Semi-Annual Report 2023

DELTICOM

Profile

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

The product portfolio for private and business customers comprises an unparalleled range of more than 600 brands and over 40,000 tyre models for cars and motorcycles. Complete wheels and rims complete the product range. The company operates 348 online shops and online distribution platforms in 67 countries, serving around 19 million customers. In the online shop Reifendirekt.de, sustainable and resource-saving tyres are labelled accordingly and awarded a sustainability seal.

As part of the service, the ordered products can be sent to one of Delticom's around 30,000 partner garages in Europe for mounting at the customer's request.

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

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

In fiscal year 2022, Delticom AG generated revenues of around € 509 million. At the end of last year, the company employed 178 people.

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

Key Figures

		01.01.2023 30.06.2023	01.01.2022 30.06.2022	-/+ (%, %p)
Gross merchandise volume	€ million	243.7	253.3	-3.8
Revenues	€ million	197.7	219.7	-10.0
Total income	€ million	215.1	238.9	-10.0
Gross margin[1]	%	22.9	21.2	+1.7
Gross profit[2]	€ million	62.7	65.9	-4.9
EBITDA	€ million	6.8	8.9	-23.5
EBITDA-Marge	%	3.4	4.0	-0.6
EBIT	€ million	3.2	4.3	-26.4
Net income	€ million	1.5	2.8	-45.7
Earnings per share	%	0.10	0.19	-45.7
Total assets	€ million	235.5	231.2	+1.9
Inventories	€ million	82.0	84.0	-2.4
Investments[3]	€ million	2.2	1.2	+82.3
Equity	€ million	41.3	39.6	+4.4
Equity ratio	%	17.5	17.1	+0.4
Return on equity	%	3.7	7.2	-3.4
Liquidity position[4]	€ million	2.5	4.8	-48.2

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

Highlights H1 2023

Gross merchandise volume amounted to

€ **244** million

H1 2022: € 253 million

Revenues

198 million

H1 2022: € 219 million

Improvement of operative EBITDA to

€ **7.2** million

H1 2022: € 6.7 million

Net income amounted to

€ **1.5** million

H1 2022: € 2.8 million

Content

Interim Management Report of Delticom AG

Content

Economic Environment

Macroeconomic developments

Global economy

Lower energy prices, China's departure from its zero-covid policy and reduced supply bottlenecks helped the global economy regain its footing in the first six months of the current year. However, monetary tightening had a dampening effect on global economic activity. In the first quarter 2023 global gross domestic product increased by 0.8 %, the highest rate since the end of 2021. In addition to an acceleration of economic activity mainly in the emerging markets, the economies of the advanced economies also picked up again in the first three months of the current year after stagnating in the fall of last year. For the second quarter 2023, however, experts expect a weaker expansion of the global economy.

Euro area

The euro area economy regained some momentum at the beginning of the current year. Most recently, high inflation, rising financing conditions and uncertainties about the economic environment had put a stop to the recovery from the corona pandemic. While GDP still declined slightly by 0.1 % in the final quarter 2022, lower energy prices, reduced supply bottlenecks and a strong labor market led to moderate growth in the first three months of the current year compared with the previous quarter. At 0.5 %, growth was strongest in Spain and Italy. According to experts, however, the expansion continued only moderately in the second quarter.

Germany

According to experts, the burdens from energy price increases, the slowdown in the global economy and unfavorable financing conditions continued to have an impact on the first half of the year following the decline in gross domestic product in the first quarter 2023 and delayed the expected economic recovery. Private consumption was also weighed down by high inflation. This was reflected in a noticeable decline in retail sales of 4.5 % in the first six months of the current year compared to H1 2022.

Sectoral developments

Tyre trade

According to estimates by the European Tyre & Rubber Manufacturers' Association (ETRMA) and the German Rubber Industry Association (WdK), a total of 2.8 % fewer passenger car tyres were sold by retailers to consumers in Germany in the first six months of the current year compared with the corresponding prior-year period. A 12.0 % decline in business with summer tyres compared with the first half of 2022 contrasted with an 11.8 % increase in business with all-season tyres. Sales of winter tyres were 1.6 % lower than in the first six months of 2022.

According to ETRMA market data for the tyre industry, demand for replacement tyres in the European market for consumer tyres (passenger cars, SUVs and light trucks), the largest sub-segment in terms of volume, was down 12 % in the first half of the year compared with the first six months of 2022. Sales of summer passenger car tyres were down 11 %, while winter tyre sales fell by 32 %. Sales of all-season tyres were on a par with the previous year. These market figures relate to sales from the industry to retailers (sell-in).

Online trade

The gloomy consumer sentiment also made itself felt in the domestic online retail sector in the middle of the year. According to the German E-Commerce and Distance Selling Trade Association (Bundesverband E-Commerce und Versandhandel e. V. - bevh), the first three months of the current year already saw a year-on-year decline in sales of 15.0 % to € 19.4 billion. This trend continued in the second quarter 2023. From April to June of this year, revenues declined by 12.2 % year-on-year to € 19.2 billion. Overall, e-commerce sales in Germany in the first six months of the current year were therefore 13.7 % down on the previous year.

Business performance and earnings situation

Revenues

Group

The Delticom group generates the majority of its revenues from the online sale of replacement tires for cars and motorcycles. Complete wheels and rims round off the product range.

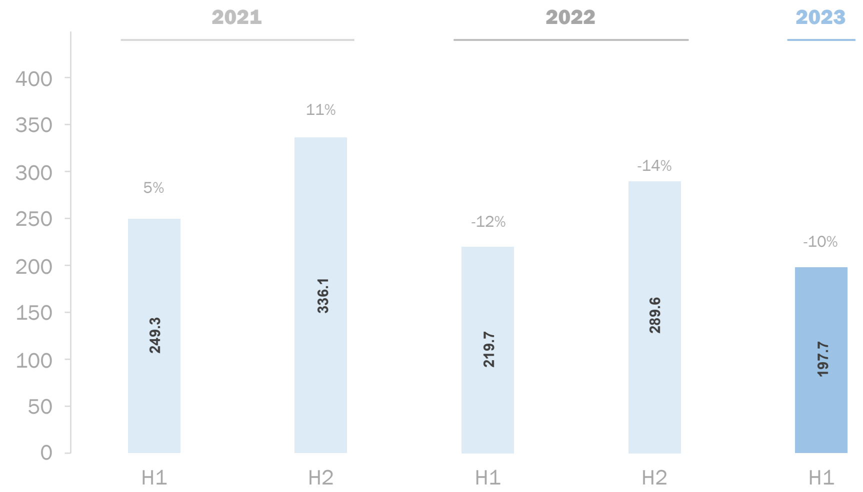
In the first six months of the current fiscal year, the Delticom group generated revenues of € 198 million, a decrease of 10.0 % after € 220 million in H1 2022. In the current year, the previous shop business was supplemented by platform business. The company provides the technical infrastructure and its sales and process know-how to enable external third parties to sell goods online to Delticom's private and commercial end customers. This results in a partial shift of shop revenues to the platform. Accordingly, the commission contributions are realized for the shifted share of revenues. The year-on-year decline in revenues consequently mainly results from this reclassification. The gross merchandise value in H1 2023 amounts to € 243.7 million (H1 2022: € 253.3 million, -3.8 %).

Seasonality

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

Revenues trend

half-year revenues in € million



Q1

Overall, the Delticom group generated revenues of € 78 million (Q1 2022: € 91 million, –13.8 %) in the first quarter of the current fiscal year. In addition to lower demand for tyres from European consumers at the beginning of the year, the platform business and the associated reclassification of parts of sales also contributed to the decline in revenues in the first three months. Gross merchandise value for Q1 2023 amounted to € 96.2 million (Q1 2022: € 105.5 million).

Q2

In the second quarter, the company generated sales of € 120 million, a year-on-year decrease of 7.4 % (Q2 2022: € 129 million). Due to weather conditions, the start to the summer tyre business was delayed compared with the previous year. While demand from private end customers stabilized in the second quarter, business with commercial customers was somewhat weaker year-on-year against the backdrop of the market situation. However, the decline in revenues in Q2 is essentially due to the platform business and the corresponding reclassification in sales. At € 147.5 million, the gross volume of goods was almost at the level of the previous year (Q2 2022: € 147.8 million).

Regional split

The Group offers its product range in 67 countries. In H1 2023 revenues in EU countries totalled € 164 million (H1 2022: € 180 million, –9.0 %). Across all non-EU countries the revenue contribution for H1 2023 was € 33 million (H1 2022: € 39 million, –14.8 %).

Revenues by region

in € thousand

	H1'23	%	+%	H1'22	%	+%	H1'21	%
Revenues	**197,687**	**100.0**	**-10.0**	**219,725**	**100.0**	**-11.9**	**249,270**	**100.0**
Regions								
EU countries	164,219	83.1	-9.0	180,422	82.1	3.1	174,982	70.2
Non-EU countries	33,469	16.9	-14.8	39,303	17.9	-47.1	74,288	29.8

Customer numbers

The following customer numbers are the customer numbers in our core business - the online trade with tyres in Europe. In the first six months of 2023 a total of 253 thousand **existing customers** (H1 2022: 281 thousand, –9.9 %) have once again purchased tyres in one of the Delticom Group's online shops. Existing customers are counted only once during the reporting period, regardless of the number of purchases made during that period.

A total of 351 thousand (H1 2022: 379 thousand, –7.4 %) new customers were acquired in Europe in H1 2023. Since the company was founded, around 19 million customers have made purchases in our online shops. Over the half-year period, the number of **active buyers** (new customers and repeat customers) is 8.5 % lower than in the same period of the previous year.

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 products (mainly tyres). Group COGS decreased by 11.9 % from € 173 million in H1 2022 to € 152 million in H1 2023. The cost of materials ratio (cost of materials as a percentage of revenues) was 77.1 % in H1 2023 (H1 2022: 78.8 %).

Personnel expenses

On average, the company employed 169 people in the first six months of the current financial year (H1 2022: 182). At the reporting date 30.06.2023, a total of 168 employees worked for the Group (30.06.2022: 178). Personnel expenses in the reporting period amounted to € 7.4 million (H1 2022: € 7.1 million, +4.4 %). The year-on-year increase is mainly due to the payment of an inflation compensation bonus to employees at the beginning of the year. The personnel expense ratio (ratio of personnel expense to sales) was 3.7 % in H1 2023 (H1 2022: 3.2 %).

Depreciation

Depreciation and amortization in the reporting period was € 3.6 million after € 4.6 million in H1 2022 (–20.9 %). The decrease is mainly due to a reduction in depreciation and amortization of rights of use in accordance with IFRS 16 as a result of the leasing out of warehouse space and long-term subleases.

Transportation costs

The largest single item within other operating expenses is transport costs. These amounted to € 16.5 million after € 17.9 million in the comparative period (–8.2 %). Transportation costs as a percentage of revenues amounted to 8.3 % (H1 2022: 8.2 %).

Warehousing

Inventory costs amounted to € 4.6 million in the reporting period, after € 6.0 million in H1 2022. The decrease by 22.3 % is largely due to process optimization measures in the warehouses operated by the company. The reduction in unit sales volumes associated with the decline in revenues also had a cost-reducing effect in the first half of the year.

Rents and operating costs

The rents and operating costs are largely operating costs. The increase in the reporting period from € 1.4 million in the previous year by 63.9 % to € 2.3 million is mainly due to the rental of further warehouse space in H2 2022.

Marketing

In the reporting period, € 6.6 million (H1 2022: € 6.2 million, +6.0 %) was spent on marketing. Whereas last year the company had adjusted advertising spending to market conditions due to weaker end-customer demand as a result of the recession, this year spending was increased in a controlled manner and the efficiency of the measures was closely monitored. Marketing expenses as a percentage of consolidated revenues amounted to 3.3 % (H1 2022: 2.8 %).

Financial and Legal

Finance and legal expense in the reporting period amounted to € 3.6 million, compared with € 3.3 million in the prior year. The increase of 9.7 % is due to both follow-up costs in connection with the annual financial statements 2022 and costs in connection with the extension of the syndicated loan agreement in March of the current year.

Earnings position

Gross margin

The company achieved a gross margin (gross margin excluding other operating income) of 22.9 % in the reporting period, compared with 21.2 % in the corresponding prior-year period. The change is associated with a change in the sales mix. In addition, demand for low-priced quality tyres increased due to inflation. Last year's significant upturn in tyre prices did not continue in terms of momentum in the first half of the year.

Other operating income

Other operating income decreased by 9.6 % to € 17.4 million in the reporting period (H1 2022: € 19.2 million). Income from project business largely compensated for the absence of last year's earnings contribution from the sale of shares in the US company in the first half of the year. In addition, the operating business regularly generates marketing subsidies, income from transport losses and other income. Accordingly, the year-on-year decline in other operating income is partly due to the development of business. In addition, other operating income also includes gains from exchange rate differences amounting to € 2.7 million (H1 2022: € 3.6 million, –24.9 %). Delticom reports currency losses within other operating expenses. In H1 2023, they totaled € 2.5 million (H1 2022: € 3.6 million). Accordingly, there is a balance of currency gains and losses of € 0.2 million (H1 2022: € –14.9 thousand) for the reporting period.

Gross profit

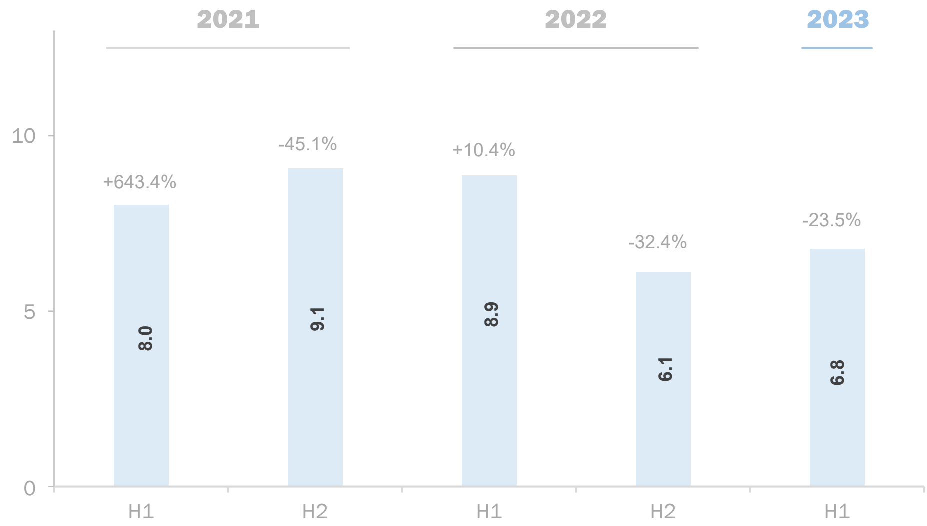
Gross profit for the reporting period amounted to € 62.7 million, compared with a prior-year figure of € 65.9 million (–4.9 %). In relation to total output of € 215 million (H1 2022: € 239 million), gross profit was 29.1 % (H1 2022: 27.6 %).

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter were significantly higher than in the previous quarter at € 7.5 million (Q2 2022: € 7.1 million, +5.6 %) (Q1 2023: € –0.7 million, Q1 2022: € 1.7 million). EBITDA totaled € 6.8 million in the reporting period (H1 2022: € 8.9 million, –23.5 %). This corresponds to an EBITDA margin of 3.4 % (H1 2022: 4.0 %). Operating EBITDA after elimination of costs in connection with the refinancing amounted to € 7.2 million in the period under review, compared with € 6.7 million in the prior-year period (after additional elimination of the U.S. earnings contribution).

EBITDA

half-year, in € million



EBIT

EBIT in the reporting period is € 3.2 million after € 4.3 million in H1 2022 (–26.4 %). Return on sales (EBIT as a percentage of sales) is 1.6 % (H1 2022: 2.0 %). For the second quarter, earnings before interest and taxes amount to

€ 6.1 million (Q2 2022: € 5.0 million, +22.0 %) after € –2.9 million in Q1 2023 (Q1 2022: € –0.7 million).

Financial result

Financial income for the first six months amounted to € 521 thousand (H1 2022: € 755 thousand). Financial expense amounted to € 1.4 million (H1 2022: € 0.8 million). In connection with the extension of the syndicated loan agreement and against the background of market interest rate developments, financing costs increased year-on-year. At € –0.8 million , the financial result is worse than in the previous year (H1 2022: € –54.2 thousand).

Income taxes

The tax result for the first six months was € –0.8 million (H1 2022: € –1.4 million).

Net income

Consolidated net income in the first half of the year totalled € 1.5 million after € 2.8 million in H1 2022 (–45.7 %). This corresponds to earnings per share (EPS) of € 0.10 (H1 2022: € 0.19).

The table *Abridged P+L statement* summarises key income and expense items from multiple years' profit and loss statements.

Abridged P+L statement

in € thousand

	H1'23	%	+%	H1'22	%	+%	H1'21	%
Revenues	**197,687**	100.0	-10.0	**219,725**	100.0	-11.9	**249,270**	100.0
Other operating income	17,374	8.8	-9.6	19,219	8.7	16.5	16,491	6.6
Total operating income	**215,061**	108.8	-10.0	**238,944**	108.7	-10.1	**265,761**	106.6
Cost of goods sold	-152,384	-77.1	-11.9	-173,052	-78.8	-10.0	-192,245	-77.1
Gross profit	**62,677**	31.7	-4.9	**65,892**	30.0	-10.4	**73,516**	29.5
Personnel expenses	-7,404	-3.7	4.4	-7,093	-3.2	1.5	-6,992	-2.8
Other operating expenses	-48,495	-24.5	-2.9	-49,934	-22.7	-14.6	-58,497	-23.5
EBITDA	**6,778**	3.4	-23.5	**8,865**	4.0	10.4	**8,028**	3.2
Depreciation	-3,624	-1.8	-20.9	-4,580	-2.1	-13.3	-5,283	-2.1
EBIT	**3,153**	1.6	-26.4	**4,286**	2.0	56.1	**2,745**	1.1
Net financial result	-830	-0.4	1430.9	-54	-0.0	-95.5	-1,203	-0.5
EBT	**2,324**	1.2	-45.1	**4,231**	1.9	174.5	**1,542**	0.6
Income taxes	-781	-0.4	-43.9	-1,393	-0.6	177.8	-501	-0.2
Consolidated net income	**1,543**	0.8	-45.7	**2,839**	1.3	172.8	**1,040**	0.4

Financial and assets position

Balance sheet

As of 30.06.2023 the balance sheet total amounted to € 235.5 million (31.12.2022: € 195.2 million, 30.06.2022: € 231.2 million).

Fixed Assets

The increase in fixed assets in the reporting period from € 95.1 million at 31.12.2022 by € 0.3 million to € 95.4 million is mainly the result of additions to property, plant and equipment.

Inventories

The largest item in current assets is inventories. Since the beginning of the year, inventories have increased by € 38.6 million to € 82.0 million (31.12.2022: € 43.3 million). Compared with the reporting date, inventories are lower by € 2.0 million (30.06.2022: € 84.0 million). At the balance sheet date, winter stock were less advanced than a year earlier. The share of inventories in total assets amounted to 34.8 % as of 30.06.2023 (31.12.2022: 22.2 %, 30.06.2022: 36.3 %).

Receivables and other assets

Receivables usually follow the seasonal curve, although reporting date effects are unavoidable. Current receivables at the reporting date amounted to € 32.5 million (31.12.2022: € 29.2 million, 30.06.2022: € 39.4 million). The decrease compared with the reporting date of June 30 is partly due to the remaining current other receivables against the background of reduced claims from project business. Trade accounts receivable amounted to € 17.1 million (31.12.2022: € 17.2 million, 30.06.2022: € 20.4 million) at the balance sheet date.

Payables

Since the beginning of the year, trade accounts payable have increased by € 35.6 million from € 53.9 million to € 89.4 million. Compared with the end of the previous year, trade accounts payable are lower by € 8.3 million (30.06.2022: € 97.8 million). The share of trade payables in total assets was 38.0 % (31.12.2022: 27.6 %, 30.06.2022: 42.3 %).

Abridged balance sheet
in € thousand

	30.06.23	%	+%	31.12.22	%	30.06.22	%
Assets							
Non-current assets	118,547	50.3	-0.9	119,659	61.3	102,933	44.5
Fixed assets	95,404	40.5	0.4	95,070	48.7	87,616	37.9
Other non-current assets	23,143	9.8	-5.9	24,589	12.6	15,317	6.6
Current assets	116,966	49.7	54.9	75,529	38.7	128,227	55.5
Inventories	81,981	34.8	89.2	43,340	22.2	84,024	36.3
Receivables	32,515	13.8	11.3	29,205	15.0	39,433	17.1
Liquidity	2,470	1.0	-17.2	2,984	1.5	4,770	2.1
Assets	**235,513**	**100.0**	**20.7**	**195,188**	**100.0**	**231,160**	**100.0**
Equity and Liabilities							
Long-term funds	93,396	39.7	-3.5	96,744	49.6	87,123	37.7
Equity	41,296	17.5	4.1	39,670	20.3	39,557	17.1
Long-term debt	52,101	22.1	-8.7	57,074	29.2	47,566	20.6
Provisions	21	0.0	-81.7	115	0.1	181	0.1
Liabilities	51,080	21.7	0.2	50,959	26.1	41,385	17.9
OtherNonCurrentLiabilities	1,000	0.4	-83.3	6,000	3.1	6,000	2.6
Short-term debt	142,117	60.3	44.4	98,444	50.4	144,037	62.3
Provisions	3,199	1.4	-28.4	4,467	2.3	3,107	1.3
Liabilities	138,918	59.0	47.8	93,977	48.1	140,930	61.0
Equity and Liabilities	**235,513**	**100.0**	**20.7**	**195,188**	**100.0**	**231,160**	**100.0**

Liquidity position

Liquidity as of 30.06.2023 totalled € 2.5 million (31.12.2022: € 3.0 million, 30.06.2022: € 4.8 million). On 30.06.2023, the company's net cash position (liquidity less liabilities from current accounts) amounted to € –31.7 million (31.12.2022: € –19.6 million, 30.06.2022: € –19.4 million). The year-on-year reduction in trade accounts payable was accompanied by an increase in the utilization of credit lines. In addition to the utilization of credit lines, current financial debt also includes the current portion of lease obligations under long-term leases amounting to € 8.8 million (31.12.2022: € 9.9 million, 30.06.2022: € 8.6 million).

Equity

Equity amounted to € 41.3 million on the balance sheet date (31.12.2022: € 39.7 million, 30.06.2022: € 39.6 million). The equity ratio of the company at the balance sheet date stood at 17.5 % (31.12.2022: 20.3 %, 30.06.2022: 17.1 %).

Cash flow

Operating cash flow

Cash flow from operating activities for H1 2023 was € –0.9 million (H1 2022: € –11.2 million). The year-on-year improvement resulted mainly from working capital. In addition to reduced receivables, the expansion of trade accounts payable in particular contributed to this development.

Investments

Capital expenditures for property, plant and equipment in H1 2023 amounted to € 1.6 million (H1 2022: € 1.2 million). These are mainly investments in equipment for our warehouses. In addition, Delticom invested € 0.5 million in intangible assets in the reporting period (H1 2022: € 0.0 million). Cash flow from investing activities consequently amounted to € –2.2 million (H1 2022: € 5.2 million). In the previous year, there had been a cash inflow of € 6.4 million from the sale of the US shares.

Financing activities

Cash flow from financing activities in the reporting period totaled € 2.6 million (H1 2022: € 5.9 million). Since the beginning of the year, the utilization of credit lines increased from € 12.7 million to € 25.5 million in connection with the inventory build-up. Furthermore, a medium-term loan and leasing liabilities totaling € 10.1 million (H1 2022: € 4.3 million) were repaid in the reporting period.

Organisation

Legal structure

The following section lists the subsidiaries that are fully consolidated in the consolidated interim financial statements as of 30.06.2023:

Subsidiary	Status
All you need GmbH, Hanover (Germany)	in closure
DeltiCar SAS, Ensisheim (France)	non-operational
Delticom OE S.r.l., Timisoara (Romania)	active
Delticom TOV, Lwiw (Ukraine)	in liquidation
Delticom Russland OOO, Moscow (Russia)	in closure
DeltiLog Ltd., Witney (United Kingdom)	active
DeltiLog GmbH, Hanover (Germany)	active
DS Road GmbH, Pratteln (Switzerland)	active
Extor GmbH, Hanover (Germany)	active
Giga GmbH, Hamburg (Germany)	active
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)	active
Ringway GmbH, Hanover (Germany)	active
Tirendo GmbH, Berlin (Germany)	active
Toroleo Tyres GmbH, Hanover (Germany)	active
Toroleo Tyres TT GmbH und Co. KG, Hanover (Germany)	active
TyresNET GmbH, Munich (Germany)	active

Significant events after the reporting date

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

Risk and Opportunity Report

As a company that operates internationally, Delticom is exposed to varying types of risk. In order to be able to identify, evaluate and respond to such risks in a timely fashion, Delticom put in place a risk management system early on. The system is based on corporate guidelines for the early risk detection and risk management. An outline of the risk management process is presented on page 62ff in the combined Management Report for the financial year from January 1, 2022 to December 31, 2022, which is part of the Annual Report for fiscal year 2022, together with a list of key individual risks and opportunities.

Compared to the Annual Report 2022, the risk situation has not changed materially.

Outlook

Macroeconomic developments

Global economy

The Kiel Institute for the World Economy (IfW) expects the global economy to expand moderately in the current year. Global economic activity is gradually recovering from the corona pandemic and the Ukraine war. Although inflationary pressure has recently eased due to falling prices for energy and food, experts expect growth in the advanced economies to remain subdued in view of the withdrawal of purchasing power due to inflation. In addition, the deterioration in monetary conditions is expected to have an increasing impact. Overall, the IfW experts expect global GDP to increase by 2.8 % in the current year. Compared with the March estimate, the forecast has been raised by 0.3 percentage points, but the global economy is still cooling significantly compared with 2022.

Euro area

The euro zone economy is expected to strengthen gradually over the rest of the year. According to experts, the European economy was able to contain the negative effects of the Ukraine war and overcome the energy crisis by means of rapid supply diversification and a significant drop in gas consumption. Noticeably lower energy prices not only lead to lower production costs on the part of companies, but also reach consumers. Nevertheless, in view of high inflation, private consumption is expected to remain subdued. In addition, the upward pressure on prices is expected to result in a further tightening of financing conditions. All in all, the IfW estimates that gross domestic product in the euro zone will increase by 0.6 % in the year as a whole.

Germany

The effects of the corona pandemic, supplemented since last year by the consequences of the Ukraine war, have been dampening economic activity in this country for more than three years. Against the background of the weak winter half-year starting in Q4 2022 and stagnation in the second quarter 2023, the IfW expects German GDP to decline by 0.3 % in the current year. In this year's March forecast, the experts had still expected an increase of 0.5 %. For the rest of the year, inflation is expected to slow and private consumption to rise, not least against the backdrop of higher wage settlements.

Sectoral developments

Tyre Trade

High inflation, weakening demand combined with rising costs throughout the value chain and widespread concerns about the global economy are also leaving their mark on the European replacement tyre business. In the first six months of the current year, according to the European Tyre & Rubber Manufacturers' Association (ETRMA), 12 % fewer tyres were sold by the industry to retailers in the largest sub-segment by volume (passenger, SUV and light truck tyres) compared with the first half of the year 2022. Consumers are postponing major purchases such as new replacement tyres as a result of a continued significant reduction in purchasing power. Against this backdrop, the manufacturers' association anticipates a year-on-year decline in replacement tyre sales for the year as a whole.

E-Commerce

At the end of January this year, the German E-Commerce and Distance Selling Trade Association (bevh) was still assuming revenue growth in the domestic e-commerce sector of 4.8 % for 2023. However, due to developments in the subsequent months, this estimate could not be maintained. In a special survey conducted by bevh, two out of three companies stated that they had not achieved their planned sales in the second quarter 2023. In the first quarter 2023, only one in two contributors said this. One in two respondents (51.4 %) also said they had lost sales year-on-year in the second quarter 2023, compared with 45.6 % in Q1. Whereas in the first quarter 2023 one in four respondents still expected to be able to put the crisis behind them in 2023, only just over 20% of participants are currently showing corresponding optimism. Against the backdrop of retailers' pessimistic business expectations and the persistently poor economic data for Germany, bevh does not expect the relevant underlying conditions to improve this year. According to current estimates, e-commerce revenues in this country are expected to decline by more than 5 % for the year as a whole.

Revenues

The addition of platform business to the shop business means that parts of the shop revenues are shifted accordingly. For the business volume shifted to the platform, the realized commission income is reported in revenues. Based on the development of the platform business in the first six months of the current year, it can be assumed that a sales volume of around € 30 million will be shifted from our shops in the year as a whole. This will be accompanied by a reduction in revenues as a result of the reduced revenue recognition. Accordingly, the revenues forecast for the full year has been adjusted to reflect this effect. We now expect full-year revenues in a range of € 470 million to € 504 million (March 2023: € 500 million to € 534 million).

EBITDA

As the reclassified sales are with Delticom customers and still generate margins, this adjustment will not have any negative impact on the company's profitability.

Accordingly, we are maintaining our forecast for operating EBITDA for the full year in a range of € 14 million and € 18.9 million.

New customers

At € 243.7 million, the gross merchandise value in H1 2023 was 3.8 % down on the previous year. Accordingly, the number of newly acquired customers also declined year-on-year. A reorganization in marketing took place in the course of the second quarter. In addition to changes in responsibilities, this also includes the use and management of advertising funds. In view of the measures taken, we continue to expect that we will be able to acquire at least 1 million in new customers via the stores and associated platforms in the year as a whole.

Repeat customers

In view of the multi-year replacement cycle, we are confident of being able to greet some of the new customers we have acquired over the past few years as repeat customers in our shops in the coming months.

Liquidity

In line with our sales and liquidity planning for the current year, we will build up or reduce inventories in the coming months. Close control of working capital management will continue to play a central role. For the current year, we continue to plan a positive free cash flow in the mid single-digit million range.

Consolidated Interim Financial Statements of Delticom AG

Content

Abridged Consolidated Income Statement

in € thousand	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Revenues	**197,687**	**219,725**
Other operating income	17,374	19,219
Total operating income	**215,061**	**238,944**
Cost of goods sold	-152,384	-173,052
Gross profit	**62,677**	**65,892**
Personnel expenses	-7,404	-7,093
Deprication of intangible assets, Rights of use and property, plant and equipment	-3,624	-4,580
Bad debt losses and one-off loan provisions	-1,027	-1,486
Other operating expenses	-47,468	-48,448
Earnings before interest and income taxes (EBIT)	**3,153**	**4,286**
Financial expenses	-1,350	-810
Financial income	521	755
Net financial result	**-830**	**-54**
Earnings before income taxes (EBT)	**2,324**	**4,231**
Income taxes	-781	-1,393
Consolidated net income	**1,543**	**2,839**
Thereof allocable to:		
Shareholders of Delticom AG	1,543	2,839
Earnings per share (basic)	0.10	0.19
Earnings per share (diluted)	0.10	0.19

Abridged Statement of Recognised Income and Expenses

in € thousand	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Consolidated Net Income	**1,543**	**2,839**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**94**	**-309**
Income and expense that will be reclassified to the statement of income at a later date		
Changes in currency translation	94	-309
Total comprehensive income for the period	**1,637**	**2,530**
Attributable to shareholders of the parent	1,637	2,530

Abridged Consolidated Balance Sheet

Assets

in € thousand	30.06.2023	31.12.2022
Non-current assets	**118,547**	**119,659**
Intangible assets	37,389	37,215
Rights of use	48,466	49,106
Property, plant and equipment	9,548	8,747
Financial assets	2	2
Deferred taxes	10,279	11,036
Long-term acoounts receivable	12,864	13,553
Current assets	**116,966**	**75,529**
Inventories	81,981	43,340
Short-term accounts receivable	17,106	17,201
Other current assets	15,301	11,893
Income tax receivables	108	112
Cash and cash equivalents	2,470	2,984
Assets	**235,513**	**195,188**

Shareholders' Equity and Liabilities

in € thousand	30.06.2023	31.12.2022
Equity	**41,296**	**39,670**
Equity attributable to Delticom AG shareholders	**41,296**	**39,670**
Subscribed capital	14,831	14,831
Share premium	47,667	47,667
Stock option plan	261	272
Reserve from currency translation	-312	-406
Retained earnings	200	200
Net retained profits	-21,350	-22,893
Liabilities	**194,218**	**155,518**
Non-current liabilities	**52,101**	**57,074**
Long-term borrowings	51,080	50,959
Non-current provisions	21	115
Other Non Current Liabilities	1,000	6,000
Current liabilities	**142,117**	**98,444**
Provisions for taxes	571	629
Other current provisions	2,628	3,838
Contractual liabilities*	5,481	4,670
Accounts payable	89,439	53,851
Short-term borrowings	34,197	22,619
Other current liabilities*	9,801	12,837
Shareholders' equity and liabilities	**235,513**	**195,188**

*Figures as of 31.12.2022 have been adjusted compared to the previous year, see section Changes in comparative information in the notes to consolidated financial statements of the Annual Report 2022

Abridged Consolidated Cash Flow Statement

in € thousand	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Earnings before interest and income taxes (EBIT)	**3,153**	**4,286**
Depreciation of intangible assets and property, plant and equipment	3,624	4,580
Changes in other provisions	-1,304	-1,631
Other non-cash expenses and income	4,155	1,636
Changes in inventories	-38,641	-37,431
Changes in receivables and other assets not allocated to investing or financing activity	1,349	5,355
Changes in payables and other liabilities not allocated to investing or financing activity	28,019	12,761
Interest received	127	53
Interest paid	-1,350	-810
Income tax paid	-22	0
Cash flow from operating activities	**-890**	**-11,201**
Payments for investments in property, plant and equipment	-1,647	-1,199
Payments for investments in intangible assets	-539	0
Cash inflow from the sale of subsidaries	0	6,374
Cash inflow from the acquisition of a subsidiary	0	40
Cash flow from investing activities	**-2,186**	**5,215**
Cash inflow of financial liabilities	12,636	10,172
Cash outflow of financial liabilities	-10,073	-4,286
Cash flow from financing activities	**2,563**	**5,886**
Changes in cash and cash equivalents due to currency translation	-1	2
Cash and cash equivalents at the start of the period	2,984	4,868
Changes in cash and cash equivalents	-513	-100
Cash and cash equivalents - end of period	**2,470**	**4,770**

Abridged Statement of Changes in Shareholders' Equity

in € thousand	Sub-scribed capital	Share premium	Reserve from currency translation	Stock op-tion plan	Retained earnings	Net retained profits	Total	Non control-ling interests	Total equity
as of 1 January 2022	**14,831**	**47,667**	**-280**	**193**	**200**	**-25,706**	**36,998**	**984**	**37,982**
Stock option plan				29			29	0	29
Change in minority interests						0	0	-984	-984
Net Income						2,839	2,839	0	2,839
Other comprehensive income			-309			0	-309	0	-309
Total comprehensive income			**-309**			**2,839**	**2,530**	**0**	**2,530**
as of 30 June 2022	**14,831**	**47,667**	**-496**	**222**	**200**	**-22,867**	**39,557**	**0**	**39,557**
as of 1 January 2023	**14,831**	**47,667**	**-406**	**272**	**200**	**-22,893**	**39,670**	**0**	**39,670**
Stock option plan	-11			-11			-11	0	0
Change in minority interests						0	0	0	0
Net income						1,543	1,543	0	1,543
Other comprehensive income			94			0	94	0	94
Total comprehensive income			**94**			**1,543**	**1,637**	**0**	**1,637**
as of 30 June 2023	**14,831**	**47,667**	**-312**	**261**	**200**	**-21,350**	**41,296**	**0**	**41,296**

Selected explanatory notes to the Consolidated Interim Financial Statements of Delticom AG

Reporting companies

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

Delticom is Europe’s leading online retailer of tyres and complete wheels. The range of tyres offered to retail and commercial customers includes over 600 brands and more than 40,000 models for cars and motorbikes as well as complete wheel sets. Customers are also able to have the ordered products sent to one of the around 30,000 partner garages of Delticom AG in Europe.

Detailed information on the reporting company is presented in the Combined (Group) Management Report of the Annual Report 2022 in the section Business activities and in the section Organization.

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

Employees

From 01.01.2023 to 30.06.2023 Delticom had an average of 169 employees.

Seasonal effects

In Germany, but also in the Alpine region and in Northern Europe, the seasonal change in weather conditions shapes the course of business in the tyre trade. As most motorists buy their winter tyres with the first snowfall and thus in the last months of the year, the first quarter is usually somewhat weaker. The second quarter of the year, on the other hand, is traditionally strong in terms of sales: temperatures in April and May are often already comparatively high and the sometimes pleasantly warm weather leads many car drivers to buy new summer tyres.

Finally, the third quarter typically levels off again somewhat: In the transition from the summer to the winter tyre business, sales are somewhat weaker. In most European countries, the last quarter is usually the strongest in terms of sales. In the darker months of the year, road conditions become more difficult, braking distances increase - and many drivers become directly aware of the need for new tyres. Weather-related shifting effects between the quarters and base effects compared to the previous year are unavoidable.

Principles of accounting and consolidation, balance sheet reporting and valuation methods

These interim consolidated financial statements for the period January 01, 2023 - 30.06.2023 (hereinafter also referred to as "interim financial statements") have been prepared in accordance with the

International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). All IFRS standards and IFRIC, in particular IAS 34 (Interim Financial Reporting), effective and mandatory at the reporting date have been taken into account.

IAS 34 requires at least the following disclosures in an interim financial report:

- a condensed statement of financial position (balance sheet)
- either (a), a condensed statement of comprehensive income or (b), a condensed statement of comprehensive income and a condensed income statement
- a condensed statement of changes in equity
- a condensed statement of cash flows
- selected explanatory notes

The interim consolidated financial statements in accordance with IAS 34 do not contain all the notes and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31.12.2022 . The annual report 2022, which contains the consolidated financial statements as of December 31, 2022, can be downloaded from the Investor Relations section of the company website or from the following link: https://www.delti.com/en/investor–relations/reports–presentations/

The fair value of the existing financial instruments approximates the carrying amount for all balance sheet items. The financial instruments in the category "Financial assets held for trading" amounting to € 203 thousand (31.12.2022: € 0 thousand) and in the category "Financial liabilities held for trading" amounting to € 0 thousand (31.12.2022: € 795 thousand) are classified in level 2 of the fair value hierarchy. As in previous years, there are no fair values in hierarchy level 3. Changes in fair values were recognized in the statement of comprehensive income. Valuation is based on current ECB reference rates and forward premiums or discounts.

Due to the short-term maturities of payments, the carrying amount of trade receivables corresponds to their fair value. Income taxes in the income statement are calculated in the interim financial statements in accordance with IAS 34.30c using a tax rate and mainly include tax expenses from the recognition of deferred tax assets.

Group of consolidated companies and basics

In addition to Delticom AG as the parent company, the group of consolidated companies includes ten domestic and six foreign subsidiaries, all of which have been fully consolidated in the interim consolidated financial statements.

The following companies were fully consolidated in the current fiscal year:

Subsidiary	Status
All you need GmbH, Hanover (Germany)	in closure
DeltiCar SAS, Ensisheim (France)	non-operational
Delticom OE S.r.l., Timisoara (Romania)	active
Delticom TOV, Lwiw (Ukraine)	in liquidation
Delticom Russland OOO, Moscow (Russia)	in closure
DeltiLog Ltd., Witney (United Kingdom)	active
DeltiLog GmbH, Hanover (Germany)	active
DS Road GmbH, Pratteln (Switzerland)	active
Extor GmbH, (Germany)	active
Giga GmbH, Hamburg (Germany)	active
Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)	active
Ringway GmbH, Hanover (Germany)	active
Tirendo GmbH, Berlin (Germany)	active
Toroleo Tyres GmbH, Hannover (Germany)	active
Toroleo Tyres TT GmbH und Co. KG, Hannover (Germany)	active
TyresNET GmbH, München (Germany)	active

There have been no changes in the scope of consolidation compared with the consolidated financial statements as of December 31, 2022.

Changes in significant accounting policies

The accounting policies and consolidation principles applied in these interim consolidated financial statements are the same as those used in the Company's consolidated financial statements as of 31.12.2022. For further details, please refer to the notes to the consolidated financial statements for fiscal year 2022.

The IFRSs issued and endorsed by the EU as of June 30, 2023 are not mandatory until later reporting periods than the calendar half-year, unless an option for early adoption has been exercised.

Profit and loss statement, balance sheet and statement of cash flow

Detailed information with regards to business trends and the profit and loss statement can be found in the chapter *Business performance and earnings situation* of the interim management report. The chapter *Financial and assets position* presents additional information concerning the balance sheet and the cash flow statement.

The majority of sales contracts (and the resulting revenues) exist between Delticom and private end customers. Delticom is a one-segment company with a focus on e-commerce. Sales are categorized by geographical region into EU and non-EU countries. Due to the short payment terms and comprehensive monitoring, it is not necessary to categorise the payment default risk. The e-commerce products sold lead to clearly identifiable contractual performance obligations.

Notes to the income statement

The notes to the income statement, including explanations of significant events and transactions, are provided in the presentation of results of operations in the interim Group management report.

Revenues

Revenue relates almost exclusively to revenue from the supply of goods to customers for the period from 01.01.2023 to 30.06.2023, of which € 97,316 thousand (H1 2022: € 105,518 thousand) relates to revenue in Germany. In the current financial year, the previous store business was supplemented by platform business. This resulted in a shift of store sales to the platform. Accordingly, commission income is recognized for the transferred share of sales. The shift of parts of the store sales has no negative impact on the profitability of the Company.

Other operating expenses

The following table shows the development of the other operating expenses.

in € thousand	H1'23	H1'22
Transportation costs	16,477	17,943
Warehousing costs	4,633	5,960
Credit card fees	1,386	1,474
Marketing costs	6,553	6,182
Operations centre costs	5,774	4,830
Rents and overheads	2,267	1,384
Financial and legal costs	3,625	3,305
IT and telecommunications	1,153	1,117
Expenses from exchange rate differences	2,529	3,600
Other	3,071	2,654
Summe	47,468	48,448

Earnings per share

Basic and diluted earnings per share are € 0.10 (H1 2022: € 0.19).

Calculation of earnings per share

In accordance with IAS 33, basic earnings per share are calculated as the quotient of the profit for the period after tax of €1,542,678.66 (H1 2022: € 2,838,580.53) and the weighted average number of ordinary shares outstanding during the financial year of 14,831,361 (H1 2022: 14,831,361).

No stock options were exercised in the reporting period. The vesting period for all stock options granted is four years starting on the respective issue date. In principle, all shares issued must be taken into account for the calculation of diluted EPS if the stock options have a dilutive effect. This is the case if the issue price of the new shares is lower than the average market price of the ordinary shares outstanding during the period under review. There is no dilutive effect in H1 2023.

Dividends

No dividend was paid for the past fiscal year 2022 (previous year: € 0).

Related parties disclosure

Related parties within the meaning of IAS 24 are the Managing Board and Supervisory Board of Delticom AG (category persons in key positions) as well as Binder GmbH and Prüfer GmbH (category significant influence on the reporting company).

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

All transactions with related parties have been contractually agreed and executed on terms that are also customary with unrelated third parties.

Contingent liabilities and other financial commitments

There were no material changes in other financial obligations compared to 31.12.2022.

As of the reporting date, there were no contingent liabilities or claims.

Declaration according to section 115 Abs. 5 WpHG (Securities Act)

These interim financial statements and the interim management report have neither been audited nor reviewed by an auditor.

German Corporate Governance Codex

The website https://www.delti.com/de/investor-relations/corporate-governance/entsprechungserklaerung/ shows the current statements made by the Management and the Supervisory Board of Delticom AG pursuant to Section 161 of the German Public Limited Companies Act (AktG).

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, 10.08.2023

(The Management Board)

Review Report

To Delticom AG, Hanover

We have reviewed the Condensed Consolidated Interim Financial Statements – comprising the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in shareholder's equity and selected explanatory notes – and the Interim Group Management Report of Delticom AG, Hanover, for the period from 1 January 2023 to 30 June 2023, which are part of the Half-Year Financial Report pursuant to Article 115 of the German Securities Trading Act WpHG (Wertpapierhandelsgesetz, WpHG). The preparation of the Condensed Consolidated Interim Financial Statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the Interim Group Management Report in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports is the responsibility of the Company's Management Board. Our responsibility is to issue a review report on the Condensed Consolidated Interim Financial Statements and on the Interim Group Management Report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed in the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). These standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the abridged consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is essentially limited to the questioning of Company personnel and analytical assessments and therefore does not provide the assurance as is attainable in a financial statement audit. Since, in accordance with our mandate, we have not performed an audit of the financial statement, we cannot issue an audit opinion.

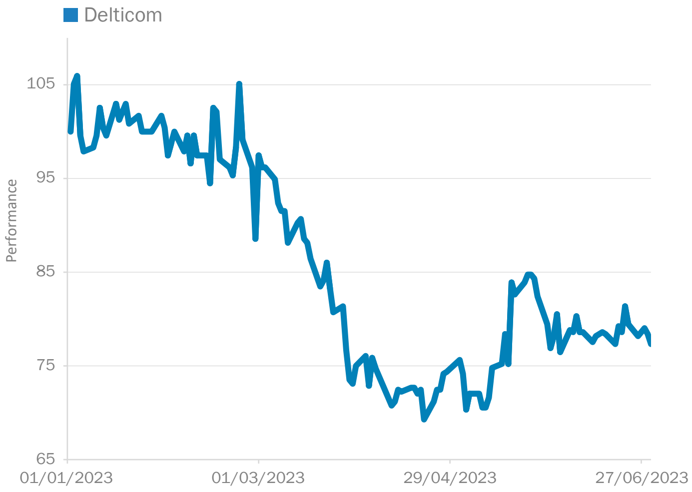
Based on our review, no matters have come to our attention that cause us to presume that the Condensed Consolidated Interim Financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the Interim Group Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports.

Hanover, 10 August 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Sabath (German Public Auditor)   Zypress (German Public Auditor)

The Delticom Share



WKN	514680
ISIN	DE0005146807
Reuters / Bloomberg	DEXGn.DE / DEX GR
Index membership	CDAX, CLXP, D1BM, 4N58 CXPR, 4N9U, I1RC, PXAP, NX20
Type of shares	No-par value, registered
Transparency level	Prime Standard
23. - 24.08.2023	Hamburger Investorentage (HIT)
09.11.2023	Q3-Notification

		01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022
Number of shares	shares	14,831,361	14,831,361
Share price on the first trading day[1]	€	2.48	6.62
Share price on the last trading day of the period[1]	€	1.87	2.36
Share performance[1]	%	24.8	-64,4
Share price high/low[1]	€	2.50 / 1.64	6.78 / 1.78
Market capitalisation[2]	€ million	27.7	35.0
Average trading volume per day (XETRA)	shares	7,208	17,449
EPS (undiluted)	€	0.10	0.19
EPS (diluted)	€	0.10	0.19

(1) based on closing prices

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

				Estimates for 2023					Estimates for 2024				
Broker	Analyst	Recom-mendation	Target price	Sales (€m)	EBITDA (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBITDA (€m)	EBIT (€m)	EBIT (%)	EPS (€)
Metzler	Jürgen Pieper	Hold	2.50	528.0	15.0	5.0	0.9	0.16	555.0	18.0	7.0	1.2	0.28
Quirin	Daniel Kukalj	Buy	2.89	510.0	15.0	5.0	0.9	0.21	525.0	18.0	7.0	1.4	0.30
		Average	2.70	519.0	15.0	5.0	0.9	0.185	540.0	18.0	7.0	1.3	0.29

as of June 3, 2023

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Publisher

Delticom AG
Brühlstraße 11
30169 Hanover
Germany

Contact Investor Relations

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