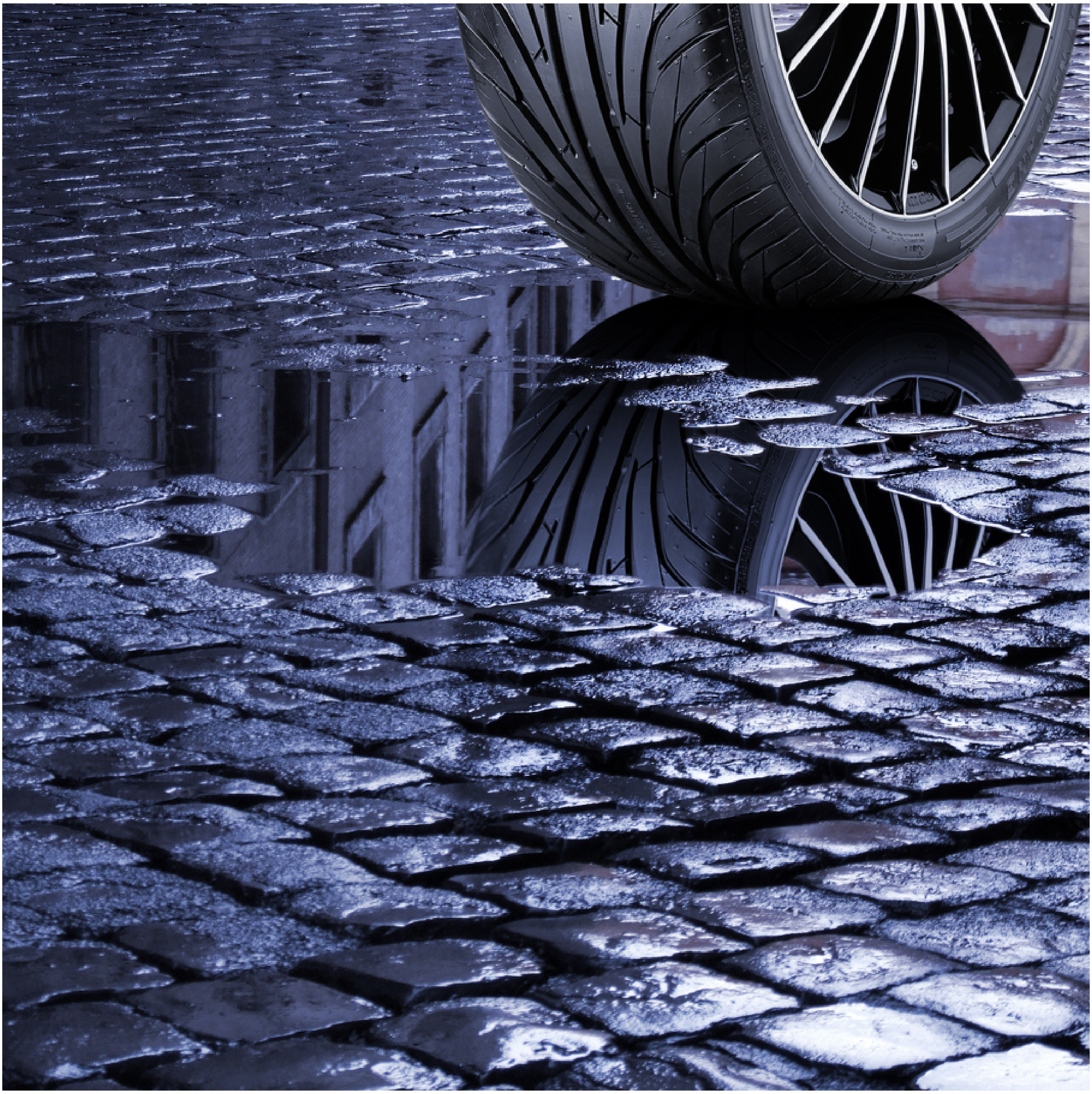

Annual Report 2013

DELTICOM
Aktiengesellschaft

Profile

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

Customers enjoy all the advantages of modern E-Commerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in two business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 37,000 service partners (8,800 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key Figures

		01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012	–/+ (%, %p)
Revenues	€ million	505.5	456.4	+10.8
Total income	€ million	510.9	460.1	+11.0
Gross margin[1]	%	24.8	25.7	–1.0
Gross profit	€ million	130.6	121.2	+7.8
EBIT	€ million	17.8	32.6	–45.3
EBIT margin[2]	%	3.5	7.1	–3.6
Net income	€ million	11.6	22.2	–47.9
Earnings per share[3]	€	0.97	1.87	–47.9
Total assets	€ million	177.0	156.4	+13.2
Inventories	€ million	72.8	74.1	–1.7
Investments[4]	€ million	1.3	1.3	–0.7
Capital Employed[5]	€ million	64.6	65.6	–1.4
Return on Capital Employed[6]	%	27.6	49.8	–22.2
Equity	€ million	51.7	62.6	–17.5
Equity ratio	%	29.2	40.1	–10.9
Return on equity	%	22.4	35.4	–13.0
Liquidity position[7]	€ million	11.3	46.2	–75.5
Operating cash flow	€ million	8.1	61.3	
Free cash flow[8]	€ million	–35.2	60.2	

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

Highlights 2013

Revenues of

€ 505.5 million

(2012: € 456,4 million, +10,8%)

In the E-Commerce segment

€ 493.1

million

revenues (2012: € 441.4 million, +11.7%)

Consolidated net income

€ 11.6 million.

€ 0.97 earnings per share (undiluted)

Planned dividend of

€ 0.50

per share
(previous year: € 1.90)

For the first time more than

1.000.000

new customers.

More than

500,000

customers made a repeat purchase with us.

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Letter to Our Shareholders

Dear shareholders, colleagues and friends,

The year 2013 was an extremely exciting and successful one for Delticom. In a difficult market environment, we increased revenues by 10.8 % to € 505.5 million, reaching the half-a-billion-euro mark for the first time in the history of the company. As in previous years, revenue growth was predominantly driven by an increasing willingness among customers to buy online. In our E-Commerce core segment, revenues came in at € 493.1 million, up 11.7 % year on year from € 441.4 million.

In some European countries, there are still huge variations in the online sales channel's share of the tyre trade. Experts estimate that no more than 8 % of tyres sales in Europe are completed online. However, E-Commerce is increasingly gaining a foothold in retail – and the tyre trade is no different. In a study it recently published, the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e.V.) believes that there is further potential for growth in online tyre retail: by 2020, 15 to 22 % of tyres could be sold online in Germany.

As a market leader in a growing sales channel, we want to play a major role in shaping the market of the future and set new standards in online tyre retail in Europe. To do so, we must remain innovative, dynamic and flexible in order to adapt to constantly changing market conditions and take advantage of any growth opportunities that may arise. In the past financial year, one of these opportunities was the acquisition of Tirendo, a rapidly growing online tyre retailer based in Berlin.

With Tirendo on board, we have strengthened our company in key business areas and put Delticom on solid footing for future growth. The Tirendo team in Berlin not only adds supplementary market development and customer acquisition skills to the Delticom Group, it also has a state-of-the-art infrastructure to aid technical process mapping.

TV advertising campaigns with Sebastian Vettel as a brand ambassador have played a major role in helping Tirendo to establish itself as a rapidly growing company within a very short period of time. In only its second full year of existence, Tirendo generated revenues of € 43.7 million in the 2013 financial year, € 17.8 million of which in the final quarter. With this result, Tirendo already contributed significantly to Delticom's sales growth in the fourth quarter of 2013. Excluding Tirendo, the Delticom Group generated revenues of € 484.8 million in 2013, a rise of 6.2 % year on year. As a result, both Delticom and Tirendo once again succeeded in growing faster than the market in 2013.

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

Tirendo's online shops allow us to address additional customer groups. These customer groups will now also be able to benefit from our Group's established sales and logistics network, just like the customers of the Delticom shops. Together, Delticom and Tirendo can offer customers tailor-made services. This is one of the reasons why we succeeded in setting new records in terms of customer numbers in 2013. More than 1 million customers used the Delticom and Tirendo online shops for the first time to purchase tyres last year. Records were also broken in terms of returning customers in 2013. Last year, over half a million customers returned to take advantage of our comprehensive range of services.

Despite the acquisition of Tirendo, the original Delticom Group continues to have a robust balance sheet and high profitability. Excluding Tirendo and one-off expenses in relation to the acquisition, such as legal and consulting costs, Delticom would have generated revenues of € 484.8 million and EBIT of € 26.3 million in 2013. The EBIT margin before the acquisition of Tirendo, excluding one-off acquisition-related effects, therefore stood at 5.4 % in 2013, down from 7.1 % in 2012.

Although the net income generated in the 2013 financial year of € 11.6 million or € 0.97 per share was significantly down on the previous year's figure, Delticom remains highly profitable. This is a vital factor if we are to pursue our growth course moving forward and maintain the upper hand over our competitors.

In Tirendo, we have acquired a driver of growth that will make a key contribution to the success of the company in the medium term. We acknowledge that Tirendo's growth course will continue to have a negative impact on earnings in the Delticom Group over the next two years as planned.

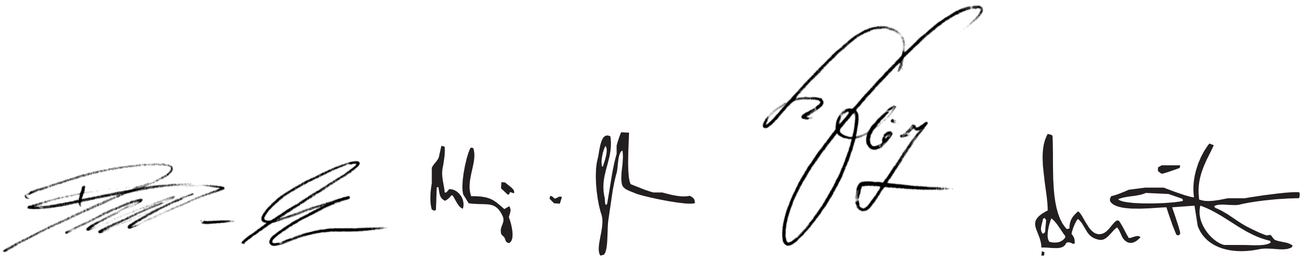
For this financial year, we anticipate revenue growth of 10 %, even in the case that there is no noticeable improvement in market and weather conditions compared to last year. In absolute terms, our target for earnings before interest, taxes, depreciation and amortisation is to match at least 2013 figures.

At the Annual General Meeting on 29.04.2014, the Management Board and Supervisory Board will propose a dividend of € 0.50 per share. This equates to roughly one-third of distributable earnings. The remainder will be used in the financial year to reduce our financial debt to banks as well as to invest in growth at Tirendo and corresponding advertising measures.

We are convinced that we will be in a good position to overcome the challenges that lie ahead with a healthy mixture of continuity and new ideas. What's more, we are confident that Delticom will continue to grow at a rate above the market trend.

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

Hanover, 20 March 2014



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

Report of the Supervisory Board

Dear Shareholders,

during the past fiscal year, the Supervisory Board fulfilled its tasks and duties, in accordance with legal requirements and Delticom's articles of incorporation. We advised and supervised the Management Board regularly. Furthermore, we were involved in all decisions of material importance to the company. On a regular basis, we dealt intensively with the net assets, financial position and the results of operation as well as with the company's risk management. We received written reports on a monthly basis. Scope and contents of the reports had been defined beforehand. The Supervisory Board was routinely informed about the course of business and major business events. Furthermore, the Supervisory Board took the opportunity to engage the Management Board in lively exchanges of information and ideas. As in the years before we also had regular telephone calls and meetings with individual members of the Management Board to discuss current events and developments.

In addition, outside of the meetings the members of the Supervisory Board provided consulting to the Management Board. In instances where decisions were needed to be made quickly we took them in circulation procedure. Our resolutions were passed unanimously in the period under review with the exception of the resolutions of the meetings of 10.01.2013, 15.09.2013 and 03.12.2013, where Mr. Prüfer abstained from voting.

In 2013, the Supervisory Board was made up of Mr Andreas Prüfer (Chairman), Mr Michael Thöne-Flöge (Deputy Chairman) and Mr Alan Revie. The Supervisory Board has not established any committees in the sense of Section 107(3) of the AktG (German Public Limited Companies Act), because this was considered unnecessary in light of only three Members.

Meetings of the Supervisory Board

There were four regular and three extraordinary Supervisory Board meetings in 2013. Each of the meetings were attended by all members. Five resolutions were passed by way of written circulation procedure.

At the meeting on 19.03.2013 we concerned ourselves with the financial statements and management reports of Delticom AG and the Group, as well as with the appropriation of the balance sheet profit. A further topic was the annual corporate governance statement and the declaration of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda for the Shareholders' General Meeting on 30.04.2013.

At the meeting on 30.04.2013 we discussed with the Management Board the company's course of business and the risk management, among other things.

At the third meeting on 20.08.2013, the Management Board reported on the Group's current business and financial positions following the conclusion of the second quarter of the financial year 2013. We also conducted the efficiency audit of our work using a catalogue of questions – as recommended by section 5.6 of the German Corporate Governance Code.

At the last regular meeting on 19.11.2013 we reviewed and approved the medium-term and investment planning for Delticom AG. The Board also discussed the current company's risk management system in detail.

The only agenda item that we considered at the extraordinary meeting on 15.09.2013 was the approval to enter into and implement the purchase and assignment agreement relating to all shares in Tirendo Holding GmbH along with shareholder loans. The essentially final draft of the purchase and assignment agreement, and further extensive information to prepare for the decision relating to this transaction, were submitted to us in good time before the meeting. The Supervisory Board shares the Management Board's view that the acquisition of the Tirendo Group makes strategic sense for Delticom, and will generate considerable synergy effects. Mr. Prüfer abstained from voting.

At the extraordinary meeting on 03.12.2013, and at Mr. Binder's request, we approved the early termination of his office as Management Board member as of 31.12.2013, and the conclusion of a termination agreement relating to the Management Board service agreement between him and the company. We also approved the conclusion of a supplementary agreement relating to the Management Board service agreement between Mr. Philip von Grolman and the company, and a supplementary agreement relating to the Management Board agreement between Mr. Sascha Jürgensen and the company. We also reached a decision concerning the granting of a discretionary bonus to Mr. Jürgensen.

At the same meeting, Mr. Andreas Prüfer was also appointed to be a member of the company's Management Board with effect as of 01.01.2014, and was also appointed Co-CEO. In addition, the Supervisory Board approved the conclusion of a Management Board service agreement with Mr. Andreas Prüfer. Mr. Prüfer abstained from voting on the resolution relating to his appointment as a Management Board member, his appointment to be Co-CEO, and the conclusion of a Management Board service agreement with him.

At the extraordinary meeting on 16.12.2013, the Supervisory Board approved the early termination of the office of Mr. Frank Schuhardt as a Management Board member, and to conclude a termination agreement relating to the Management Board service agreement between Mr. Frank Schuhardt and the company.

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

By way of written resolution-taking, on 10.01.2013 we approved the consulting agreement between the company and Prüfer Immobilien 2 GmbH (renamed in TADUV GmbH on 07.08.2013), Graz, Austria, whose managing director and majority shareholder is Mr. Andreas Prüfer. This consulting agreement includes services outside the scope of activities for which Mr. Prüfer is responsible as a Supervisory Board member. Mr. Prüfer abstained from voting on this resolution.

On 22.01.2013, the Supervisory Board approved by way of written resolution-taking the founding of a direct subsidiary in Brazil, on 05.09.2013 the founding of an indirect subsidiary in North America, and on 19.11.2013 the founding of RD Reifendirekt GmbH & Co KG, and the adoption of the position of limited partner by Delticom AG. Also by way of written resolution-taking, on 18.12.2013 we approved the transfer to Delticom AG of various intangible assets and contracts of Tirendo Holding GmbH.

Corporate Governance

On 19.03.2013, together with the Management Board, we issued a declaration stating that all Delticom’s activities are in conformity with Section 161 of the German Corporate Governance Code. The declaration has been made permanently available on the Delticom AG web page www.delti.com/CG and will be updated every year after the accounts review meeting of the Supervisory Board.

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

The Supervisory Board reports as follows about conflicts of interest that arose in the 2013 financial year, and how they were handled:

As already explained, on 10.01.2013 the Supervisory Board approved by way of written resolution-taking the consulting agreement between the company and Prüfer Immobilien 2 GmbH (renamed in TADUV GmbH on 07.08.2013), Graz, Austria, whose managing director and majority shareholder is Mr. Andreas Prüfer. This was announced to the Supervisory Board in good time before this agreement was concluded. This consulting agreement includes services outside the scope of activities for which Mr. Prüfer is responsible as a Supervisory Board member. Mr. Prüfer abstained from voting on this resolution.

Purely by way of caution, and for good corporate governance reasons, Mr. Prüfer also abstained at the meeting on 15.09.2013 from the passing of the resolution by the company's Supervisory Board relating to the approval of the entering into and implementation of a purchase and assignment agreement relating to all shares in Tirendo Holding GmbH, along with shareholder loans. This occurred given the purchase agreement as of 17.09.2013 between Prüfer GmbH, whose majority shareholder and soul managing director Mr. Prüfer is, and Binder GmbH, on the one hand, and Rally GmbH, a wholly-owned subsidiary of European Media Holding AG, on the other hand, relating to 500,000 shares in Delticom AG, and the options granted to Prüfer GmbH by Binder GmbH and Rally GmbH to acquire up to a further 1,634,697 shares in Delticom AG. European Media Holding AG was namely one of the shareholders of Tirendo Holding GmbH from which Delticom AG acquired the shares in Tirendo Holding GmbH, and the shareholder loans granted to Tirendo Holding GmbH.

At the extraordinary Supervisory board meeting on 03.12.2013, Mr. Prüfer abstained from voting due to being personally involved to the extent that it concerned his appointment to be member of the company's Management Board with effects as of one 01.01.2014, his appointment to be the Co-CEO, and the conclusion of a Management Board service agreement between him and the company.

Rendering of accounts

The meeting with the auditor to discuss its audit reports of the financial statements was held on 07.03.2014. The auditor identified no errors, going-concern risks, or infringements against either the law or the articles of incorporation.

In its accounts review meeting on 18.03.2014 the Supervisory Board discussed in detail the documentation relating to the financial statements and the auditor‘s report. Particular attention was paid to the annual financial statements of Delticom AG (prepared according to the regulations of the HGB – German Commercial Code), and the consolidated financial statements of the Delticom Group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of which had a reporting date of 31.12.2013. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2013 fiscal year as well as the dependent company report. The auditor’s reports, the annual financial statements for the AG and the consolidated financial statements prepared by the Management Board, the dependent company report and the management reports for Delticom AG and for the group as well as the Management Board’s proposal for the use of net retained profits were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, audited the annual financial statements. There are no concerns regarding the auditor’s independence.

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

As part of its assessment of the risk management system, the auditor confirmed that the Management Board had implemented the measures required pursuant Section 91 Paragraph 2 of the German Stock Corporation Act (AktG) for identifying risks which could jeopardise the company as a going concern at an early juncture. At the meeting on 18.03.2014 representatives of the auditor were present, to report on key audit results, and to be available to provide supplementary information to the Supervisory Board. Independently of the auditors, the Supervisory Board reviewed the annual financial statements, the consolidated financial statements, the management reports and the dependent company report. The Supervisory Board followed the views of the auditors fully. With this, the annual financial statements of Delticom AG have been adopted. The Supervisory Board has followed the Management Board's proposal for the appropriation of the net retained profits.

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

Hanover, 18 March 2014

Rainer Binder

Management Report of Delticom AG

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Group fundamentals

Since it’s foundation in 1999, Hanover-based Delticom has significantly grown in revenues and profits, both in Germany and abroad. Today the company is Europe's leading online tyre retailer. The E-Commerce division operates 137 online shops in 42 countries.

Organisation

Delticom is a relatively streamlined company with an average of 179 employees. We are supported by partners in the warehouses and transportation logistics. Manual routine work is outsourced to operation centres. The highly automated business processes form a company-wide, scalable value chain.

Legal Structure

The following section lists the subsidiaries that are fully consolidated in the consolidated financial statements as of 31.12.2013:

- Reifendirekt GmbH, Hanover (Germany)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Delticom Tyres Ltd., Oxford (United Kingdom)
- NETIX S.R.L., Timisoara (Romania)
- Delticom North America Inc., Benicia (California, USA)
- Wholesale Tire and Automotive Inc., Benicia (California, USA)
- Tirendo Holding GmbH, Berlin (Germany)
- Tirendo Deutschland GmbH, Berlin (Germany)
- RD Reifendirekt GmbH & Co. KG, Hanover (Germany)

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

Delticom AG owns 100 % of the shares in Delticom North America Inc. and its new subsidiary Wholesale Tire and Automotive Inc., founded on 19.07.2013.

Corporate Governance

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

Supervisory Board

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

Management Board

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

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

External factors influencing the course of business

Vehicle stock, mileage, replacement cycle

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

Currently there are more than 242 million cars on Europe's roads and highways. The average age of this vehicle stock is around 8 years. Approximately 60 % of these cars are less than 10 years old. Today, vehicles are ever more durable and longer lasting. As a result, even in case of declines in new car registrations, the number of vehicles being driven will continue to increase in years to come.

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

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

Price and mix

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

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

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

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

Weather-dependend demand

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

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

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

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

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

Regulatory effects

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

EU tyre labelling

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

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

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

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

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

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

DEX

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

Competitive position

Low barriers to entry

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

First mover

As "first-mover", we have established good business relationships with manufacturers and wholesalers in Europe over recent years. Based on current Internet revenues, Delticom is significantly larger than its competitors and unlike them active in all of Europe. This allows us to react rapidly to regional differences in supply and demand. Furthermore, the mix of stock-and-ship and drop-ship fulfilment helps to balance out demand fluctuations.

Streamlined value chain

Because we focus on online trading, we have no need for physical sales outlets with labour-intensive on-site service. Delticom maintains a tightly-knit network of more than 37,000 professional fitting partners who stand ready to change our customers' tyres on request.

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

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

Market environment

Replacement tyre market

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

Europe, where the bulk of Delticom's activity takes place, accounts for roughly one-third of global tyre demand. A further third is sold in North America, while Asian markets provide another 20 % of total world sales. Demand for replacement tyres in Europe is concentrated in five main markets: Germany, France, Great Britain, Italy and Spain. Taking unit sales and weighting with average tyre prices, the European market volume relevant to Delticom amounts to well above € 12 billion.

Tyre distribution chain

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

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

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

Online tyre dealing

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

However, the share of tyre sales made online is still relatively low. Experts estimate that online tyre sales have accounted for not much more than 6 % of European sales to end customers in 2013.

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 close to 10 %. There is, however, striking potential, as it is evident from a study conducted by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.). For the coming years the industry experts predict further growth potential: until 2020, the proportion of tyres sold online could rise up to 15 to 22 percent.

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

Important business processes

Purchasing

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

Customer acquisition

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

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

Customer Capital

Since the company's founding more than 7.3 million customers have made purchases in our online shops (previous year: 6.1 million, double counting not excluded). The customer base also includes the total number of new customers gained by Tirendo in 2013 of 189 thousand. Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances.

Warehousing

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

Transportation logistics

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

Ordering process and order processing

At Delticom, the individual steps of the business processes are triggered largely by internally developed software. Some of the order processing and responding to customer enquiries has been outsourced to operations centres.

Products

Replacement tyres

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

Seasonal product ranges

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

Innovative products

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

Accessories and spare parts

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

Business Model

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

E-Commerce

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 137 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt.

In the German speaking internet community ReifenDirekt and Tirendo are well-known brands.

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

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

The group offers its product range in 42 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, focusing mainly on the USA and, since 2010 also on Asia.

Wholesale

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

Employees

254 employees

On 31.12.2013, the company employed a total of 254 employees. 144 of them (incl. trainees) worked for Delticom and the remaining 110 for Tirendo in Berlin. In the reporting period on average 179 staff members were employed at Delticom (previous year: 144). This calculation is based on the number of employees taking into account the number of hours worked.

Education and training

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

We offer training to junior staff both in business and IT areas. 4 young people started an on-the-job training at Delticom AG last year. A total of 10 trainees were employed as of the end of 2013 (previous year: 12).

Individual responsibility

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

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

IT infrastructure

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

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

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

Compensation System

The Supervisory Board is responsible for determining the structure of the compensation system as well as the compensation of the individual members of the Management Board. The Supervisory Board reviews the appropriateness of the compensation system on a regular basis. In its meeting of 20 March 2012, the Supervisory Board of Delticom decided to adopt a new system for compensation of the members of the Management Board of Delticom AG, one which satisfies the requirements of the Act on the Appropriateness of Management Board Compensation (VorstAG). The Annual General Meeting on 30.04.2013 approved this new compensation system. The Management Board’s remuneration comprises three components:

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

The performance-related components for all the members of the Management Board are based on Delticom AG’s revenue and operating results. Payments are made over an extended period of time in order to focus the compensation structure on sustainable corporate growth, and the delayed compensation components are subject to a bonus-malus system designed to be sustainable. In addition, Mr. Schuhardt, member of the Management Board until 31.12.2013, was allowed to participate in a stock option program as a variable component with a long-term incentive. As in the previous year, none of the members of the board were granted advances on their salaries or given loans during 2013.

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

Corporate Governance Statement

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

Company Management and Strategy

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

Management by Objectives

Financial objectives

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

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

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

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

Liquidity

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

Non-financial objectives

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

Customer numbers

Custom number trends exert a significant impact on the company's revenues and earnings. Accordingly, the success and efficiency of marketing measures are closely controlled in our daily business. In 2013 the number of 1,153 thousand new customers was higher than in 2012 (850 thousand). This figure includes the 189,000 new customers acquired by Tirendo in the 2013 financial year. Customers who purchased for the first time at both Delticom and Tirendo were offset. In addition, customers who repeatedly come back contribute to the success of the business. In the past year 534 thousand of those customers (2012: 472 thousand, +13.2 %) made repeat purchases at Delticom. As Tirendo is a young company, the number of repeat buyers is comparatively low. As a consequence, we have not yet included these in the calculation for 2013.

Ability to deliver

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

Order processing

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

Efficient warehouse handling

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

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

Strategy

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

Focus

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

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

Online only

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

Optimised sourcing

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

Liquidity management

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

Reliable partners

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

Wholesale

The company does not anticipate any significant growth in the wholesale division over the coming years. The division nevertheless allows the company to pursue important strategic objectives. Firstly, Delticom obtains market intelligence from the global tyre markets. Secondly, the company can also move larger volumes in a short period of time, allowing it to rapidly establish itself in new countries.

Research and Development

Proprietary software

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

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

Test markets

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

Report on economic position

General conditions in 2013

Growth in the global economy remained lacklustre in the past financial year, though in Europe the economic mood increasingly began to brighten over the course of the year. However, the real economy failed to benefit from this trend in 2013. Unemployment remains at a high level in many places, slowing down private consumption in many parts of Europe. The much hoped-for upturn in the replacement tyre business largely failed to materialise last year. On the heels of a significant sales slump in 2012, demand still remained comparatively weak in 2013.

Macroeconomic development

Europe

While the eurozone remained mired in recession in the first half of the year, the economy bottomed out in the further course of the year. However, the employment situation remained tense in many places, placing a damper on private consumer spending.

Germany

For yet another year, the German economy has performed above average compared to other European economies. Private consumption benefited in particular from the robust labour market as well as waning inflation.

Sectoral developments

Replacement tyre business

After two weak years in a row, the hoped-for upturn in the tyre trade failed to materialise in 2013.

Renewed disappointment in summer tyre sales

Last year, the summer tyres sales season remained weak throughout Europe. In its first assessment for Germany, the wdk (German Rubber Manufacturers Association) expects the volume of summer tyres to fall by 10.4 %.

Mild winter

Due to milder temperatures at the end of the year and reticence among many European motorists to buy, there was again less demand for winter tyres in 2013 than the year before.

Business performance and earnings situation

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

Tirendo

Initial situation

The share of tyres sold online is still relatively low compared to other product categories. However, buying online offers many advantages: Short delivery times, attractive prices and a large selection of products, even at peak times.

As a first mover, Delticom opened ReifenDirekt.de, one of Germany's first online tyre shops, as early as 2000. With more than 7.3 million customers in 42 countries, the company today is the market leader in a growing sales channel.

Tirendo

Tirendo was founded in October 2011 and launched the tyre portal Tirendo.de in Germany in March 2012. The Berlin-based team has quickly established Tirendo as a fast-growing online retailer of tyres. The brand is already enjoying a high level of recognition, not least due to TV campaigns with four-time Formula 1 world champion Sebastian Vettel, who serves as Tirendo brand ambassador.

In addition to the complementary approaches in terms of digital branding and customer acquisition, Tirendo runs a state-of-the-art IT infrastructure to execute its processes. This enables Tirendo to offer a broad selection in its shops and to swiftly and flexibly expand its product range. Today, Tirendo offers its customers not only car tyres, but also motorcycle tyres, complete wheels, rims and accessories.

Tirendo is active in ten European countries and generated in 2013 revenues of € 43.7 million (2012: € 7.1 million).

Synergies

Tirendo complements Delticom’s existing shop portfolio with another strong brand. The acqusition will allow us to target additional consumer groups. As part of the Delticom Group, Tirendo has access to the extensive industry and logistical network of the Delticom Group in Hanover. As a result, European car drivers will benefiit even more from the advantages and simplicity of a purchase in our online shops.

Over the coming years we will make use of the complementary strengths of Delticom and Tirendo throughout the entire value chain to achieve a good balance between growth and profitability.

Revenues

Group

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

The table *Revenues by division* shows a multi-year comparison of the revenues in the two segments *E-Commerce* and *Wholesale*:

Revenues by division

in € thousand

	2013	%	+%	2012	%	+%	2011	%
Revenues	**505,542**	**100.0**	**10.8**	**456,379**	**100.0**	**–4.9**	**480,010**	**100.0**
Primary Segments								
E-Commerce	493,106	97.5	11.7	441,424	96.7	–3.1	455,647	94.9
Wholesale	12,436	2.5	–16.8	14,955	3.3	–38.6	24,363	5.1
Regions								
EU	383,592	75.9	14.0	336,479	73.7	–9.5	371,673	77.4
Rest	121,950	24.1	1.7	119,900	26.3	10.7	108,338	22.6

Over the course of 2013, Delticom generated revenues of € 505.5 million, an increase of 10.8 % from prior-year's € 456.4 million.

E-Commerce

Revenues in the E-Commerce division with its 137 online shops increased year-on-year by 11.7 %, from € 441.4 million to € 493.1 million. This includes the generated revenues of Tirendo of € 20.7 million since acquisition date. The share of E-Commerce revenues amounted to 97.5 %, compared to 96.7 % in the previous year.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. In the reporting period divisional revenues decreased by 16.8 % to € 12.4 million, after prior-year revenues of € 15.0 million.

Regional split

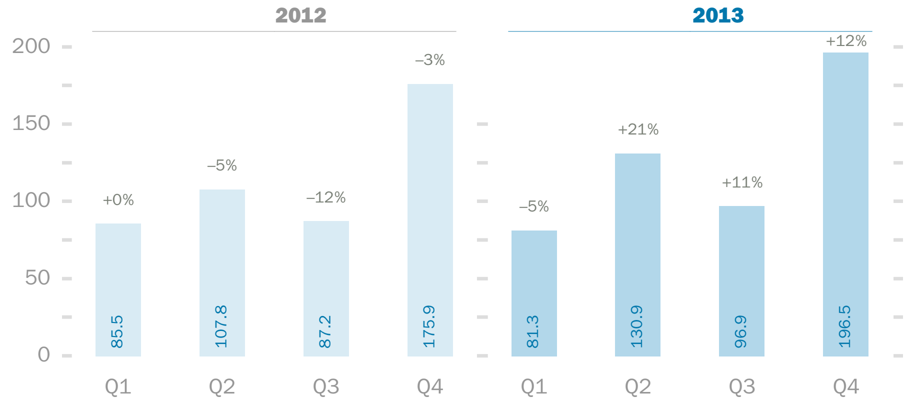
The group offers its product range in 42 countries, with the majority of sales in EU countries. Revenues in those countries totalled € 383.6 million (+14.0 %). Operations in Europe are not restricted to EU member states but also include European non-EU countries. Delticom also sells tyres outside Europe, especially in the USA. Across all countries outside the EU the revenue contribution for 2013 was € 122.0 million (+1.7 %).

Seasonality

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

Revenues trend

quarterly revenues in € million



1st quarter

Thanks to persistent snowfalls Delticom was able to record a substantial rise in winter tyres sales at the start of the year. However, winter tyre business in general represents only a small proportion of total replacement sales in Q1. Low temperatures lasting well into March prevented many drivers from making an early switch to summer tyres. In the first quarter, Delticom generated revenues of € 81.3 million (Q1 12: € 85.5 million) – a decrease of 4.9 %.

2nd quarter

With rising temperatures summer tyre sales in April saw some rebound. Despite this catch-up effect, summer tyre business in the second quarter was yet again disappointing for the European tyre trade. In the second quarter, Delticom was able to generate revenues of € 130.9 million (Q2 12: € 107.8 million) – an increase of 21.5 % compared to the previous year.

3rd quarter

The European replacement market continued to lag expectations in the third quarter. Against this market trend, Delticom generated revenues of € 96.9 million in the third quarter (Q3 12: € 87.2 million) – an increase of 11.1 % year-on-year.

4th quarter

After a decline in the European tyre replacement business in the first nine months, the winter tyre business failed to pull off the hoped-for turnaround at the end of the year. Preliminary estimates of industry associations expect at best a slight sales increase in the passenger car winter tyre business in 2013. Despite the mild winter weather, Delticom succeeded in increasing sales year-on-year in the final quarter. Overall, Delticom generated sales of € 196.5 million in the fourth quarter (Q4 12: € 175.9 million, +11.7 %). Of this amount, € 17.8 million in sales were received through the Tirendo shops.

Key expense positions

Cost of goods sold

The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold tyres. Group COGS increased by 12.2 % from

€ 338.9 million in 2012 to € 380.3 million in 2013. The E-Commerce division accounted for € 369.2 million (2012: € 325.5 million). COGS in the Wholesale division was € 11.1 million (2012: € 13.4 million). Compared with the prior-year period, the ratio of cost of goods sold to revenues increased from 74.3 % to 75.2 %.

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. They increased in the reporting period in line with the higher business volume from € 38.2 million by 14.1 % to € 43.6 million. The share of transportation costs against revenues went up from 8.4 % in 2012 to 8.6 % in 2013.

Warehousing costs

Rents and overheads increased in 2013 by 10.5 %, from € 6.2 million to € 6.8 million. Stocking costs increased in the reporting period from € 3.6 million to € 4.1 million (+15.6 %). The ratio of stocking costs against revenues of 0.8 % was almost unchanged compared with the previous year (2012: 0.8 %).

Personnel expenses

In the reporting period on average 179 staff members were employed at Delticom (previous year: 144). Personnel expenses amounted to € 11.3 million (2012: € 8.8 million). This increase is primarily due to the acquisition of Tirendo and their workforce. Personnel expenses also include one-off costs of € 746 thousand. Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) increased from 1.9 % to 2.2 %.

Marketing costs

In the reporting period, costs for advertising totalled € 21.1 million, after € 11.3 million in 2012. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 4.2 % (2012: 2.5 %). Marketing expenses in Q4 13 totalled € 10.7 million (Q4 12: € 4.6 million). Marketing spent with 5.5 % of revenues was higher than last year's 2.6 %. € 5.8 million of the marketing spent in Q4 can be assigned to Tirendo. This includes the new commercial with Sebastian Vettel as Tirendo brand ambassador. Since mid of September the winter spot was regulary broadcasted on TV in several countries.

Financial and legal

Financial and legal expenses totalled € 3.7 million in the reporting period. In the previous year total expenses were considerably lower at € 0.9 million due to the reversal of accruals. Expenses in the second half of 2013 totalled € 2.4 million (H2 12: € 0.5 million), mainly related to due diligence costs, auditing, tax, financial and legal advice concerning the acquisition of Tirendo.

Depreciation

Depreciation for 2013 rose by 61.4 % from € 2.7 million to € 4.3 million. Main reason for this increase is the scheduled depreciation of intangible assets totalling € 17.5 million, identified as part of the purchase price allocation.

Tirendo effect

The following table shows the effects of the Tirendo takeover on the individual income statement items from the 16 September 2013 consolidation date. Here we have also presented a pro forma income statement for the 2013 financial year to reflect a Tirendo takeover already having occurred as of 1 January 2013.

in € thousand	Delticom Group full year 2013	Only Tirendo since consolidation	Only Tirendo full year 2013	Delticom Group with Tirendo full year 2013
Revenues	**505,542**	**20,703**	**43,663**	**528,502**
Other operating income	5,404	1,355	2,410	6,460
Total operating income	**510,946**	**22,058**	**46,074**	**534,962**
Cost of goods sold	–380,306	–17,546	–38,169	–400,929
Gross profit	**130,640**	**4,512**	**7,904**	**134,033**
Personal expenses before one-off costs	–10,546	–1,654	–4,620	–13,511
Other operating expenses before one-off costs	–95,974	–8,327	–17,657	–105,304
there of advertising costs without one-off costs	–21,061	–6,789	–13,546	–27,818
EBITDA before one-off costs	**24,121**	**–5,470**	**–14,373**	**15,218**
One-off costs	–1,937	0	0	–1,937
EBITDA	**22,184**	**–5,470**	**–14,373**	**13,281**
Depreciation	–4,340	–1,480	–1,854	–4,714
EBIT	**17,844**	**–6,949**	**–16,227**	**8,567**
Net financial result	–129	–179	–303	–253
EBT	**17,715**	**–7,128**	**–16,530**	**8,313**
Income taxes	–6,160	1,721	1,721	–6,160
Consolidated net income	**11,555**	**–5,407**	**–14,809**	**2,153**

One-off expenses

The one-off expenses presented in the table reflect the sum of all "extraordinary expenses" in the 2013 financial year, such as legal and consulting costs connected with the Tirendo takeover, one-off personnel expenses, and releases of provisions.

in € thousand	Delticom Group without Tirendo full year 2013	%	+%	Delticom Group full year 2012	%
Revenues	**484,839**	100.0	6.2	**456,379**	100.0
Other operating income	4,050	0.8	7.9	3,753	0.8
Total operating income	**488,888**	100.8	6.2	**460,133**	100.8
Cost of goods sold	–362,760	–74.8	7.0	–338,932	–74.3
Gross profit	**126,129**	26.0	4.1	**121,201**	26.6
Personal expenses before one-off costs	–8,891	–1.8	1.4	–8,768	–1.9
Other operating expenses before one-off costs	–87,647	–18.1	12.9	–77,610	–17.0
there of advertising costs without one-off costs	–14,272	–2.9	37.2	–10,406	–2.3
EBITDA before one-off costs	**29,590**	6.1	–15.0	**34,822**	7.6
One-off costs	–766	–0.2	–256.1	491	0.1
EBITDA	**28,824**	5.9	–18.4	**35,313**	7.7
Depreciation	–2,563	–0.5	–4.7	–2,689	–0.6
EBIT	**26,261**	5.4	–19.5	**32,624**	7.1

Delticom excluding Tirendo

The table above shows the development of business at Delticom in 2013 as if the takeover of Tirendo had not occurred, and consequently also that no related audit occurred in the financial year elapsed. This observation fully eliminates the revenues and expenses of Tirendo from the consolidation date, as well as depreciations and all expenses incurred in connection with the takeover in 2013 (e.g.

due diligence, legal and consulting costs etc). Excluding Tirendo, Delticom generated € 484.8 million of revenues in the financial year elapsed (2012: € 456.4 million, +6,2 %). The old Group generated € 26.3 million of EBIT (2012: € 32.6 million), reflecting an 5.4 % EBIT margin, compared with 7.1 % in the previous year.

in € thousand	Delticom Group without Tirendo Q4 13	%	+%	Delticom Group Q4 12	%
Revenues	**178,639**	100.0	1.5	**175,941**	100.0
Other operating income	563	0.3	–40.0	939	0.5
Total operating income	**179,202**	100.3	1.3	**176,880**	100.5
Cost of goods sold	–131,243	–73.5	–0.6	–131,999	–75.0
Gross profit	**47,958**	26.8	6.9	**44,880**	25.5
Personal expenses before one-off costs	–2,114	–1.2	–12.8	–2,424	–1.4
Other operating expenses before one-off costs	–30,226	–16.9	14.7	–26,342	–15.0
there of advertising costs without one-off costs	–4,897	–2.7	27.2	–3,849	–2.2
EBITDA before one-off costs	**15,618**	8.7	–3.1	**16,114**	9.2
Depreciation	–530	–0.3	–21.9	–679	–0.4
EBIT before one-off costs	**15,088**	8.4	–2.2	**15,435**	8.8

Q4 EBIT excluding extraordinary items

Excluding Tirendo and the extraordinary expenses incurred in the old Group, Delticom would have achieved € 15.1 million of EBIT in Q4 13, compared with € 15.4 million in Q4 12 (-2,2 %). In relation to fourth-quarter revenues of € 178.6 million (excluding Tirendo, Q4 12: € 175.9 million), Delticom achieved an 8.4 % EBIT margin before extraordinary expenses in the fourth quarter (Q4 12: 8.8 %).

Earnings position

Gross margin

The gross margin (trade margin ex other operating expenses) for the full year was 24.8 % after 25.7 % in the prior-year period. The quarterly gross margin increased from 25.0 % in Q4 12 to 25.6 %.

Other operating income

Other operating income increased in 2013 by 44.0 % to € 5.4 million (2012: € 3.8 million). These are mostly gains from exchange rate differences € 2.8 million (2012: € 1.6 million). FX losses have been accounted for as line item in the other operating expenses (2013: € 2.9 million, 2012: € 3.8 million). In the reporting period the balance of FX income and losses totalled € –0.2 million (2012: € –2.2 million).

Gross profit

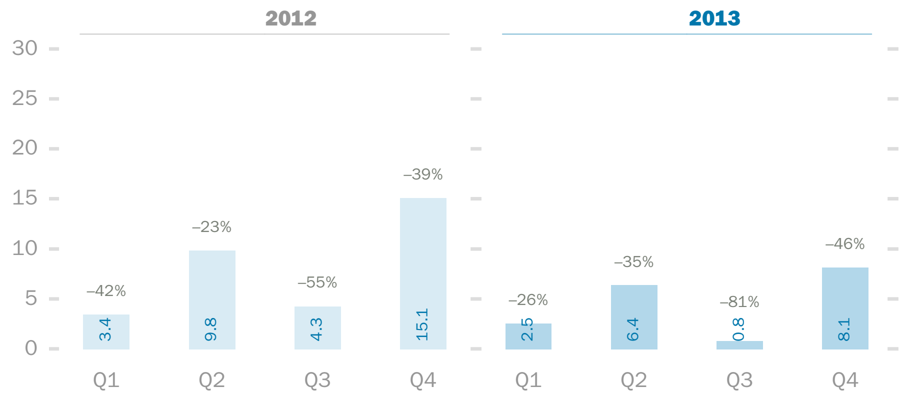
Altogether, the gross profit increased in the reporting period by 7.8 % year-on-year, from € 121.2 million to € 130.6 million. Gross profit in relation to total income of € 510.9 million (2012: € 460.1 million) amounted to 25.6 % (2012: 26.3 %).

EBITDA

EBITDA for the reporting period came down by 37.2 % from € 35.3 million to € 22.2 million. EBIT amounted to € 17.8 million (2012: € 32.6 million), –45.3 %. This equates to an EBIT margin of 3.5 % (2012: 7.1 %). Depreciations on intangible assets identified as part of the Tirendo takeover burdened EBIT by € 1.5 million in the period under review. Fourth quarter EBIT saw a decline of 46.2 %, from prior-year's € 15.1 million to € 8.1 million or 4.1 % of revenues (Q4 12: 8.6 %). EBIT of Tirendo in Q4 was € –5.8 million. Accordingly, fourth-quarter Group operating profit was even lower year-on-year.

EBIT

quarterly, in € million



Financial income

Financial income for the reporting period amounted to € 49 thousand (2012: € 45 thousand). Financial expenses decreased to € 178.0 thousand (2012: € 182.0 thousand), leading to a financial result of € –129.3 thousand (2012: € –137 thousand).

Income taxes

In 2013 the expenditure for income taxes was € 6.2 million (2012: € 10.3 million). This equates to a tax rate of 34.8 % (2012: 31.8 %). The income tax rate was unusually high because the due diligence and advisory costs of € 1.1 million related to the Tirendo deal have to be capitalised as incidental acquisition expenses.

Net income and dividend

Consolidated net income for 2013 decreased from € 22.2 million to € 11.6 million. This corresponds to earnings per share (EPS) of € 0.97 (undiluted, 2012: € 1.87), a decrease of 47.9 %. Net income for Q4 13 amounted to € 5.4 million (Q4 12: € 10.4 million).

At Delticom's Annual General Meeting on 29.04.2014, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share – a decrease of 73.7 % compared to the dividend for financial year 2012 of € 1.90.

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

	2013	%	+%	2012	%	+%	2011	%
Revenues	**505,542**	100.0	10.8	**456,379**	100.0	–4.9	**480,010**	100.0
Other operating income	5,404	1.1	44.0	3,753	0.8	–54.9	8,319	1.7
Total operating income	**510,946**	101.1	11.0	**460,133**	100.8	–5.8	**488,329**	101.7
Cost of goods sold	–380,306	–75.2	12.2	–338,932	–74.3	–2.7	–348,387	–72.6
Gross profit	**130,640**	25.8	7.8	**121,201**	26.6	–13.4	**139,942**	29.2
Personnel expenses	–11,292	–2.2	28.8	–8,768	–1.9	21.4	–7,225	–1.5
Other operating expenses	–97,165	–19.2	26.0	–77,119	–16.9	–0.7	–77,671	–16.2
EBITDA	**22,184**	4.4	–37.2	**35,313**	7.7	–35.8	**55,046**	11.5
Depreciation	–4,340	–0.9	61.4	–2,689	–0.6	28.0	–2,101	–0.4
EBIT	**17,844**	3.5	–45.3	**32,624**	7.1	–38.4	**52,945**	11.0
Net financial result	–129	0.0	–5.9	–137	0.0	–344746	0	0.0
EBT	**17,715**	3.5	–45.5	**32,487**	7.1	–38.6	**52,945**	11.0
Income taxes	–6,160	–1.2	–40.4	–10,330	–2.3	–38.9	–16,916	–3.5
Consolidated net income	**11,555**	2.3	–47.9	**22,157**	4.9	–38.5	**36,029**	7.5

Overall statement on the earnings position

In 2013 Delticom bucked the market trend. In a difficult market environment the company generated revenues of € 505.5 million (2012: € 456.4 million, +10.8 %). The Internet as a sales channel for tyres is gaining momentum. Thanks to the robust sales with end-customers, divisional E-Commerce revenues for 2013 stood at € 493.1 million (2012: € 441.4 million, +11.7 %).

Over the course of the year, EBITDA worsened from € 35.3 million by 37.2 % to € 22.2 million.

Along with a higher cost base, the € –5.4 million net loss generated by Tirendo from the 16 September 2013 acquisition date reduced Delticom Group earnings even further. In total the consolidated net profit amounted to € 11.6 million or € 0.97 per share – after a prior-year result of € 22.2 million. Despite this drop of 47.9 % our business model has once again proven its resilience. Even in adverse market environments Delticom can seize growth opportunities as they arise, resulting in a profitable business.

Financial and assets position

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

Investments

Tirendo

As part of the acquisition of Tirendo, Delticom paid € 42.3 million as equity value (ex cash).

Property, plant and equipment

In order to take advantage of economies of scale and learning effects in warehousing logistics, we constantly invest in the expansion of our warehouses' information, conveying and packaging technology. In 2013, Delticom invested € 0.5 million into property, plant and eqipment (2012: € 1.1 million).

Intangible Assets

Delticom also invested € 0.7 million in intangible assets. This mainly relates to software, as well as web domains for E-Commerce shops with complementing product ranges.

Working Capital

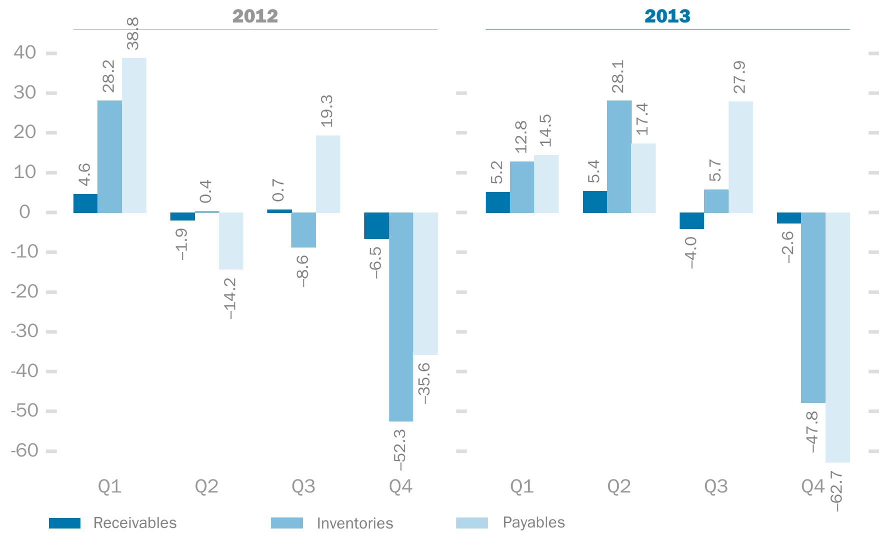
Working Capital

We define Net Working Capital as the balance of funds tied-up in inventories, receivables and payables from our main trading activities. In 2013 the Net Working Capital increased from € 3.2 million by € 1.0 million or 31.1 % to € 4.2 million.

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

Working Capital

in € million



Receivables

In order to account for the actual commitment of capital from trading, we subtract from accounts receivable the line items for payments received on account of orders and customer credit (both included in the balance sheet item of other current liabilities).

Usually the receivables follow the seasonal pattern quite closely. Still, owing to the reporting date distorting effects are unavoidable. The accounts receivable stood at € 11.3 million on the reporting date (31.12.2012: € 9.6 million). Due to the mild weather conditions at the end of the year, December saw a lower proportion of the winter business than in the year before. In contrast to 2012, more orders paid for by customers were already fulfilled as of 31.12.2013. This led to a decrease of prepayments received, amounting to € 3.7 million (31.12.2012: € 4.3 million). Some of the orders paid in December were cancelled in January. Refunds for those orders were consequently postponed to the new year. The liability position of customer credits on the reporting date amounted to € 1.7 million (31.12.2012: € 1.7 million).

In total, working capital commitment in receivables increased from € 3.6 million as of 31.12.2012 to € 5.8 million as of 31.12.2013. Average Days Sales Outstanding (DSO, average receivables divided by average revenue per day) came down from 3.7 to 3.4 days.

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year their value came down by € 1.3 million to € 72.8 million (31.12.2012: € 74.1 million).

At the onset of the winter quarter the inventory value totalled € 120.7 million, € 5.8 million lower than the previous year's figure of € 126.5 million. Despite mild weather conditions we were able to sell most of the tyres bought in the preceding quarters.

Due to lower inventory levels during the year and the positive business development, average Days Inventory Outstanding for 2013 (DIO, average inventory level divided by average cost of sales) came down over the course of the past financial year, from 97.5 days in 2012 to 70.5 days in 2013.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. For the purpose of analysis we reduce these payables by the amount credited to suppliers (included in the balance sheet line item of other current receivables). This balance of accounts payable reduced by credit with suppliers was with € 74.4 million nearly unchanged (31.12.2012: € 74.5 million).

Cash flow

Operating cash flow

Due to the weaker earnings situation and the net working capital increase, the cash flow from ordinary business activities of € 8.1 million for the period under review was significantly lower than last year (2012: € 61.3 million).

The operating cash flow reflects the changes in net working capital at Tirendo from first-time consolidation (16.09.2013) to the end of the year.

Investing activities

As part of the acquisition of Tirendo, Delticom paid € 42.3 million as equity value (ex cash). Investments into property, plant and equipment have just been € 0.5 million (2012: € 1.1 million). In the reporting period, Delticom also invested € 0.7 million in intangible assets. Outgoing payments for investments were offset by € 0.3 million of payments received from disposals of property, plant and equipment in the period under review. As a result, the cash flow from investment activities totalled € –43.3 million (previous year: € –1.1 million).

Financing activities

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € 0.5 million, thereof the dividend payout for the last financial year of € 22.5 million and disbursements due to redemption of loans of € 7.5 million. The cash outflow was offset by inflows from financial liabilities of € 30.4 million and € 0.1 million capital increase from the excercise of stock options. The redemption of loans includes the repayment of € 6.6 million of shareholder loans which were purchased from former shareholders of Tirendo as part of the acquisition.

Liquidity according cash flow

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

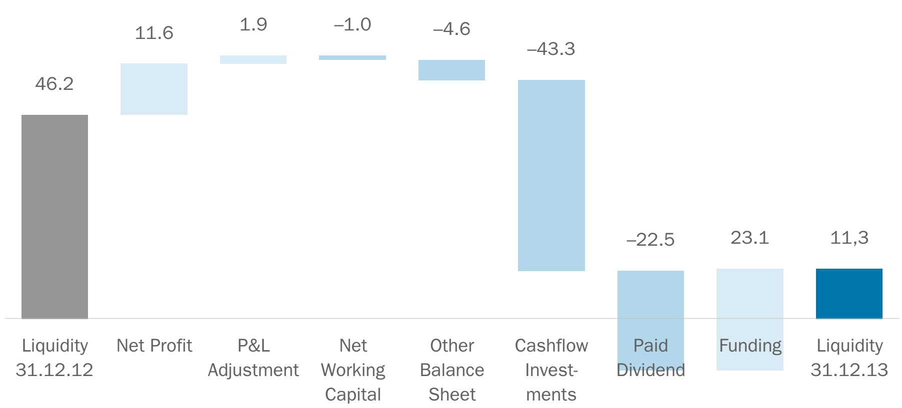
The starting point is the liquidity position as of 31.12.2012 amounting to € 46.2 million. We add the consolidated net income of € 11.6 million and account for the cash flow by adding the balance of non-cash expenses and income totalling € 1.9 million. The year-on-year increase of funds tied up in Net Working Capital was € 1.0 million. For other balance sheet items, additional € 4.6 million have to be taken into account. Subtracting the cash flow from investment activities, the cash outflow from paying out the dividend for the 2012 financial year plus the balance of financial debt taken up and redemptions we arrive at a liquidity total on 31.12.2013 of € 11.3 million. On 31.12.2013, the company's net cash position (liquidity less liabilities from current accounts) amounted to € –10.3 million (31.12.2012: € 45.3 million).

Free cash flow

The free cash flow (operating cash flow less cash flow from investing activities) decreased from € 60.2 million to € –35.2 million.

Liquidity Bridge

in million €

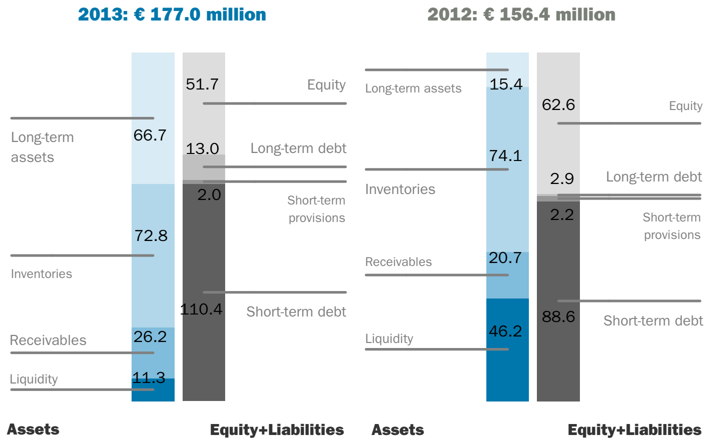


Balance sheet structure

As of 31.12.2013 the balance sheet total amounted to € 177.0 million (+13.2 %, 31.12.2012: € 156.4 million). The chart *Balance Sheet Structure* illustrates the capital intensity of the business model.

Balance Sheet Structure

in million €



Abgridged Balance Sheet

in thousand €

	31.12.13	%	+%	31.12.12	%	+%	31.12.11	%
Assets								
Non-current assets	66,698	37.7	333.4	15,391	9.8	–7.7	16,669	10.0
Fixed assets	64,368	36.4	342.7	14,540	9.3	–9.7	16,098	9.7
Other non-current assets	2,330	1.3	173.7	852	0.5	49.1	571	0.3
Current assets	110,322	62.3	–21.7	140,982	90.2	–5.8	149,695	90.0
Inventories	72,841	41.1	–1.7	74,107	47.4	–30.4	106,492	64.0
Receivables	26,158	14.8	26.3	20,707	13.2	–1.4	21,006	12.6
Liquidity	11,323	6.4	–75.5	46,168	29.5	108.0	22,197	13.3
Securities	0	0.0		0	0.0		0	0.0
Cash and cash equivalents	11,323	6.4	–75.5	46,168	29.5	108.0	22,197	13.3
Assets	**177,020**	**100.0**	**13.2**	**156,374**	**100.0**	**–6.0**	**166,364**	**100.0**
Equity and Liabilities								
Long-term funds	64,635	36.5	–1.4	65,560	41.9	–17.1	79,108	47.6
Equity	51,679	29.2	–17.5	62,636	40.1	–17.0	75,480	45.4
Long-term debt	12,957	7.3	343.2	2,924	1.9	–19.4	3,628	2.2
Provisions	252	0.1	64.2	154	0.1	411.2	30	0.0
Liabilities	12,704	7.2	358.6	2,770	1.8	–23.0	3,597	2.2
Short-term debt	112,385	63.5	23.8	90,814	58.1	4.1	87,256	52.4
Provisions	2,028	1.1	–6.8	2,177	1.4	–66.8	6,560	3.9
Liabilities	110,357	62.3	24.5	88,637	56.7	9.8	80,696	48.5
Equity and Liabilities	**177,020**	**100.0**	**13.2**	**156,374**	**100.0**	**–6.0**	**166,364**	**100.0**

Non-current assets

On the assets side of the balance sheet, the non-current assets grew to € 66.7 million against the low prior-year basis of € 15.4 million. The increase in fixed assets from € 14.5 million to € 64.4 million is mainly due to the increase in intangible assets (including Goodwill) in the course of the Tirendo acquisition. On 31.12.2013 property, plant and equipment were only 6.0 % of the balance sheet total (previous year: 8.1 %).

An important single line item in the other non-current assets (31.12.2013: € 2.3 million, 31.12.2012: € 0.9 million) were deferred taxes of € 1.9 million (31.12.2012: € 0.3 million). These tax assets result from losses carried forward in the subsidiary Delticom North America Inc and the cumulated losses of Tirendo in 2013.

Inventories

Among the current assets, the inventories are the biggest line item. They were reduced by € 1.3 million or 1.7 % to € 72.8 million. The chapter *Financial and assets position – Working Capital* presents the reasons for the decrease in detail.

Receivables

At year-end the accounts receivable amounted to € 11.3 million, up from last-year € 9.6 million by 17.5 %. As part of the other current assets of € 12.6 million the refund claims from taxes increased by 46.6 %, from € 6.9 million to € 10.1 million. This increase results from an input tax surplus at the end of the year. In total, the receivables position increased by 26.3 % to € 26.2 million (previous year: € 20.7 million).

Liquidity position

Cash and cash equivalents registered net outflows of € 34.8 million. On 31.12.2013 liquidity totalled € 11.3 million (prior year: € 46.2 million).

In total, current assets came down by 21.7 %. The decline is mainly attributable to the lower cash and cash equivalents position on the reporting date. The share of current asstes of balance sheet total decreased from 90.2 % to 62.3 %.

Current liabilities

On the liabilities side of the balance sheet, the short-term credit instruments increased by € 21.6 million or 23.8 % to € 112.4 million. Provisions decreased by € 0.1 million or 6.8 % to € 2.0 million (prior-year: € 2.2 million), thereof provisions for taxes valuing € 0.2 million (previous year: € 0.4 million).

As part of the € 110.4 million in short-term liabilities as of 31.12.2013, € 74.7 million were recorded as accounts payable, corresponding to a share of 42.2 % of balance sheet total. Compared to the position of € 74.8 million from the prior-year period, accounts payable decreased by –0.1 %.

In the other current liabilities of € 14.0 million (previous year: € 12.9 million) € 3.7 million are attributable to payments received on account of orders (previous year: € 4.3 million) and € 1.7 million to customer credits (previous year: € 1.7 million).

Long-term liabilities

The debt of € 13.0 million (previous year: € 2.9 million) shown in the chart above is composed of long-term interest-bearing debts of € 11.0 million (31.12.2012: € 2.3 million), deferred tax liabilities of € 1.7 million (31.12.2012: € 0.5 million) and non-current provisions to the order of € 252 thousand (previous year: € 154 thousand). During the reporting period, Delticom drew down € 20.8 million of short-term financial liabilities and € 8.8 million of long-term financial liabilities. The drawing down of total financial debt includes two five-year annuity loans amounting to a total of € 10.0 million in nominal terms.

Equity and equity ratio

On the liabilities side of the balance sheet the equity position came down by € 11.0 million or 17.5 % from € 62.6 million to € 51.7 million. The structure of the liabilities and shareholders' equity shows a downturn in the equity ratio, from 40.1 % to 29.2 %. As of 31.12.2013 the coverage ratio of fixed assets and inventories totalling € 137.2 million to long-term funding was 47.1 % (prior year: 74.0 %).

Off-balance-sheet items

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

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

Overall statement on the financial and assets position

Significant financial flexibility

Delticom can rely on its healthy financial and assets position. At € 11.3 million, our liquidity remains sufficiently high (previous year: € 46.2 million). Payment terms granted to Delticom by its suppliers are in line with market conditions. Additionally, the company can make use of credit lines during the year to help funding the inventory.

Solid balance sheet as basis for further growth

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

Significant events after the reporting date

Events after the balance sheet date are presented below.

Changes in Management

Rainer Binder resigned his position as a member of the Management Board at the end of the fiscal year 2013. He was appointed to the company's Supervisory Board with effect from 01.01.2014 by the Local Court of Hanover. At its meeting on 02.01.2014 the Supervisory Board of Delticom AG elected Mr. Binder as its Chairman. On 03.12.2013, the Supervisory Board of Delticom AG appointed Andreas Prüfer to the Management Board and Co-CEO with effect from 01.01.2014.

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

Risk Report

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

Definitions

Risks and opportunities

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

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

Risk management

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

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

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

Early risk detection system

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

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

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

Risk assessment

24-month observation horizon

The classification and measurement of risk is derived from comparisons of current operating activities with our business targets. We regularly create targets as part of our strategic planning (five-year timeframe) and budget planning (current and following year). We apply a standard 24-month observation horizon for risk management.

Reporting thresholds

The company's equity is used as the calculation basis for reporting thresholds. As of 31.12.2013, we differentiated between going-concern risks (€ 10 million), significant risks (€ 2.5 million), and low risks (€ 0.2 million).

Gross/net risk

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

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

Risk management organisation

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

Risk Support Team

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

Risk manager

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

Management Board

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

Expanded risk consolidation scope

The risk consolidation scope was expanded in 2013 to include Tirendo. This takeover has not added any new risks to the Group. Already identified risks have increased with respect to their potential loss level. During the current financial year, we will review the predefined reporting thresholds as to their validity, and adapt them if required.

No segmentation

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

Communication and reporting

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

Software

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

Risk inventory

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

Key individual risks

Strategic risks

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

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

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

Sector-specific risks

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

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

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

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

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

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

Procurement risks

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

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

Suppliers may run into commercial and financial difficulties. In our global purchasing function, we minimize immediate default risks through letters of credit. As a tyre dealer, a factor that contributes to the low risk is that we offer a broad brand portfolio. If any supplier is unable to fulfil their obligations in a particular tyre model, we can always procure the tyres from other parties.

Competition risks

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

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

Macroeconomic risks

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

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

Personnel risks

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

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

IT risks

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

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

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

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

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

Financial Risks

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

Customers could find themselves with payment difficulties. In the tyre trade, customer payment behaviour is usually good but can deteriorate in difficult times. If the recession in Europe continues to bear on motorists' economic conditions, this might lead to a decline in willingness of some of our customers to pay. We have stringent receivables management system and work together with industry specialists to assess risks and facilitate debt collection. In the Wholesale division, we try to limit default risk as far as possible by means of credit insurances.

Legal risks

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

Overall statement on the risk situation

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

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

Accounting-related ICS and RMS

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

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

Organisation

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

Role of the Management and Supervisory Boards

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

Group accounting

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

- 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, shareholders' equity and segment reporting

- requirements arising from prevailing European Union legislation
- specific formal requirements for consolidated financial statements
- groups of consolidated companies

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

IT-supported work processes

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

Outlook

The European replacement tyre business failed to gain momentum again in 2013. A weak summer sales season was followed by a mild winter. In a difficult market environment, Delticom has managed to grow and buck the market trend. The Internet is increasingly gaining importance in the tyre trade as a sales channel. Even if market and weather conditions do not turn out better in 2014 than in the previous year, we anticipate a revenue increase of 10 % for the current financial year.

Forecast report

2013 guidance fulfilled

The European tyre trade was faced with a substantial decline in sales volume in 2012. Consequently, there were considerable uncertainties at the beginning of the financial year 2013 with regard to industry performance in the current year. Against this background and with a view to our growth strategy for 2013, our forecast last year focused mainly on revenues.

H1 guidance

For the first half of the year with its focus on the summer sales season, we anticipated a revenues increase of up to 10 % in the E-Commerce segment. Sustained cold temperatures at the beginning of the year kept many motorists from making the switch to summer tyres early. Despite the decline in revenues in the first quarter and the late start of the summer business, Delticom exceeded its revenue targets in H1: E-Commerce revenues rose by 11.6 %. The company therefore achieved growth in the first six months in the core segment, bucking the market trend.

Full-year 2013

The overall performance in the second half of the year largely hinges on winter sales. After the hoped-for turnaround failed to materialise in European summer sales, the tyre trade pinned its hopes on a strong winter. Assuming continued positive business development, we felt it was possible to surpass the previous year’s revenues for the full year. As of the acquisition date 16 September 2013, Tirendo has been consolidated in the Group. Without taking Tirendo into account, Delticom would have achieved revenue growth of 6.2 % in the past financial year. Both Delticom and Tirendo thus succeeded in growing faster than the market in 2013.

Future macroeconomic environment

Despite initial signs of recovery, economists warn against excessive expectations regarding economic development in Europe in the current year. While the progress of individual countries in terms of fiscal consolidation and reform processes has indeed begun to pave the way for continued recovery, the unemployment rate in the eurozone still remains high.

For Germany, conditions in 2014 are more favourable than in many other European countries. Economic institutions have expressed the expectation in their forecasts that the economy and consumption in this country will continue on an upward trend.

Future sector-specific development

No structural tyre shortages expected

Over the last few years many tyre manufacturers have invested in new production sites, thereby ramping up their output. In view of this fact, we expect neither short-term nor medium-term structural shortages for the tyre replacement markets. Seasonal bottlenecks for certain dimensions, brands or models are not uncommon in the tyre trade; they cannot be ruled out in the current fiscal year.

Tyre trade

After the prospect of a more positive replacement tyre business was finally dashed at the end of last year, the current mood in the tyre business is anything but good. Many market participants are hoping that a turnaround will ensue in 2014.

The German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.) made a tentative estimate already at the end of 2013. In Germany, the association expects replacement demand to recover slightly for both summer and winter tyres.

2014 forecast

Positive customer acquisition trend

In the tyre business, the share of tyres sold online is still relatively low. At the same time, motorists are increasingly using the Internet to search for cheaper offers. As market leader, we will benefit from this trend in the current financial year. Featuring Sebastian Vettel as brand ambassador, Tirendo uses television to attract attention to online tyre purchasing options. This puts us in a position to reach additional consumer groups. In our plans for the current year, we project double-digit growth among new customers.

Repeat customers

With respect to the multi-year replacement cycle, we anticipate being able to welcome as repeat customers in our shops in 2014 a portion of the new customers gained over the last few years. Accordingly, the number of repeat customers is expected to develop positively for the full year.

10 % increase in revenues, EBITDA (in absolute terms) on par with the previous year

Even if market and weather conditions do not turn out better than in the previous year, we anticipate a revenues increase of 10 % for the current financial year. In terms of overall earnings before interest, tax, depreciation and amortisation (EBITDA), we aim to be at least on par with the financial year 2013.

Inventories

For 2014, Delticom will again pursue the strategy of securing sufficient goods for the coming winter business as early as possible, depending on the prevailing market situation. Much like last year, we accept that we may have to purchase part of our inventories on credit lines in the coming quarters.

Investments

We currently do not have any immediate need for additional warehouse space. In order to take advantage of economies of scale and learning effects in warehousing logistics, we constantly invest in the expansion of our warehouses' information, conveying and packaging technology. As was the case in 2013, these investments as a share of revenues will be low in 2014. Even with an increasing order volume, it is our goal to deliver the goods to the shipping service providers as quickly as possible to continue to supply our customers within a few working days, even at seasonal peak times.

Liquidity

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

Medium term outlook

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

Europe is core market

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

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

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2013 at € 32.00. DEX is a stable member of the German small- and midcap index SDAX.

Stock markets 2013

Positive 2013 stock market

Equity markets performed well in 2013 despite the challenging environment. The DAX started the year at 7,779 points.Following a volatile upward trend, the DAX reached its high of 9,589 points on 27.12.2013. On 19.04.2013 it marked a low at 7,460 points. It closed the year at 9,552 points, an overall rise of 1,773 points or 22.8 %.

SDAX gained ground

The German small- and midcap index SDAX moved at the same level as the DAX with +27.2 %. It started at 5,338 points and grew by 1,451 points over the course of the year, closing at 6,789 points.

Development of the Delticom share (DEX)

Benchmarks

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

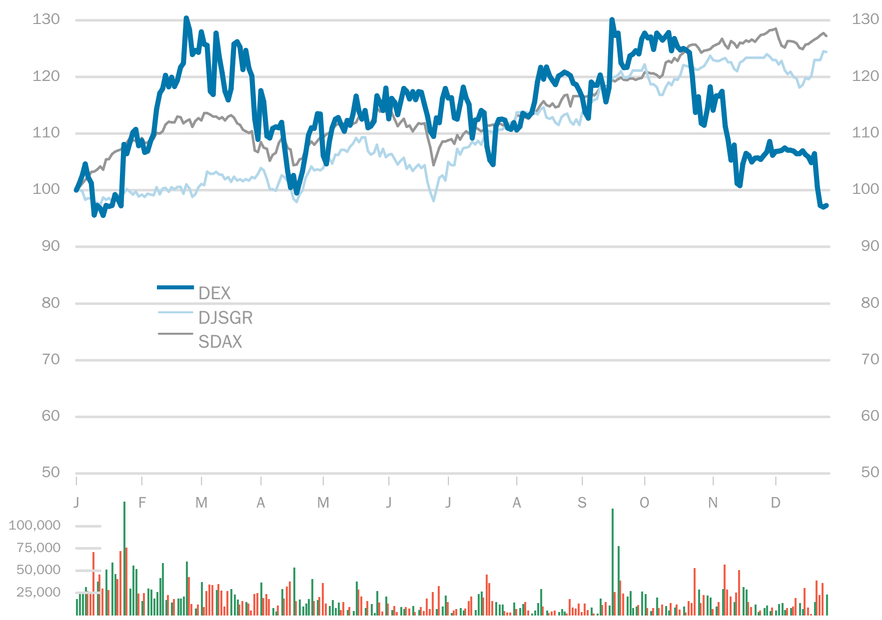
As customary, we use the performance index which takes dividend payments into account for both SDAX and DJSGR. When comparing the performance of DEX to the benchmarks we therefore take the dividend for 2012 into consideration, amounting € 1.90 per share as decided on the Annual General Meeting on 30.04.2013. The chart *Share performance* shows the performance of DEX, SDAX and DJSGR since the beginning of 2013 over the course of the year.

DEX performance

After beginning the year at € 32.88, DEX reached an annual low on 15.01.2013 at € 31.43. The shares' annual high was recorded on 22.02.2013 at € 42.87. For the remainder of the closing quarter the share price came increasingly under pressure, probably due to the mild winter weather. DEX closed the year on € 32.00. In the course of 2013 the market capitalisation of DEX decreased from € 389.5 million to € 379.1 million.

Share performance 2013

indexed, traded volume in shares (XETRA)



Index membership

SDAX Ranking

On 22.12.2008 DEX was included in the SDAX. Membership in the index is determined by the Deutsche Börse according to a ranking published as *Cash Market: Monthly Index Ranking – MDAX*. The ranking depends on free float market capitalisation and traded volume of shares included in MDAX and SDAX. According to the criterion of "free float market capitalisation" DEX stood at 90 on 31.12.2013 (2012: 81). In the criterion "traded volume" DEX dropped from 53 to 71.

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

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

Earnings per share and dividend recommendation

Undiluted earnings per share are € 0.97 (2012: € 1.87). Diluted earnings per share are € 0.97 (previous year: € 1.85).

The calculation of the earnings per share was based on net income after taxes totalling € 11,554,642.36 (previous year: € 22,157,157.76) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,945,250 shares (previous year: 11,945,250 shares).

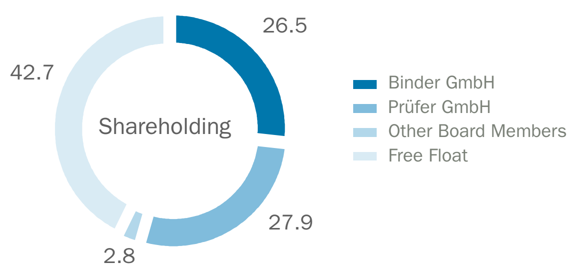
At Delticom's Annual General Meeting on 29.04.2014, the Management Board and the Supervisory Board will propose a dividend of € 0.50 per share – a decrease of 73.7 % compared to the dividend for financial year 2012 of € 1.90.

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2013.

Shareholder structure

Shareholding in % of the 11,859,440 shares outstanding, as of 31.12.2013



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. In 2013, Andreas Prüfer as Head of the Supervisory Board (until 31.12.2013) and Rainer Binder as CEO (until 31.12.2013) held more than 50 % of the outstanding shares.

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

Coverage

In total 11 analysts from renowned banks and brokers regularly offer their views on the course of Delticom's business and future prospects (in the order in which they initiated coverage, with recommendations as of 29.02.2014):

- Frank Schwope, NORD/LB (Hold)
- Jürgen Pieper, Bankhaus Metzler (Sell)
- Andreas Inderst, Exane BNP Paribas (Outperform)
- Stanislaus Thurn und Taxis, Berenberg Bank (Hold)
- Tim Rokossa, Deutsche Bank (Fold)
- Christian Ludwig, Bankhaus Lampe (Hold)
- Dennis Schmitt, Commerzbank (Hold)
- Christopher Johnen, HSBC (Neutral)
- Sascha Berresch, Hauck & Aufhäuser (Sell)
- Marc-René Tonn, Warburg (Buy)
- Tim Kruse, Montega (Sell)

Investor relations activities

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

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

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

The investor relations department gladly answers any further questions:

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Stock key information

		01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Number of shares	shares	11,859,440	11,847,440
Share price at the beginning of the year[1]	€	32.88	67.00
Share price at year-end[1]	€	32.00	32.30
Share performance[1]	%	–2.7	–51.8
Share price high/low[1]	€	42.87 / 31.43	82,51 / 30,74
Market capitalisation[2]	€ million	379.5	382.7
Average trading volume per day (XETRA)	shares	19,435	28,309
EPS (undiluted)	€	0.97	1.87
EPS (diluted)	€	0.97	1.85
Equity per share	€	4.36	5.29

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

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

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

Composition of subscribed capital

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

The subscribed capital was increased by 8,000 shares on 06.05.2011 to € 11,847,440.00 when 8,000 option rights were exercised that entitled shareholders to subscribe for 8,000 of the company’s new no-par value registered shares; this was further increased to € 11,859,440.00 on 02.05.2013 when 12,000 of the company’s shares were exercised. The above option rights were exercised by former Management Board member Frank Schuhardt.

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

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

There are no shares with special rights which grant the holders controlling powers. There is also no specifically designed control of voting rights for employees holding an interest in the share capital and who do not directly exercise their control rights.

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

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

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

Authorised Capital 2011

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

Contingent Capital I/2006

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

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

As a result of the capital increase from retained earnings by means of the issuance of new shares, decided upon by the Annual General Meeting on 19.05.2009, the *Contingent Capital I/2006* increased proportionally to the share capital to € 300,000. The capital increase and the amendment of the articles of incorporation relating to the *Contingent Capital I/2006* were entered in the commercial register of the Hanover court on 10.06.2009. *Contingent Capital I/2006* amounts to currently € 280,000.00 due to the exercise of 20,000 option rights that entitled former Management Board member Frank Schuhardt to subscribe for 20,000 of the company's new no-par ordinary registered shares.

Contingent Capital I/2011

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

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

Contingent Capital II/2011

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

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

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

Management Board authorisations to repurchase and re-utilise treasury shares

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

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

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

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

Key conditioned agreements of the company

According to the option terms and conditions, in the event of a change in control at the company the stock options of the former Management Board member Frank Schuhardt are immediately exercisable, provided options have been vested. Options which have not yet been vested lapse without substitution. The first stock option tranche comprising 15,810 options was issued on 22.11.2007, the second tranche of 37,500 options was issued on 08.05.2008, and the third tranche of 15,000 options was issued on 30.03.2009. All options which are part of the stock option plans vest after 2 years.

Accordingly, the waiting period for these tranches had expired as of the balance sheet date, and the option rights that had been issued would have been exercisable immediately given a change of control, whereby the number of stock options from the third tranche has meanwhile reduced to 17,500 in the case of the exercise of option rights by Mr. Schuhardt described in Number 1.

The company has concluded no compensation agreements with Management Board members or employees for the instance of a takeover offer.

Consolidated Financial Statements of Delticom AG

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Consolidated Income Statement

in € thousand	Notes	01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Revenues	(1)	**505,542**	**456,379**
Other operating income	(2)	5,404	3,753
Total operating income		**510,946**	**460,133**
Cost of goods sold	(3)	–380,306	–338,932
Gross profit		**130,640**	**121,201**
Personnel expenses	(4)	–11,292	–8,768
Depreciation of intangible assets and property, plant and equipment	(5)	–4,340	–2,689
Other operating expenses	(6)	–97,165	–77,119
Earnings before interest and taxes (EBIT)		**17,844**	**32,624**
Financial expenses		–178	–182
Financial income		49	45
Net financial result	(7)	**–129**	**–137**
Earnings before taxes (EBT)		**17,715**	**32,487**
Income taxes	(8)	–6,160	–10,330
Consolidated net income		**11,555**	**22,157**
Thereof allocable to:			
Shareholders of Delticom AG		11,555	22,157
Earnings per share (basic)	(9)	0.97	1.87
Earnings per share (diluted)	(9)	0.97	1.85

Statement of Recognised Income and Expenses

in € thousand	01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Consolidated Net Income	**11,555**	**22,157**
Changes in the financial year recorded directly in equity		
Income and expense that will not be reclassified to the statement of income at a later date		
Changes in currency translation	–179	–51
Income and expense that will be reclassified to the statement of income at a later date		
Net Investment Hedge Reserve		
Changes in current value recorded directly in equity	45	0
Deferred taxes relating to Net Investment Hedge Reserve	–14	0
Other comprehensive income for the period	**–149**	**–51**
Total comprehensive income for the period	**11,406**	**22,106**

Consolidated Balance Sheet

Assets

in € thousand	Notes	31.12.2013	31.12.2012
Non-current assets		**66,698**	**15,391**
Intangible assets	(10)	52,826	1,053
Property, plant and equipment	(11)	10,708	12,660
Financial assets		833	826
Deferred taxes	(12)	1,867	335
Other receivables	(13)	463	517
Current assets		**110,322**	**140,982**
Inventories	(14)	72,841	74,107
Accounts receivable	(15)	11,260	9,585
Other current assets	(16)	12,594	8,173
Income tax receivables	(17)	2,305	2,949
Cash and cash equivalents	(18)	11,323	46,168
Assets		**177,020**	**156,374**

Shareholders' Equity and Liabilities

in € thousand	Notes	31.12.2013	31.12.2012
Equity		**51,679**	**62,636**
Subscribed capital	(19)	11,859	11,847
Share premium	(20)	24,446	24,311
Other components of equity	(21)	–150	–2
Retained earnings	(22)	200	200
Net retained profits	(23)	15,324	26,279
Liabilities		**125,341**	**93,738**
Non-current liabilities		**12,957**	**2,924**
Long-term borrowings	(24)	11,038	2,250
Non-current provisions	(25)	252	154
Deferred tax liabilities	(26)	1,667	520
Current liabilities		**112,385**	**90,814**
Provisions for taxes	(25)	182	432
Other current provisions	(25)	1,846	1,745
Accounts payable	(27)	74,703	74,814
Short-term borrowings	(24)	21,659	905
Other current liabilities	(29)	13,994	12,918
Shareholders' equity and liabilities		**177,020**	**156,374**

Consolidated Cash Flow Statement

in € thousand	01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Earnings before interest and taxes (EBIT)	**17,844**	**32,624**
Depreciation of intangible assets and property, plant and equipment	4,340	2,689
Changes in other provisions	200	–853
Net gain on the disposal of assets	–234	–65
Changes in inventories	1,266	32,385
Changes in receivables and other assets not allocated to investing or financing activity	–4,033	3,087
Changes in payables and other liabilities not allocated to investing or financing activity	–2,851	8,295
Interest received	49	45
Interest paid	–109	–197
Income tax paid	–8,400	–16,733
Cash flow from operating activities	**8,071**	**61,278**
Proceeds from the disposal of property, plant and equipment	328	216
Payments for investments in property, plant and equipment	–550	–1,101
Proceeds from the disposal of intangible assets	3	0
Payments for investments in intangible assets	–719	–180
Payments for investments in financial assets	–5	–2
Payments for the acquisition of consolidated subsidiaries (less acquired cash and cash equivalents)	–42,343	0
Cash flow from investing activities	**–43,287**	**–1,066**
Dividends paid by Delticom AG	–22,510	–34,950
Payments from additions to capital	147	0
Cash inflow of financial liabilities	30,442	0
Cash outflow of financial liabilities	–7,529	–1,239
Cash flow from financing activities	**549**	**–36,189**
Changes in cash and cash equivalents due to currency translation	–179	–51
Cash and cash equivalents at the start of the period	46,168	22,197
Changes in cash and cash equivalents	–34,846	23,971
Cash and cash equivalents - end of period	**11,323**	**46,168**

For information only: Netto-Liquidity

in € thousand	01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Liquidity – start of period	**46,168**	**22,197**
Changes in cash and cash equivalents	–34,846	23,971
Liquidity – end of period	**11,323**	**46,168**
Net Cash – start of period	**43,013**	**17,803**
Changes in cash and cash equivalents	–34,846	23,971
Changes in financial liabilities	–29,542	1,239
Net Cash – end of period	**–21,374**	**43,013**
Net cash refer to short term financial liabilities:		
Net Cash – start of period	**45,263**	**20,953**
Changes in cash and cash equivalents	–34,846	23,971
Changes in short term financial liabilities	–20,754	339
Net Cash – end of period	**–10,337**	**45,263**
Net cash refer to long term financial liabilities:		
Net Cash – start of period	**43,918**	**19,047**
Changes in cash and cash equivalents	–34,846	23,971
Changes in long term financial liabilities	–8,788	900
Net Cash – end of period	**285**	**43,918**

Statement of Changes in Shareholders' Equity

					Accumulated profits / losses			
in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Net Investment Hedge Reserve	Retained earnings	Net retained profits	total	Total equity
as of 1 January 2012	**11,847**	**24,311**	**50**	**0**	**200**	**39,072**	**39,272**	**75,480**
Dividends paid						–34,950	–34,950	–34,950
Total comprehensive income for the period			–51			22,157	22,157	22,106
as of 31 December 2012	**11,847**	**24,311**	**–2**	**0**	**200**	**26,279**	**26,479**	**62,636**
as of 1 January 2013	**11,847**	**24,311**	**–2**		**200**	**26,279**	**26,479**	**62,636**
Shares of capital increase	12							12
Capital increase of issue new shares		135						135
Dividends paid						–22,510	–22,510	–22,510
Total comprehensive income for the period			–179	31		11,555	11,555	11,406
as of 31 December 2013	**11,859**	**24,446**	**–181**	**31**	**200**	**15,324**	**15,523**	**51,679**

see also Notes 19 – 23

Notes to the Consolidated Financial Statements of Delticom AG

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Segment reporting

Segment results

2013

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**493,106**	**12,436**	**0**	**505,542**
Other operating income	4,990	48	366	5,404
Cost of goods sold	–369,186	–11,120	0	–380,306
Gross profit	**128,910**	**1,365**	**366**	**130,640**
Personnel expenses	–6,649	–204	–4,439	–11,292
Depreciation and amortization	–4,192	–1	–147	–4,340
thereof property, plant and equipment	–2,424	–1	–88	–2,513
thereof intangible assets	–1,767	0	–59	–1,827
Other operating expenses	–93,528	–436	–3,201	–97,165
thereof bad debt losses and one-off loan provisions	–2,102	0	0	–2,102
Segment result	**24,542**	**724**	**–7,421**	**17,844**
Net financial result				–129
Income taxes				–6,160
Consolidated net income				**11,555**

2012

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**441,424**	**14,955**	**0**	**456,379**
Other operating income	3,623	99	31	3,753
Cost of goods sold	–325,498	–13,434	0	–338,932
Gross profit	**119,549**	**1,621**	**31**	**121,201**
Personnel expenses	–4,468	–661	–3,639	–8,768
Depreciation and amortization	–2,580	–2	–107	–2,689
thereof property, plant and equipment	–2,477	–2	–52	–2,531
thereof intangible assets	–103	0	–55	–159
Other operating expenses	–74,235	–444	–2,440	–77,119
thereof bad debt losses and one-off loan provisions	–1,333	0	0	–1,333
Segment result	**38,266**	**514**	**–6,156**	**32,624**
Net financial result				–137
Income taxes				–10,330
Consolidated net income				**22,157**

General notes

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

The company's activities are grouped under the divisions of E-Commerce and Wholesale.

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 137 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt – a well-known brand in the German speaking Internet community. The group offers its product range in 42 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, with the main focus on the USA.

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

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

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

The Management Board had authorized these consolidated financial statements on 07.03.2014. The consolidated financial statements will be published and submitted to the operators of the electronic federal gazette, to make these public.

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

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). Delticom's consolidated financial statements for the fiscal year 2013 were prepared according to the accounting standards No. 1606/2002 prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognised in income. The requirements of the standards and interpretations (SIC / IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

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

Impact of new or changed standards:

Improvements to IFRS 2009 - 2011 Five standards were changed as part of the Annual Improvements project. The adjustment of the wording in certain IFRSs aims to clarify the guidance provided in existing standards. There are also changes that have an impact on accounting, recognition, measurement and information in the notes. The affected standards are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1. These changes have no material impact on the Consolidated Financial Statements of the Delticom Group.

Amendments to IFRS 1 - Government Loans. This amendment relates to a first-time IFRS user's accounting for a government loan bearing a below-market interest rate. The measurement under previous accounting can be retained for government loans existing at the point of transition. The measurement rules in accordance with IAS 20.10A in conjunction with IAS 39 thus apply only to those government loans entered into subsequent to the point of transition. These changes have no impact on the Consolidated Financial Statements of the Delticom Group.

Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities. This amendment to IAS 32 clarifies which prerequisites must existing for netting financial instruments. The amendment explains the importance of the current legal entitlement to offset and clarifies which procedures with a gross offset can be viewed as a net offset in the sense of the standard. Together with these clarifications, the rules in IFRS 7 governing information in the notes have been broadened. The amendment to IAS 32 is to be applied for the first time in fiscal years beginning on or after January 1, 2014. The amendment to IFRS 7 relate to the in related information for offsetting financial assets and financial liabilities. These changes have no impact on the Consolidated Financial Statements of the Delticom Group.

IFRS 13 - This standard provides for the uniform measurement of fair value in IFRS-prepared financial statements. All fair value measurements required by other standards must now follow the uniform guidance provided by IFRS 13; only for IAS 17 and IFRS 2 do individual rules remain. The standard furthermore replaces and expands the disclosure requirements on fair value measurements in other IFRSs. IFRS 13 defines fair value as the exit price; that is, the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy has been introduced based on dependence on observable market prices, as previously known from the fair value measurement of financial assets. In accordance with the transitional provisions of IFRS 13, the new fair value measurement guidance has been applied prospectively and no comparative information for new disclosures has been provided. Notwithstanding the above, the change had no material impact on the measurements of the Group's assets and liabilities.

Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income. This amendment cahnges the presentation of other comprehensive income items in the overall statements of income. In the future, those other comprehensive income items that will subsequently be reclassified in the statements of income ("recycling") will be presented separately from those other comprehensive income line items that will never be reclassified. I the items are presented gross, i.e. without being offset against effects from deferred taxes, the deferred taxes can now no longer be presented as a single total, but must be allocated to the two groups of line items. Delticom AG has adapted the statement of comprehensive income in the consolidated financial statements accordingly.

IAS 19 - Employee Benefits (revised). The most significant change of IAS 19 (revised) requires that experience-based adjustments and effects from changes of actuarial assumptions, reported as actuarial gains and losses, must be recognized directly in other comprehensive income. The previous option of immediate recognition in the income statement, reporting in equity, or delayed reporting according to the corridor method, was abolished. The revised version of IAS 19 eliminates this choice with the aim of providing a more transparent an comparable presentation, which means that in the future it will only be permissible to recognize such fluctuations immediately as other comprehensive income. Moreover, subsequently offset business expense must now be recorded directly in the income statement in the year incurred. Moreover, at the outset of the accounting period, anticipated plan asset earnings are currently being measured on the basis of Management's subjective expectations relating to the development of the value of the portfolio of assets. With the application of IAS 19 (Revisd 2011), only a typifying plan asset interest rate in the amount of the discount rate for pension obligations at beginning of period will be permissible. The anticipated amount of administrative costs for the plan assets have thus far been recorded under interest expense. Under the amendments, administrative costs for the plan assets must be recorded under other income as an element of the new measurement component, while the other administrative costs are attributable to operating profit at the time they are incurred. These amendment have no impact on the Consolidated Financial Statements of the Delticom Group.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. The purpose of this interpretation is to lend consistency to the way surface mine stripping costs are accounted. If, as expected, revenues are realized from the further exploitation of excavated material, the attributable casts of removing this excavated material must be accounted for as inventories pursuant to IAS 2. In addition, this creates an intangible asset that must be capitalized together with the surface mining assets if this improves access to further natural resources and the prerequisites defined in the interpretation are satisfied. The asset must be depreciated over its anticipated useful life. These changes have no impact on the Consolidated Financial Statements of the Delticom Group.

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The changes are start - subject to its adoption into EU law - the first time for fiscal years beginning on or after 1 January 2016. These changes have no impact on the Consolidated Financial Statements of the Delticom Group.

New or amended standards not applied:

Standard / interpretation		Mandatory application	EU commissions use on 31.12.13	Impact
IFRS 10	Consolidated financial statements	01.01.14	yes	no major impact
IFRS 11	Joint Arrangements	01.01.14	yes	none
IFRS 12	Disclosure of Interests in Other Entities	01.01.14	yes	Notes
IAS 27	Separate Financial Statements	01.01.14	yes	none
IAS 28	Investments in Associates and Joint Ventures	01.01.14	yes	none
IAS 32	Netting Financial Assets and Liabilities	01.01.14	yes	no major impact
IAS 36	Impairment of Assets (Amendment: Recoverable Amount Disclosures for Non-Financial Assets)	01.01.14	yes	Notes
IAS 39	Financial Instruments: Recognition and Measurement (Amendment: Novation of Derivatives and Continuation of Hedge Accounting)	01.01.14	yes	no major impact
IFRIC 21	Levies	01.01.14	none	none
	Annual Improvements IFRS (Cycle 2010– 2012 and Cycle 2011– 2013)	01.07.14	none	no major impact
IAS 19	Employee Benefits	01.07.14	none	not known
IFRS 9	Financial Instruments: classification and measurement	frühestens 01.01.2017	none	not known
IFRS 14	Regulatory deferral accounts	01.01.16	none	none

Group of consolidated companies

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

The group of fully consolidated companies has changed in the reporting period by the following accesses since 01.01.2013:

- Wholesale Tire and Automotive Inc., Benicia (California, USA) - founded by Delticom North America Inc. on 19.07.2013, which also holds 100 % of the shares.
- Tirendo Holding GmbH, Berlin (Germany) – business acquisition, i.e. purchase of 100 % of the shares by Delticom AG on 16.09.2013
- Tirendo Deutschland GmbH, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH
- RD Reifendirekt GmbH & Co. KG, Hanover (Germany)

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

- Tyrepac Pte. Ltd., Singapore of which Delticom owns 50.9 % of the shares, and Tyrepac's fully owned subsidiaries Hongkong Tyrepac Ltd., Hongkong and Guangzhou Tyrepac Trading Ltd., Guangzhou, China.
- OOO Delticom Shina, Moscow (Russia) of which Delticom owns 100 % of the shares
- Tirendo France Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH – and its 100 % subsidiary Tirendo France SARL, Paris (France)
- Tirendo Netherlands Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH – and its 100 % subsidiary Tirendo Netherlands B.V., Den Haag (Netherlands)
- Tirendo Austria Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH – and its 100 % subsidiary Tirendo AT GmbH, Vienna (Austria)
- Tirendo Switzerland Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH – and its 100 % subsidiary Tirendo Switzerland GmbH, Zug (Switzerland)
- Tirendo Poland Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH – and its 100 % subsidiary Tirendo Poland sp.z.o.o., Warsaw (Poland)
- Tirendo Turkey Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH

Consolidation methods

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

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

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

The consolidated financial statements are based on the financial statements prepared according to uniform accounting and valuation methods for the companies included in the consolidated financial statements. The balance sheet date for the single-entity financial statements for the companies included in the consolidated financial statements is the same as the balance sheet date for the consolidated financial statements.

All intra-group receivables and liabilities or provisions were eliminated during the consolidation of debts netting. Revenues from deliveries and services as well as interest payments and other income between the consolidated companies are offset against the expenses due in this regard (consolidation of income and expenses). Inter-company profits arising from deliveries and services within the Group are adjusted through profit or loss to reflect deferred tax. There were no minority interests in equity and the earnings of subsidiaries that are controlled by the parent company.

Business combinations in accordance with IFRS 3

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

On 16.09.2013, Delticom acquired 100 % of Tirendo, a Berlin-based online tyre retailer (share deal). The purchase price amounts to € 43.6 million and was paid in cash. In addition, Delticom paid € 6.6 million in cash to the former shareholders to redeem shareholder loans.

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

On the basis of the provisional purchase price allocation, the fair values of the identifiable assets and liabilities on the initial consolidation date are as follows. The following fair values of the identifiable assets and liabilities were recognized as initial consolidation amounts:

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

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

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

The assessment of the non-tax-deductible loss carryforwards, and consequently the formation of related deferred taxes, has not yet been finalised.

Value-determining factors for the goodwill attributable to the cash-generating unit comprise mainly the Tirendo Group's strategically-well-positioned marketing profile, its workforce, staff expertise, and efficiency gains from the merger. This goodwill cannot be amortized for tax purposes.

The acquired trade accounts receivable carry a fair value of € 1.4 million. The receivables amount to € 1.8 million on a gross basis, of which € 0.4 million was categorised as uncollectible and written down accordingly.

Between 16.09.2013 and 31.12.2013 the Tirendo group generated revenues of € 20.7 million and net income of € –5.4 million. If the transaction had already been completed by 01.01.2013, Tirendo would have added 2013 revenues of € 43.7 million. The impact on consolidated net income would have been € –14.8 million.

Incidental acquisition costs of € 1.1 million as a result of the transaction were recognised under Other operating expenses and reduced profit.

Segment reporting

A business segment is a group of assets and operating activities that provides products or services, and that differs from the other divisions with regard to its opportunities and risks.

Delticom is a two-segment company: The company's activities that result in revenues and other income are grouped under the divisions of Wholesale and E-Commerce. In the Wholesale division, the company sells tyres from manufacturers, including under its own brand, to wholesalers. In the E-Commerce division, tyres are sold to dealers, workshops and end users via 137 shops (previous year: 128) in 42 countries. There are no other divisions that could constitute segments with a separate reporting requirement. As in previous years, there were no inter-segment revenues. These segments are managed internally via the Wholesale and E-Commerce divisions. Segment reporting is also in line with this breakdown.

The "unallocated" reconciliation column mainly includes costs relating to the Group head office. Specifically, these comprise: personnel expenses for the following departments: Management Board, Legal, Finance/Accounting, and office organization; depreciation for workspace PCs including operating systems, office furniture and other accessories utilized at Group head office; among other operating expenses: Supervisory Board compensation, rental and operating costs for the Hanover Group head office, insurance payments, costs for public and investor relations, telecommunications and office requirements, legal and consulting costs, vehicle and travel costs for the aforementioned groups of individuals, costs for the AGM and stock exchange, expenses for annual financial statements and auditing, and others.

Currency translation

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

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

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

Country	Mid rate on 31.12.2013 € 1 =	Weighted yearly average rate € 1 =
UK	0.8331 GBP	0.8489 GBP
USA	1.3767 USD	1.3280 USD
Romania	4.4739 RON	4.4135 RON

Estimates and assumptions

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

Accounting and valuation principles

Accounting treatment of acquisitions

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

Goodwill

For the valuation of acquired intangible assets discount rates between 6.8 % and 8.2 % were applied.

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

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

Intangible assets acquired for a fee are capitalised at cost plus the costs required to make these usable and are, to the extent that they have a definite useful life, written down over their useful life using the straight-line method on a pro rata basis. Costs that are associated with the maintenance of software are recognised as expenses when these are incurred. The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life in years
Internet domains	20
Software	3–5

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

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

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

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

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

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

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

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

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

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognised over the term of the lease using the annuity method. Delticom did not enter into any such leases in 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The German companies are subject to trade tax of 15.9 % (previous year: 15.8 %) of trade income. In the reporting period, the corporation tax rate was 15.0 % (previous year: 15.0 %) plus the solidarity surcharge of 5.5 % (previous year: 5.5 %) on corporation tax.

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

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

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

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

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

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

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

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

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

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

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

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

Capital risk management

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

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

Notes to the income statement

(1) Revenues

Other income is carried under other operating income.

For the period from 01.01.2013 to 31.12.2013:

in € thousand	EU Countries	USA and others	Total
E-Commerce	374,398	118,708	493,106
Wholesale	9,194	3,242	12,436
Total	**383,592**	**121,950**	**505,542**

For the period from 01.01.2012 to 31.12.2012:

in € thousand	EU Countries	USA and others	Total
E-Commerce	326,868	114,556	441,424
Wholesale	9,611	5,345	14,955
Total	**336,479**	**119,900**	**456,379**

(2) Other operating income

in € thousand	2013	2012
Income from exchange rate differences	2,752	1,611
Insurance compensation	3	3
Book gains from the disposal of assets	237	83
Other	2,413	2,055
Total	**5,404**	**3,753**

Currency gains include gains from exchange rate changes between the time the transaction occurs and the date of payment and valuation on the balance sheet date. Currency losses from these translations are carried under other operating expenses.

(3) Cost of sales

The cost of sales amounted to € 380.3 million (previous year: € 338.9 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

in € thousand	2013	2012
Wages and salaries	9,827	7,625
Social security contributions	1,421	1,106
Expenses for pensions and other benefits	44	38
Total	**11,292**	**8,768**

Statutory pension insurance in Germany is a defined contribution plan. As a result of statutory requirements, Delticom makes contribution payments to the statutory pension insurance scheme. Delticom does not have any additional obligations other than payment of contributions. The contributions, € 633 thousand (previous year: € 536 thousand) are recognised under personnel expenses when due.

In 2013, Delticom had an average of 179 employees (previous year: 144 employees).

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

in € thousand	2013	2012
Intangible assets	1,827	159
Property, plant and equipment	2,513	2,531
Total	**4,340**	**2,689**

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

(6) Other operating expenses

in € thousand	2013	2012
Transportation costs	43,568	38,179
Warehousing costs	4,119	3,564
Credit card fees	4,105	3,551
Bad debt losses and one-off loan provisions	2,102	1,333
Marketing costs	21,061	11,348
Operations centre costs	5,204	5,131
Rents and overheads	6,803	6,157
Financial and legal costs	3,749	863
IT and telecommunications	1,442	1,181
Expenses from exchange rate differences	2,914	3,839
Other	2,098	1,973
Total	**97,165**	**77,119**

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

(7) Financial result

in € thousand	2013	2012
Financial expenses	178	182
Financial income	49	45
Total	**–129**	**–137**

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

(8) Income taxes

The income taxes recognised in income result from:

	2013			2012		
in € thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	8,714	113	8,827	10,296	89	10,385
Deferred income taxes	–2,536	–131	–2,667	73	–128	–56
Total	**6,178**	**–18**	**6,160**	**10,369**	**–39**	**10,330**
thereof out-of-period	0	2	2	–1	–32	–34

In the year under review, income taxes of € 14 thousand (previous year: € 0 thousand) were carried directly under equity.

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

in € thousand	2013 Deferred tax assets	2013 Deferred tax liabilities	2012 Deferred tax assets	2012 Deferred tax liabilities
Loss carryforwards	1,496	0	335	0
Intangible assets	243	1,051	26	0
Property, plant and equipment	14	107	19	95
Financial assets	0	0	13	0
Inventories	0	601	4	389
Receivables	0	12	0	12
Other assets	0	20	0	23
Long term Provisions	2	0	109	0
Short Term Provisions	115	0	0	0
Liabilities	9	4	9	320
Other equity and liabilities	132	14	140	0
Total	**2,011**	**1,810**	**654**	**839**
Balancing	–143	–143	–319	–319
Value on the balance sheet	**1,867**	**1,667**	**335**	**520**

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

in € thousand	2013	2012
Profit before income taxes	17,715	32,487
Delticom AG income tax rate	31.67%	31.67%
Expected tax expense	**5,610**	**10,289**
Differences from anticipated income tax expense		
Adjustment to different tax rate	69	–51
Non-deductible operating expenses	474	126
Non-period ongoing taxation	2	–34
Other tax effects	5	–1
Total adjustments	**550**	**41**
Actual tax expense	**6,160**	**10,330**

The adjustment to the divergent tax rate reflects the lower corporation income tax rates at German and foreign subsidiaries. The non-tax-deductible expenses include € 337 thousand due to the requirement to capitalize for tax purposes ancillary acquisition costs incurred as part of the Tirendo takeover.

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

(9) Earnings per share

Basic earnings per share totalled € 0.97 (previous year: € 1.87). The diluted earnings per share totalled € 0.97 (previous year: € 1.85).

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 11,554,642.36 (previous year: € 22,157,157.76) by the 11,855,440 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,847,440 shares).

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

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

The calculation of the diluted earnings per share was based (in accordance with IAS 33) on net income after taxes totalling € 11,554,642.36 (previous year: € 22,157,157.76) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,945,250 shares (previous year: 11,945,250 shares).

Notes to the balance sheet

Non-current assets

(10) Intangible assets

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

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

in € thousand	Goodwill	Customer Relationships	Trademarks
Acquisition costs			
as of 1 January 2012	0	0	0
Additions from business combinations	0	0	0
Additions	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
as of 31 December 2012	0	0	0
Accumulated depreciation			
as of 1 January 2012	0	0	0
Additions	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
as of 31 December 2012	0	0	0
Residual carrying amounts as of 31 December 2012	**0**	**0**	**0**

in € thousand	Rights of sale	Domains	Software	Total
Acquisition costs				
as of 1 January 2012	0	1,248	610	1,858
Additions from business combinations	0	0	0	0
Additions	0	11	169	180
Disposals	0	0	2	2
Reclassifications	0	0	0	0
as of 31 December 2012	0	1,260	777	2,037
Accumulated depreciation				
as of 1 January 2012	0	352	474	826
Additions	0	62	97	159
Disposals	0	0	–2	–2
Reclassifications	0	0	0	0
as of 31 December 2012	0	414	569	984
Residual carrying amounts as of 31 December 2012	**0**	**845**	**208**	**1,053**

(11) Property, plant and equipment

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

in € thousand	Land, similar rights and buildings incl. buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2012	1,206	5,587	12,295	22	19,110
Additions	0	186	920	23	1,129
Disposals	0	0	448	0	448
Foreign currency translation	–27	0	–2	0	–28
Reclassifications	0	0	45	–45	0
as of 31 December 2012	1,180	5,772	12,811	0	19,763
Accumulated depreciation					
as of 1 January 2012	91	643	4,135	0	4,869
Additions	24	433	2,074	0	2,531
Disposals	0	0	297	0	297
Reclassifications	0	0	0	0	0
as of 31 December 2012	115	1,076	5,912	0	7,103
Amortised cost as of 31 December 2012	**1,065**	**4,696**	**6,899**	**0**	**12,660**

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

(12) Deferred taxes

Deferred tax assets amounting to € 1,779 thousand (previous year: € 335 thousand) will be realised after more than 12 months.

(13) Other non-current receivables

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

Current assets

(14) Inventories

in € thousand	2013	2012
Tyres	63,276	66,263
Other accessories	1,143	1,034
Goods in Transit	8,422	6,810
Total	**72,841**	**74,107**

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

During fiscal year 2013, € 280,967 thousand of inventories were carried as expenses (previous year: € 264,959 thousand). There were no write-downs and no write-ups during the assessment year. All inventories are free of pledges.

(15) Accounts receivable

in € thousand	2013	2012
Accounts receivable	11,260	9,585
thereof receivables with associated companies and related parties (category: persons in key positions)	0	1
thereof receivables with associated companies and related parties (category: not consolidated subsidiary companies)	530	342

in € thousand			Not written down and overdue since the following periods					
Trade receivables	Carrying amount	Overdue on balance sheet date and not written down	< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Written down
as of 31.12.2013	11,260	5,254	4,458	644	146	3	2	2,227
as of 31.12.2012	9,585	4,351	3,453	681	209	2	6	1,271

The write-downs for trade receivables were as follows:

in € thousand	2013	2012
Write-downs – balance on January 1	1,271	950
0	333	0
Additions (expenses for write-downs)	1,973	1,331
Reversals	–43	–4
Use of write-downs	–1,307	–1,006
Write-downs – balance on December 31	2,227	1,271

in € thousand	2013	2012
Expenses for full write-off of receivables	–10	–3
Income from the receipt of written-off receivables	17	15

(16) Other current receivables

in € thousand	2013	2012
Refund claims from taxes	10,084	6,876
Credits with suppliers	256	316
Deferrals	400	321
Other cash an cash equivalents	505	505
Other current receivables	1,349	155
Total	**12,594**	**8,173**

The other current receivables comprise € 63 thousand receivables from derivative financial instruments (previous year: € 74 thousand).

(17) Income tax receibable

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

(18) Cash and cash equivalents

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

Cash and cash equivalents are broken down as follows:

in € thousand	2013	2012
Cash	2	1
Bank balances	11,321	46,167
Total	**11,323**	**46,168**

Equity

(19) Subscribed capital

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

The subscribed capital was increased by 8,000 shares on 06.05.2011 to € 11,847,440.00 when 8,000 option rights were exercised that entitled shareholders to subscribe for 8,000 of the company's new no-par value registered shares; this was further increased to € 11,859,440.00 on 02.05.2013 when 12,000 of the company's shares were exercised. The above option rights were exercised by former Management Board member Frank Schuhardt.

The share capital is split into 11,859,440 ordinary no-par value registered shares (no-par shares), each with a proportionate interest of € 1.00 in the company's share capital.

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

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

The Annual General Meeting of 30.08.2006 authorized the Management Board or the Supervisory Board in place of the Management Board to the extent that options are granted to members of the Management Board, to grant on one or several occasions up to 29.08.2011, options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company's Management Board and its employees. By way of a resolution by the General Meeting on 30.08.2006, the company's share capital was conditionally increased by € 100,000.00 by issuing a total of up to 100,000 new no-par value registered shares *(Contingent Capital I/2006)*. *Contingent Capital I/2006* serves exclusively to grant shares to the holders of options issued by the company on the basis of the authorization granted by the General Meeting on 30.08.2006 for the granting of options. The *Contingent Capital I/2006* was entered in the commercial register on 01.09.2006.

On the occasion of the capital increase out of retained earnings, which had been decided on the the Annual General Meeting on 19.05.2009, the newly stock issues increased the *Contingent Capital I/2006* to € 300,000.00, proportionally with the share capital. The capital increase and the amendment of the articles of incorporation relating to the *Contingent Capital I/2006* was registered with the Hanover Local Court on 10.06.2009. *Contingent Capital I/2006* amounts to currently € 280,000.00 due to the exercise of 20,000 option rights that entitled Ex-Management Board member Frank Schuhardt to subscribe for 20,000 of the company's new no-par ordinary registered shares.

The Annual General Meeting of 03.05.2011 authorized the Management Board or the Supervisory Board in place of the Management Board to the extent that options are granted to members of the Management Board, to grant on one or several occasions up to 02.05.2016, options for the subscription of up to 300,000 new no-par value registered shares of the company to the members of the company's Management Board and its employees. The company's share capital is conditionally increased by up to € 300,000.00 through issuing up to 300,000 new no-par registered shares *(Contingent Capital I/2011)*. *Contingent Capital I/2011* serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG. *Contingent Capital I/2011* was entered in the commercial register on 10.06.2011.

The Annual General Meeting on 03.05.2011 authorized the Management Board, with the approval of the Supervisory Board to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 02.05.2016 with a total nominal amount of up to € 200,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 5,300,000 no-par value registered shares of the company with a proportionate interest in the share capital totalling € 5,300,000.00 according to the details of the terms and conditions for the convertible bonds or bonds with warrants. This authorization may be exercised in whole or in part. In some instances, the Management Board is authorised, with the Supervisory Board's assent, to exclude shareholder subscription rights when issuing convertible or warrant bonds.

By way of a resolution by the General Meeting on 03.05.2011, the company's share capital was conditionally increased by up to € 5,300,000.00 by issuing up to 5,300,000 new no-par value registered shares *(Contingent Capital II/2011)*. *Contingent Capital II/2011* serves exclusively to grant new shares to the holders of conversion or warrant rights that are issued pursuant to the aforementioned authorization resolution by Delticom AG or by companies in which Delticom owns a direct or indirect majority interest. *Contingent Capital II/2011* was entered in the commercial register on 10.06.2011.

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

The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10 % above or below the price identified in the XETRA trading system (or a comparable successor system) on the stock market day in the opening auction. If shares are acquire via a public purchase offer or a public request to issue a purchase offer, the offered purchase price or the thresholds for the offered purchase price range per share (without incidental acquisition costs) may not be more than 10 % higher or lower than the respective value of a share of the company. In the case of a public purchase offer, the relevant price is the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the stock market trading day before the date when the offer is announced, and in the case of a public solicitation to issue a purchase offer, the price calculated by the closing auction in XETRA trading (or a comparable successor system) on the last stock market day before the date on which the company accepts the offers. If there are not insignificant differences between the relevant prices after the purchase offer is published, the offer can be adjusted.

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

(20) Share premium

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

The share premium account was increased by € 134,724.00 shares on 02.05.2013, when Ex-Management Board member Frank Schuhardt exercised 12,000 option rights that entitled him to subscribe for 12,000 of the company's new no-par value registered shares.

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

	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	30.03.2009	25.11.2008	08.05.2008	22.11.2007
Term	10 years	10 years	10 years	10 years
Blackout period	2 years	2 years	2 years	2 years
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Number of options issued	15,000	37,500	37,500	15,810
Number of exercised options issued	0	20,000	0	0
Number of expired options issued	0	0	0	0
Outstanding on 31.12.2013	15,000	17,500	37,500	15,810
Excersisable on 31.12.2013	15,000	17,500	37,500	15,810

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

	4th tranche	3rd tranche	2nd tranche	1st tranche
Fair value per option on the date granted	€ 3.18	€ 3.27	€ 3.75	€ 6.47
Total fair value of the options totaled on the date granted	€ 47,700.00	€ 122,500.00	€ 140,750.00	€ 102,291.00
Expenses from the stock option program to be taken into account in fiscal year 2013	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Expected time to maturity of issued stock options	3.36 years	3.70 years	4.25 years	4.71 years
Expected annual dividend yield	5.00%	5.00%	5.00%	3.00%
Risk-free interest rate	1.80%	2.57%	4.31%	3.90%
Stock price at issue date	€ 13.63	€ 12.83	€ 13.41	€ 19.65
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Expected volatility	42.00%	44.00%	45.00%	45.00%

(21) Gains and losses recognised directly in equity

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

(22) Retained earnings

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

(23) Net retained profits

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

Liabilities

(24) Finanical liabilities

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

(25) Provisions

Provisions had the following breakdown:

in € thousand	01.01.2013	Taken up	Reversal	Additions	31.12.2013
Provisions for taxes	432	432	0	182	182
Other non-current provisions	154	67	0	165	252
Other provisions	1,745	653	0	754	1,846
Total	**2,330**	**1,151**	**0**	**1,152**	**2,331**

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

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

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

(26) Deferred tax liabilities

Deferred tax liabilities are realized after more than 12 months in the amount of € 1,051 thousand (previous year: € 38 thousand)

(27) Trade accounts payable

in € thousand	2013	2012
Accounts payable	74,703	74,814
thereof liabilities with associated companies and related parties (category: persons in key positions)	9	7
thereof liabilities with associated companies and related parties (category: not consolidated subsidiary companies)	0	116

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

(28) Additional notes concerning financial instruments

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

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

in € thousand		Book Value 31.12.12				Fair Value 31.12.12
Assets						
Cash and cash equivalents	LaR	46,168	46,168			46,168
Accounts receivable	LaR	9,585	9,585			9,585
Other receivables	LaR	853	853			853
Other original financial assets						
Available for Sale Financial Assets	AfS	826		826		826
Derivative financial assets						
Derivates not used for hedging (Held for Trading)	FAHfT	74			74	74
Liabilities						
Accounts payable	FLAC	74,814	74,814			74,814
Other current liabilities	FLAC	1,667	1,667			1,667
Other original financial liabilities	FLAC	3,155	3,155			3,155
Derivative financial liabilities						
Derivates not used for hedging (Held for Trading)	FLHfT	29			29	29
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		56,606	56,606			56,606
Available for Sale Financial Assets (AfS)		826		826		826
Financial Assets Held for Trading (FAHfT)		74			74	74
Financial liabilities measured at amortised cost (FLAC)		79,637	79,637			79,637
Financial Liabilities Held for Trading (FLHfT)		29			29	29

Net profits and losses from financial instruments are as follows:

in € thousand	2013	2012
Loans and receivables (LaR)	–3,036	–2,226
Financial Assets and Liabilities Held for Trading (FAHfT + FLHfT)	250	–478
Financial liabilities measured at amortised cost (FLAC)	427	–943
thereof interests	–34	–73
Sum	–2,359	–3,647

The fair value of cash and cash equivalents, short-term receivables, trade payables as well as other short-term assets and liabilities approximately corresponds to the book value, due to the short time to maturity. The fair value of the subsidiary Tyrepac Pte. Ltd., Singapore, corresponds at the balance sheet date to acquisition costs. The book value of the derivative financial instruments equals the fair value.

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

The financial instruments in category *available for sale* total € 833 thousand, in category *assets held for trading* total € 63 thousand and those designated to the category *liabilities held for trading* total € 3 thousand. We have classified this three times in the fair value hierarchy level 2.

Level 2 requires that the stock market or market price exists for a similar financial instrument, or that the calculation parameters are based on data from observable, regulated markets. Fair value is calculated by discounting the future cash flows applying the congruent market interest rate. As previously, there were no financial instruments whose valuation methods are based on significant input parameters that are not derived from observable, regulated market (fair value hierarchy Level 3).

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

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

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

(29) Other current liabilities

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

This balance sheet item also contains € 3 thousand of liabilities arising from derivative financial instruments (previous year: € 29 thousand).

All current liabilities are due within one year.

in € thousand	2013	2012
Sales tax (VAT)	6,334	5,664
Payments received on account of orders	3,666	4,290
Customer credits	1,744	1,666
Social security contributions	0	9
Income and church tax	418	124
Other current liabilities	1,831	1,166
Total	**13,994**	**12,918**

Other notes

Contingent liabilities and other financial commitments

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

The key financial liabilities comprise:

in € thousand	2013	2012
Order commitments for goods	13,712	5,177
Other financial commitments	55,412	54,153
Total	**69,124**	**59,330**

Delticom rents office premises and parking spaces in Hanover, Berlin and Munich, as well as warehouses for trading goods in 3 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreement for the office premises in Hanover runs until 31.12.2017, in Berlin until 31.03.2015 and in Munich until 30.11.2015. The agreements for the warehouses run until 31.12.2015, 31.03.2019 and 31.07.2023.

In addition, there are operating leases for three cars. The car leases end in June and September 2014 after a 36-month term.

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

in € thousand	2013	2012
up to one year	6,096	5,824
2 years to 5 years	21,622	22,461
more than 5 years	13,407	18,269
Total	**41,125**	**46,554**

Accounting for derivative financial instruments

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

The remaining maturities of the forward exchange transactions were all less than 4 months on the balance sheet date (previous year: 4 months).

Risk Management

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

Currency risk

Delticom has international operations, which means that the company is exposed to market risks as a result of changes in foreign exchange rates. Currency risks result primarily from holdings of cash and cash equivalents and trade payables and receivables. To reduce theses risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a corresponding sale transaction in EUR. If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign exchange from operations in the E-Commerce division are not hedged.

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

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

Currency	1 Euro = unit FX (as of 31.12.2013)	Result +10% in thousand €	Result -10% in thousand €
CHF	1.2267	–368	396
DKK	7.4599	–13	16
GBP	0.8331	–457	555
HKD	10.6753	–40	40
LVL	0.6997	–27	32
NOK	8.3614	–10	10
PLN	4.1508	–53	56
SEK	8.8263	–321	381
SGD	1.7392	–166	165
USD	1.3767	428	–335
Sonstige	n/a	–25	28

Interest rate risk

For cash and cash equivalents there exists a cash flow risk from the interest earned on the holdings. Due to the low level of interest rates the sensitivities were calculated by a parallel movement of the yield curve by 10 basis points. For the scenario of an increase of the interest rates by 10 basis points the holdings would earn € 13 thousand, for a downward move of 10 basis points they would lose € 13 thousand. In relation to the amount of cash and cash equivalent held, the interest-rate sensitivity is low. The reason for that is that most of the cash is carried in accounts which do not bear interest. In addition to the account balances the investment loan is factored into the sensitivity analysis.

Liquidity risk

Delticom defines liquidity risk as the risk to fail on existing or future payment obligations as a result of a lack of availability of cash and cash equivalents. Liquidity risk is managed centrally within the

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

Credit risk

In its Wholesale division, Delticom supplies tyres and rims to retail companies with varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the Group's earnings position and liquidity situation. Delticom has therefore negotiated credit insurances and uses commission business for certain customers. These instruments restrict the financial impact on the company and eliminate any dangers to its going concern. The total credit-insured gross receivables in the Wholesale division amounted to € 886 thousand (previous year: € 550 thousand). For the E-Commerce division they totalled € 599 thousand (previous year: € 320 thousand). The deductibles for credit-insured receivables lie between 10 % and 15 %.

Related party disclosures

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

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

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

- Binder GmbH (number of shares 3,148,058, 26.54 % interest)
- Prüfer GmbH (number of shares 3,307,030, 27.89 % interest)

The interest in Delticom AG in terms of Section 22 I S. 1 Nr. 1 WpHG (Securities Act) for Binder GmbH can be attributed to Rainer Binder (CEO until 31.12.2013), Hanover, and for Prüfer GmbH to Andreas Prüfer (Chairman of the Supervisory Board until 31.12.2013), Hanover. In addition, Binder GmbH and Prüfer GmbH have entered in a pool contract in terms of Section 22 II S. 1 WpHG.

Sale of goods

in € thousand	2013	2012
to associated companies and related parties (category: persons in key positions)	2	3
to associated companies and related parties (category: not consolidated subsidiary companies)	1,543	983

Purchase of goods and services

in € thousand	2013	2012
from associated companies and related parties (category: persons in key positions)	278	541
from associated companies and related parties (category: not consolidated subsidiary companies)	0	167

The item relating to the purchasing of goods and services from key management individuals includes € 61 thousand for consultancy services rendered by TADUV GmbH. TADUV GmbH is a company wholly-owned by Prüfer GmbH. All transactions with related parties are agreed contractually, and conducted on terms as would also be usual with third parties.

Executive bodies

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

2013 the **Management Board** had the following members:

- Rainer Binder, Hanover (resigned on 31.12.2013): CEO, procurement
- Susann Dörsel-Müller, Peine: Wholesale, Operation-Center, B2B
- Philip von Grolman, Hemmingen: B2C, marketing, North America
- Sascha Jürgensen, Hanover: logistics, staffing
- Frank Schuhardt, Hanover (resigned on 31.12.2013): finance, law, IT
- Andreas Püfer, Hanover (since 01.01.2014)

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

	Non-performance related compensation		Performance-related compensation		Long-term incentive	
in € thousand	2013	2012	2013	2012	2013	2012
Rainer Binder	475	300	155	200	0	0
Susann Dörsel-Müller	102	80	11	14	0	0
Philip von Grolman	220	165	77	100	0	0
Sascha Jürgensen	130	101	14	18	0	0
Frank Schuhardt	300	246	50	100	0	0

In addition to the figures presented in the table above, Frank Schuhardt received a € 700 thousand settlement for the early discontinuation of his employment contract.

During fiscal year 2013, the **Supervisory Board** was composed as follows:

- Andreas Prüfer, entrepreneur, Hanover (resigned on 31.12.2013): Member of the Supervisory Board and Chairman.

- Alan Revie, entrepreneur, Hamilton / UK: Member of the Supervisory Board
- Michael Thöne-Flöge, entrepreneur, Peine: Deputy Chairman of the Supervisory Board
- Rainer Binder, Unternehmer, Hanover (since 01.01.2014)

In fiscal year 2013, remuneration totalled € 35 thousand (previous year: € 35 thousand) for Andreas Prüfer, € 10 thousand (previous year: € 10 thousand) for Michael Thöne-Flöge and € 5 thousand (previous year: € 5 thousand) for Alan Revie.

Dividend

The General Meeting on 30.04.2013 resolved to pay a dividend in the amount of € 22,510,136.00 from Delticom AG's 2012 net retained profits (€ 1.90 per share, previous year € 2.95 per share) and to carry forward the remaining amount of € 429,351.63 to new account.

Proposal for the appropriation of profits

The Management Board proposes to distribute an amount of € 5,929,720.00 or € 0.50 per share from Delticom AG's net retained profits of € 18,654,190.27, carrying € 12,724,470.27 forward to new account.

Shareholdings

Consolidated subsidiaries:

	Fixed capital interest %	
Name, registered office, country	2013	2012
Delticom Tyres Ltd., Oxford, United Kingdom	100	100
NETIX S.R.L., Timisoara, Romania	100	100
Reifendirekt GmbH, Hanover, Germany	100	100
RD Reifendirekt GmbH & Co. KG, Hanover, Germany	100	0
Delticom North America Inc., Benicia, (California, USA)	100	100
Wholesale Tire and Automotive Inc., Benicia (California, USA) - 100 % subsidiary of Delticom North America Inc.	100	0
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover, Germany	100	100
Tirendo Holding GmbH, Berlin (Germany)	100	0
Tirendo Deutschland GmbH, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0

Not consolidated subsidiaries:

Name, registered office, country	Fixed capital interest % 2013	2012	Shareholders equity in Thouse-nd	Currency	Earnings from the last year in Thouse-nd	Currency	Record day from the infor-mation
Tyrepac Pte. Ltd., Singapur	50.9	50.9	823	SGD	–263	SGD	31.12.2013
Hongkong Tyrepac Ltd., Hongkong - 100 % subsidiary of Tyrepac Pte. Ltd.	50.9	50.9	100	HKD	–97	HKD	31.12.2013
Guangzhou Tyrepac Trading Ltd., Guangzhou, (China) - 100 % subsidiary of Tyrepac Pte. Ltd.	50.9	50.9	953	RMB	–303	RMB	31.12.2013
OOO Delticom Shina, Moskow, (Russia)	100	99	111	RUB	–399	RUB	31.12.2013
Tirendo France Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–4	EUR	–1	EUR	31.12.2013
Tirendo France SARL, Paris (France) – 100 % subsidiary of Tirendo France Holding UG	100	0	–27	EUR	–16	EUR	31.12.2013
Tirendo Netherlands Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–6	EUR	–2	EUR	31.12.2013
Tirendo Netherlands B.V., Den Haag (Netherlands) – 100 % subsidiary of Tirendo Netherlands Holding UG	100	0	–51	EUR	–30	EUR	31.12.2013
Tirendo Austria Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–7	EUR	–3	EUR	31.12.2013
100°% subsidiary Tirendo AT GmbH, Vienna (Austria) – 100 % subsidiary of Tirendo Austria Holding UG	100	0	–4	EUR	–9	EUR	31.12.2013
Tirendo Switzerland Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–22	EUR	–3	EUR	31.12.2013
Switzerland GmbH, Zug (Switzerland) – 100 % subsidiary of Tirendo Switzerland Holding UG	100	0	–33	CHF	–53	CHF	31.12.2013
Tirendo Poland Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–3	EUR	–1	EUR	31.12.2013
Tirendo Poland sp.z.o.o., Warsaw (Poland) – 100 % subsidiary of Tirendo Poland Holding UG	100	0	–112	PLN	–67	PLN	31.12.2013
Tirendo Turkey Holding UG, Berlin (Germany) – 100 % subsidiary of Tirendo Holding GmbH	100	0	–3	EUR	–1	EUR	31.12.2013

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

Auditor's fees

In fiscal years 2013 and 2012, the following fees were recorded for the auditor Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Hanover:

in € thousand	2013	2012
Audits of the financial statements	101	71
Other confirmation and valuation services	27	24
Tax consultancy services	16	12
Other services	2	25
Total	**145**	**132**

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

The Managing and Supervisory Boards issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) on 19.03.2013, and made accessible to shareholders on our Web site: www.delti.com.

Notes to the cash flow statement

The consolidated cash flow statement was prepared according to IAS 7. The cash flow statement allows an assessment of the Group's ability to generate cash and cash equivalents. The cash flows are broken down into cash flows from operating activities, investing activities and financing activities. The cash flows from operating activities are presented using the so-called indirect method, in which the net income is adjusted by non-cash items. Cash and cash equivalents comprises cash and bank balances. In addition to these, the liquidity position in general also includes securities.

Responsibility Statement

To the best of our knowledge, we declare that, according to the principles of proper interim consolidated reporting applied, the interim consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the interim consolidated management report presents the company's business including the results and the company's position such as to provide a true and fair view and that the major opportunities and risks of the company's anticipated growth for the remaining financial year are described.

Hanover, 07 March 2014

(The Management Board)

Auditors' Report

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

We have audited the consolidated financial statements prepared by the Delticom AG, Hanover, comprising the income statement, the statement of recognised income and expenses, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hanover, 07 March 2014

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer
German Public Auditor

ppa. Thomas Monecke
German Public Auditor

Abridged Financial Statements of Delticom AG (HGB)

Balance Sheet

Assets

in € thousand	31.12.2013	31.12.2012
Fixed assets	**72,942**	**17,642**
Intangible assets	14,083	1,014
Property, plant and equipment	8,980	11,106
Financial assets	49,878	5,523
Current assets	**115,993**	**135,290**
Inventories	8,377	70,080
Accounts receivable	8,487	8,378
Receivables from affiliated companies	80,253	739
Other receivables and other assets	13,617	11,156
Cash and cash equivalents	5,260	44,938
Deferred item	**324**	**298**
Deferred taxes	**188**	**213**
Assets	**189,447**	**153,443**

Shareholders' Equity and Liabilities

€ thousand	31.12.2013	31.12.2012
Equity	**55,799**	**59,937**
Subscribed capital	11,859	11,847
Share premium	25,085	24,951
Retained earnings	200	200
Balance sheet profit	18,654	22,939
Provisions	**5,281**	**4,974**
Provisions for taxes	0	310
Other Provisions	5,281	4,664
Liabilities	**128,367**	**88,522**
Liabilities to banks	32,697	3,154
Payments received on account of orders	3,304	4,026
Accounts payable	67,525	72,380
Payables to affiliated companies	19,409	2,421
Other liabilities	5,432	6,541
Deferred item	**0**	**10**
Shareholders' Equity and Liabilities	**189,447**	**153,443**

Income Statement

in € thousand	01.01.2013 – 31.12.2013	01.01.2012 – 31.12.2012
Revenues	**620,090**	**441,023**
Other operating income	9,739	7,637
Cost of goods sold	–509,736	–330,589
Personnel expenses	–9,425	–8,603
Depreciation	–2,870	–2,698
Other operating expenses	–86,160	–75,112
Income from participating interests	5,200	964
Other interest received and similar income	220	46
Paid interest and similar expenses	–165	–182
Result from ordinary business activities	**26,893**	**32,486**
Taxes on income and profit	–8,668	–10,229
Annual surplus	18,225	22,257
Profit carried forward	429	682
Balance sheet profit	**18,654**	**22,939**

Financial Calendar

29.04.2014	Publication of provisional H1 figures
15.05.2014	3-monthly report 2014
14.08.2014	6-monthly report 2014
13.11.2014	9-monthly report 2014
24.–26.11.2014	German Equity Forum Frankfurt

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