual General Meeting 2023 of Delticom AG will pass a resolution on the approval of this compensation report for the fiscal year 2022, which has been prepared and audited in accordance with Section 162.

Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Group revenues (€ million)	509.29	585.37	541.26	625.75	645.72	667.70	606.60	559.79	501.70	505.54	456.38
Group EBITDA (€ million)	15.00	17.09	15.04	-6.64	9.00	9.30	15.10	14.28	15.29	22.18	35.31
EPS (€/share)	0.19	0.49	0.55	-3.27	-0.13	0.09	0.36	0.28	0.24	0.97	1.87
Number of shares outstanding (million)	14.83	14.83	12.46	12.46	12.46	12.46	12.46	11.95	11.95	11.86	11.85
Dividend per share (€/share)**	0.00	0.00	0.00	0.00	0.00	0.10	0.50	0.50	0.25	0.50	1.90
Number of employees	183	174	196	261	235	185	156	129	247	179	144
Number of partner garages (thousand)*	30.00	34.00	38.00	39.00	40.00	43.00	43.90	41.90	39.30	36.00	33.30
Number of shops*	351	359	410	519	469	453	387	245	163	137	128
Number of customers (customer base, thousand)*	18,284	17,432	15,945	14,940	13,601	12,230	10,879	9,583	8,319	7,314	6,160

* Number at the closing date 31.12.

** Dividend per share paid for fiscal year

Financial Calendar

12.05.2023	3-monthly notification
21.06.2023	Annual General Meeting
10.08.2023	6-monthly report
09.11.2023	9-monthly notification
27.–29.11.2023	German Equity Forum Frankfurt

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Publisher

Delticom AG
Brühlstraße 11
30169 Hanover
Germany

Contact Investor Relations

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