Semi-Annual Report 2018

DELTICOM
Aktiengesellschaft

Profile

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

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

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

In 2017, Delticom AG generated sales in excess of € 667.7 million. The E-Commerce specialist operates in 74 countries with over 460 online shops and online distribution platforms, serving over 12.8 million customers. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models of sedans, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the around 42,000 service partners of Delticom AG worldwide.

Our range also encompasses over 500,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items.

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

Key Figures

		01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017	–/+ (%, %p)
Revenues	€ million	290.5	297.1	–2.2
Total income	€ million	304.4	309.3	–1.6
Gross margin[1]	%	21.7	21.0	+0.7
Gross profit[2]	€ million	76.9	74.4	+3.4
EBITDA	€ million	6.8	5.0	+37.1
EBITDA-Marge	%	2.3	1.7	+0.7
EBIT	€ million	3.2	1.3	+138.4
Net income	€ million	2.0	0.8	+150.0
Earnings per share	€	0.16	0.06	+150.0
Total assets	€ million	220.1	216.3	+1.7
Inventories	€ million	93.8	90.6	+3.5
Investments[3]	€ million	3.2	3.1	+2.8
Equity	€ million	53.3	52.7	+1.2
Equity ratio	%	24.2	24.4	–0.1
Return on equity	%	3.7	1.5	+2.2
Liquidity position[4]	€ million	4.0	3.0	+30.9

(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 2018

Revenues

> € 290 million

H1 2017: € 297.1 million

Consolidated net income

€ 2.0 million

€ 0.16 earnings per share

More than

601,000

new customers in H1 2018

More than

506,000

customers made a repeat purchase with us

Table of Contents

Interim Management Report of Delticom AG

Table of Contents

Introductory note to these half-year financial statements 2018

The interim management report for the first half of 2018 is subject of a review by KPMG auditing firm. The result of this review was not yet available at the time of publication. Further explanations can be found in the section *Significant events after the reporting date* on page 12f.

Economic Environment

Macroeconomic developments

The global economy continued its upswing in the first six months of the current year. However, the pace of growth slowed somewhat due to a weaker momentum in the developed economies.

In the euro zone, the economic situation improved further in the first half of 2018, however, at a slower pace. The uncertainty triggered by the trade conflict with the USA had an inhibiting effect on the economy in the currency area. In addition, strikes, bad weather and the flu wave have affected the companies in some member states.

Almost all countries in the euro zone recorded positive growth rates in H1 18. In the United Kingdom, France and Italy, however, economic growth slowed recently. Although the Spanish economy expanded more slowly than expected by economists at the beginning of the year, the country nevertheless remained one of Europe's fastest growing economies in the first six months of 2018. The growth of the German economy has lost momentum in the first half of the year. After a subdued development in the first three months of the current year, the German economy showed somewhat more momentum again in the second quarter. Thanks to an excellent labour market situation and strong wage growth, private consumption supported the domestic economy.

Sectoral developments

Tyre trade

The consolidation process in the European tyre trade, which has already been ongoing for several years, continued in the current year. As a result of persistently difficult market conditions, there were further takeovers and insolvencies along the European tyre chain.

The domestic tyre trade was unable to benefit from rising sales figures in the first half of the year. According to industry experts, approximately 20 % fewer replacement car tyres were sold to consumers in the first quarter of 2018. Continuing cold temperatures in the first three months of the current year had caused many drivers to delay the conversion of the vehicle to summer tyres.

Accordingly, the summer tyre business only started this year after the Easter holidays at the beginning of April.

Despite the catch-up effect in the second quarter, market experts forecast a 5.4 % decline in sales of summer tyres for the first half of 2018. The increasing trend towards all-season tyres continued in H1 18. However, the 15 % increase in sales in the all-season tyre business could not fully compensate for the decline in sales in the summer tyre business due to the comparatively low share of sales at present. According to estimates by the German Rubber Industry Association (WdK) and the manufacturers' association ETRMA, a total of 2.4 % fewer replacement car tyres were sold to consumers in the first half of the year.

Online trade

Domestic online retailing remains a major growth driver and, according to the Bundesverband E-Commerce und Versandhandel Deutschland e.V. (Federal Association of E-Commerce and Distance Selling Germany), recorded an overall increase of 11.1 % in the first six months of the current year compared to the first half of 2017. The increasing acceptance of the food segment resulted in online sales of € 346 million in the second quarter of 2018, an increase of 26.9% compared to the same period last year.

Business performance and earnings situation

Revenues

Group

Delticom Group generates the bulk of its revenues through online sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. Automotive components and accessories, used cars, premium gourmet and organic food as well as services complete the product offering.

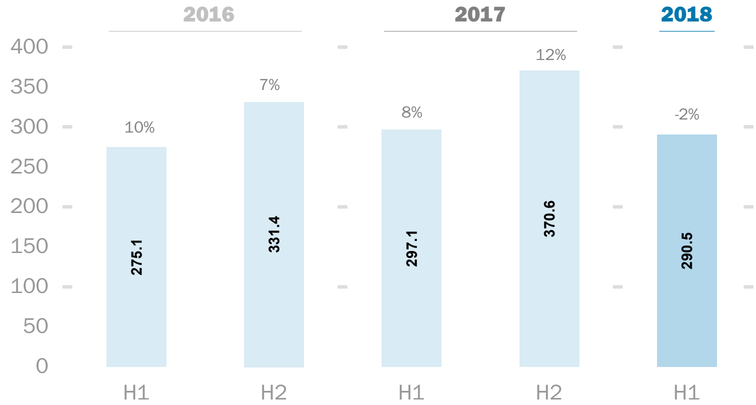
In H1 18 the Group recognized revenues of € 290.5 million, a decrease of 2.2 % after € 297.1 million in the prior-year period.

Seasonality

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

Revenues trend

half-year revenues in € million



Delticom group generated revenues of € 110.8 million (Q1 17: € 126.8 million, –12.6 %) during the first quarter of the current fiscal year. The first three months of the current year were marked by winterly weather conditions in Germany. Only after the Easter holidays at the beginning of April did the summer tyre business gain momentum in many places. In the corresponding quarter of the previous year, mild temperatures from mid-March had ushered in the changeover season at an early stage.

In Q2 18, the Group generated sales of € 179.7 million, an increase of 5.5 % (Q2 17: € 170.3 million). This meant that we were unable to fully make up for the decline in sales in the first quarter. In the second quarter, the company managed sales in its core business in line with its profitability targets. Due to the delayed start to the season, the summer tyre business was stronger in June than in the same month of the previous year. Some of the orders received at the end of June were delivered in July and therefore sales were only realized at the beginning of H2 18.

Regional split

The Group offers its product range in 74 countries. In H1 18 revenues in EU countries totalled € 222.7 million (H1 17: € 228.1 million, –2.4 %). Across all non-EU countries the revenue contribution for H1 18 was € 67.8 million (H1 17: € 69.0 million, –1.6 %).

Revenues by region

in € thousand

	H118	%	+%	H117	%	+%	H116	%
Revenues	**290,506**	**100.0**	**–2.2**	**297,094**	**100.0**	**8.0**	**275,142**	**100.0**
Regions								
EU	222,689	76.7	–2.4	228,140	76.8	5.2	216,928	78.8
Rest	67,817	23.3	–1.6	68,954	23.2	18.4	58,214	21.2

Customer numbers

The following customer numbers are the customer numbers in our core business - the online trade with tyres and car spare parts in Europe. During the first six months of 2018, a total of 506 thousand existing customers (H1 17: 538 thousand, –5.9 %) made repeated purchases of tyres and spare parts in one of the Delticom Group's online shops. The decline in the number of repeat buyers was mainly attributable to our core business - the replacement tyre business with private end customers. In our estimation, this development is based on the one hand on the strong business development in H1 17 and the associated base effect. On the other hand, the trend towards all-season tyres also has a short-term effect on repurchase rates. Anyone who has bought all-season tyres will not need new tyres within the next 2-4 years, depending on their individual driving behaviour. However, we believe that the increasing demand for all-season tyres will shorten the replacement cycle so that we can welcome customers back in one of our online shops more quickly.

In H1 18 the company was able to acquire a total of 601 thousand new customers (H1 17: 599 thousand, +0.4 %) via our tyre and car parts shops in Europe. Since the company was founded, almost 13 million customers have made purchases in our online shops. In half-year terms, the number of active buyers (new customers and repeat customers - the latter are counted only once, regardless of the number of purchases made in H1 18 - is 2.6 % below the same period last year and with that similar to sales.

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 3.1 % from € 234.8 million in H1 17 to € 227.5 million in H1 18.

Personnel expenses

In the reporting period, Delticom employed an average of 185 staff members (H1 17: 156). Personnel expenses amounted to € 6.1 million (H1 17: € 5.2 million, +15.8 %). Broadening our business activities has resulted in further new hirings over the past 12 months in order to drive forward the pace of development in individual areas. The personnel expenses ratio (staff expenditures as percentage of revenues) was 2.1 % (H1 17: 1.8 %).

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Transportation costs decreased from € 28.1 million by 11.8 % to € 24.8 million. In addition to the correction made in H1 18 of too high transportation costs for the previous years 2016 and 2017, the year-on-year decline in transport costs is partly due to the decline in unit sales and a higher share of drop-ship business in revenues. In addition, the country mix in sales and the year-on-year increase in business with commercial customers, in which deliveries are partly bundled or shipped on pallets, contributed to a decline in transportation costs. Due to the delayed start to the summer season, business in June was stronger than in the same month of the previous year. For orders received in June with delivery in July, the transport costs have shifted accordingly into the service month and thus into H2 18. The share of transportation costs against revenues totalled 8.5 % (H1 17: 9.5 %).

Warehousing

Rents and overheads increased in H1 18 by 10.6 %, from € 3.1 million to € 3.4 million. The company has opened an interim warehouse in H2 17, where the tyres purchased ahead of the season are stored until they are sold. At the end of the first half of the current fiscal year a smaller warehouse was closed. Stocking costs amounted to € 4.0 million, after € 3.4 million in H1 17. The 17.7 % increase results mainly from stock transfer costs in connection with the closure of the smaller warehouse.

Marketing

Marketing expenses in H1 18 amounted to € 13.1 million, after € 12.0 million the previous year (+9.2 %). In addition to the pure online shops, the company now also increasingly sells its products via online marketplaces in Germany and abroad. In addition, the company spent more on advertising in the reporting period in order to draw greater attention to its online shops in a difficult market environment. H1 18 marketing spent with 4.5 % of revenues was higher than last year's 4.0 %.

Depreciation

Depreciation remained with € 3.6 million nearly unchanged compared to the previous year (H1 17: € 3.6 million, –0.5 %).

Earnings position

Gross margin

The gross margin decreased in the reporting period from 21.7 % in H1 17 to 21.0 %. In the first six months the company structured the prices in its online shops in line with its profitability targets.

Other operating income

Other operating income increased in the reporting period by 14.6 % to € 13.9 million (H1 17: € 12.2 million). This increase arises mainly from higher gains from exchange rate differences (H1 18: € 2.0 million, H1 17: € 0.9 million, +115.5 %) which are included in the other operating income. The one-off effect arising from the first-time consolidation of Delticom Russia within other operating income amounts to € 0.7 million. FX losses are accounted for in the other operating expenses. In H1 18 the FX losses amounted to € 1.5 million (H1 17: € 1.9 million). In the period under review, the balance from FX gains and losses was € 0.4 million (H1 17: € –1.0 million).

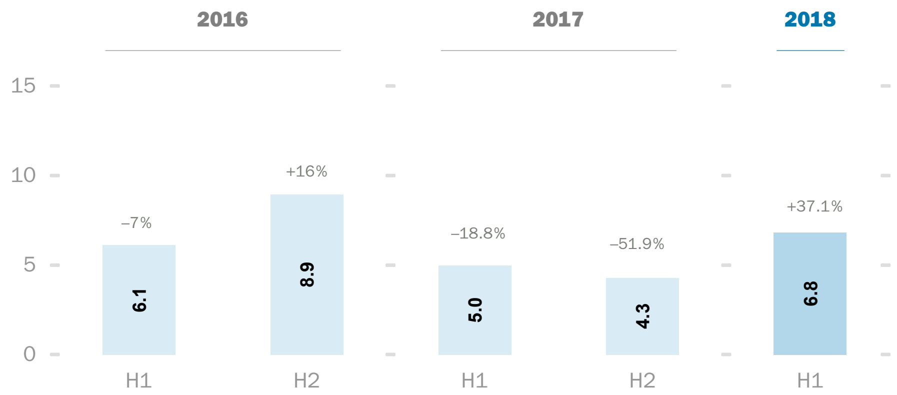
Gross profit

Altogether, the gross profit increased in the reporting period by 3.4 % year-on-year, from € 74.4 million to € 76.9 million. Gross profit in relation to total income of € 304.4 million (H1 17: € 309.3 million) amounted to 25.3 % (H1 17: 24.1 %).

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 6.8 million (H1 17: € 5.0 million, +37.1 %). This equates to an EBITDA margin of 2.3 % (H1 17: 1.7 %).

EBITDA
half-year, in € million



EBIT

Earnings before interest and taxes (EBIT) increased in the reporting period by 138.4 % to € 3.2 million (H1 17: € 1.3 million). This translates into an EBIT margin of 1.1 % (EBIT in percent of revenues, H1 17: 0.5 %).

Financial result

Financial income for the first six months amounted to € 13 thousand (H1 17: € 22 thousand). Financial expenses were € 260 thousand (H1 17: € 197 thousand). The financial result totalled € –246 thousand (H1 17: € –175 thousand).

Income taxes

In the first six months the expenditure for income taxes totalled € 1.0 million (H1 17: € 0.4 million). This equates to a tax rate of 32.5 % (H1 17: 31.7 %).

Net income H1 18

Consolidated net income in the first half of the year totalled € 2.0 million after € 0.8 million in H1 17. This corresponds to earnings per share (EPS) of € 0.16 (H1 17: € 0.06).

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

	H118	%	+%	H117	%	+%	H116	%
Revenues	**290,506**	100.0	–2.2	**297,094**	100.0	8.0	**275,142**	100.0
Other operating income	13,943	4.8	14.6	12,161	4.1	35.8	8,957	3.3
Total operating income	**304,449**	104.8	–1.6	**309,255**	104.1	8.9	**284,100**	103.3
Cost of goods sold	–227,506	–78.3	–3.1	–234,835	–79.0	11.8	–210,104	–76.4
Gross profit	**76,943**	26.5	3.4	**74,420**	25.0	0.6	**73,996**	26.9
Personnel expenses	–6,078	–2.1	15.8	–5,247	–1.8	5.4	–4,979	–1.8
Other operating expenses	–64,040	–22.0	–0.2	–64,193	–21.6	2.1	–62,885	–22.9
EBITDA	**6,825**	2.3	37.1	**4,979**	1.7	–18.8	**6,131**	2.2
Depreciation	–3,615	–1.2	–0.5	–3,633	–1.2	–19.0	–4,487	–1.6
EBIT	**3,209**	1.1	138.4	**1,346**	0.5	–18.1	**1,644**	0.6
Net financial result	–246	–0.1	40.6	–175	–0.1	–28.3	–244	–0.1
EBT	**2,963**	1.0	153.1	**1,171**	0.4	–16.4	**1,400**	0.5
Income taxes	–964	–0.3	159.6	–371	–0.1	–22.6	–480	–0.2
Consolidated net income	**1,999**	0.7	150.0	**800**	0.3	–13.1	**920**	0.3

Financial and assets position

Balance sheet

As of 30.06.2018 the balance sheet total amounted to € 220.1 million (31.12.2017: € 202.4 million, 30.06.2017: € 216.3 million).

Fixed Assets

The € 0.5 million reduction in fixed assets during the reporting period from € 74.6 million on 31.12.2017 to € 74.1 million is mainly attributable to the scheduled depreciation exceeding the investments made.

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year their value grew by € 14.0 million or 17.5 % to € 93.8 million (31.12.2017: € 79.8 million). Inventories on the reporting date were € 3.2 million higher compared to the previous year's balance sheet date (30.06.2017: € 90.6 million). This is partly due to the delayed start of the season and the associated decline in sales in H1 18. On the other hand, the company started winter stockpiling earlier than last year. Inventories accounted for 42.6 % of the balance sheet total on 30.06.2018 (31.12.2017: 39.4 %, 30.06.2017: 41.9 %).

Receivables

Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the end of the second quarter, receivables amounted to € 43.0 million (31.12.2017: € 39.3 million, 30.06.2017: € 45.2 million), thereof € 25.0 million accounts receiveable (31.12.2017: € 24.4 million, 30.06.2017: € 25.0 million).

Payables

The accounts payable decreased in the reporting period from an opening balance of € 114.4 million by € 26.3 million to € 88.1 million. By closing date comparison trade payables were € 19.3 million lower (30.06.2017: € 107.3 million). In a difficult market environment, Delticom redeemed trade payables due for payment at the end of the first half of the year before the balance sheet date.

Accounts payables as a proportion of total assets amounted to 40.0 % (31.12.2017: 56.5 %, 30.06.2017: 49.6 %).

Abridged balance sheet

in € thousand

	30.06.18	%	+%	31.12.17	%	30.06.17	%
Assets							
Non-current assets	79,357	36.1	0.0	79,364	39.2	77,469	35.8
Fixed assets	74,104	33.7	–0.7	74,619	36.9	73,346	33.9
Other non-current assets	5,253	2.4	10.7	4,745	2.3	4,124	1.9
Current assets	140,737	63.9	14.4	122,992	60.8	138,863	64.2
Inventories	93,784	42.6	17.5	79,811	39.4	90,601	41.9
Receivables	42,977	19.5	9.4	39,300	19.4	45,215	20.9
Liquidity	3,976	1.8	2.4	3,881	1.9	3,046	1.4
Assets	**220,094**	**100.0**	**8.8**	**202,356**	**100.0**	**216,332**	**100.0**
Equity and Liabilities							
Long-term funds	60,680	27.6	–2.0	61,947	30.6	60,162	27.8
Equity	53,337	24.2	0.7	52,940	26.2	52,706	24.4
Long-term debt	7,343	3.3	–18.5	9,007	4.5	7,456	3.4
Provisions	191	0.1	–39.6	317	0.2	252	0.1
Liabilities	6,723	3.1	–18.7	8,274	4.1	7,204	3.3
OtherNonCurrentLiabilities	429	0.2	2.9	416	0.2	0	0.0
Short-term debt	159,414	72.4	13.5	140,408	69.4	156,170	72.2
Provisions	1,365	0.6	–16.7	1,639	0.8	2,050	0.9
Liabilities	158,049	71.8	13.9	138,769	68.6	154,120	71.2
Equity and Liabilities	**220,094**	**100.0**	**8.8**	**202,356**	**100.0**	**216,332**	**100.0**

Liquidity position

Liquidity as of 30.06.2018 totalled € 4.0 million (31.12.2017: € 3.9 million, 30.06.2017: € 3.0 million). In the reporting period, Delticom used existing credit lines for the intra-year financing of the working capital. On 30.06.2018, the company's net cash position (liquidity less liabilities from current accounts) amounted to € –51.6 million (31.12.2017: € –4.4 million, 30.06.2017: € –29.3 million). This significant change compared with year-end 2017 as well as H1 17 is based exclusively on the reporting date effect described in the section *Cash Flow*. In July and August, the use of credit lines was almost at the previous year's level. We expect short-term debt at the end of the year to be similarly low as in fiscal year 2017.

Cash flow

Operating cash flow

Due to the significant reduction in trade payables and the associated development in working capital, cash flow from operating activities for H1 18 amounted to € –41.3 million (H1 17:€ –12.4 million). While last year the company paid the majority of the trade payables as of the reporting date 30.06.2017 in the first week of July, this year the existing credit lines were used in view of the current market situation to settle the liabilities before the balance sheet date. The company pursues active liquidity management and accepts intrayearly corresponding reporting date effects like in H1 18 for strategic reasons.

Against the backdrop of the reporting date effect described above, we expect a significantly higher operating cash flow for H2 18 than for H2 17. For the year as a whole, operating cash flow should be at the previous year's level.

Investments

In the reporting period Delticom invested € 2.2 million into property, plant and equipment (H1 17: € 1.8 million). On the one hand, this concerns investments into warehouse equipment. On the other hand, the company acquired a plot of land including buildings for a purchase price of € 1.0 million in order to build a production facility for ultra-modern logistics machinery. Further € 1.0 million were invested in intangible assets (H1 17: € 1.2 million). As a result, the cash flow from investment activities totalled € –3.2 million (H1 17: € –3.1 million).

Financing activities

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € 44.6 million, thereof the dividend payout for the last financial year of € 1.2 million and the repayment of long-term loans of € 0.8 million. The cash outflow was offset by inflows from financial liabilities of € 46.7 million which are solely of short-term nature.

Organisation

Legal structure

The following section lists the subsidiaries that are fully consolidated in the consolidated financial statements as of 30.06.2018:

- DeltiCar SAS, Paris (France)
- Delticom North America Inc., Benicia (California, USA)
- Delticom OE S.R.L., Timisoara (Romania)
- Delticom Japan GK (Tokyo, Japan) - owned 100 % by Delticom OE SRL
- Delticom TOV, Kiev (Ukraine)
- Delticom Russia LLC, Moscow (Russia)
- Deltiparts GmbH, Hanover (Germany)
- DeltiStorage GmbH, Hanover (Germany) (formerly: Delti-Vorrat-1 GmbH)
- DeltiLog Ltd., Witney (United Kingdom) (formerly: DeltiTrade Ltd.)
- DeltiLog GmbH, Hanover (Germany) (formerly: DeltiTrade GmbH)
- Extor GmbH, Hanover (Germany)
- Giga GmbH, Hamburg (Germany)

- Gigatires LLC, Benicia (California, USA)
- Gourmondo Food GmbH, Munich (Germany)
- MobileMech GmbH, Hanover Germany (formerly: Reife tausend1 GmbH)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Ringway GmbH, Hanover (Germany)
- Tireseasy LLC, Benicia (California, USA)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Tirendo Holding GmbH, Berlin (Germany)
- Toroleo Tyres GmbH, Gadebusch (Germany)
- Toroleo Tyres TT GmbH & Co.KG, Gadebusch (Germany)
- TyresNET GmbH, Munich (Germany)
- Wholesale Tire and Automotive Inc., Benicia (California, USA)

Delticom Russia LLC was not fully consolidated in fiscal year 2017 but included in the consolidated financial statements using the equity method as Delticom AG only held a minority interest of 49 % in the company. In March 2018, Delticom AG acquired the outstanding 51 % of the shares from Sojitz Corporation and Delticom Russia LLC was fully consolidated in the reporting period.

Significant events after the reporting date

The annual general meeting of 8 May 2018 appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Prinzenstraße 23, 30159 Hanover, Germany, as auditor of the annual financial statements and consolidated financial statements for the 2018 financial year and as auditor for a review of the condensed financial statements and interim management report for the first half of 2018. In the previous years, PricewaterhouseCoopers GmbH was appointed for this purpose. At the time of publication of these half-year financial statements, the audit review had not yet been completed. Mainly two topics had not yet been clarified:

One issue is that the deferred tax assets in accordance with IFRS for the financial years 2016 to 2018 could possibly decrease by up to € 3.2 million. The possible effects on the consolidated financial statements for 2016 and 2017 or on the half-year financial statements for 2018 are currently still open.

Also, the transport costs were overstated by a total of € 1.8 million in 2016 and 2017. We have therefore reduced the transport costs in H1 18 by this amount.

If a retrospective correction of the transport costs for the fiscal years 2016 and 2017 should become necessary, the transport costs in H1 18 would increase by this amount so that the EBITDA for the first six months would decrease accordingly. The treatment in the accounts is still open as well.

After final clarification of both above mentioned issues with the auditors, Delticom will inform the capital market immediately about the result.

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. An outline of the risk management process is presented in the Annual Report for fiscal year 2017 on pages 70ff, together with a list of key individual risks and opportunities.

Compared to the Annual Report 2017, the risk situation has not changed materially. Individual risks endangering the company do not exist, and considered together, the aggregate risk does not pose any danger to Delticom's going concern.

Outlook

Macroeconomic developments

Experts expect the global upswing to continue in the coming months. Economists also expect the economic recovery in the euro zone to accelerate again somewhat towards the end of the year. For Germany, leading economic institutes have slightly lowered their growth forecasts for this and next year. Nevertheless, the domestic economy should continue to be supported by foreign trade, private consumption and a sustained employment boom. Experts see uncertainties about the modalities of Britain's withdrawal from the European Union, the unstable political and economic situation in Italy and a possible escalation of trade conflicts between the USA and China as well as Europe as major risks for the German economy.

Sectoral developments

E-Commerce

The general trend towards E-commerce will not be able to be stopped in the future. According to the Global Digital Report 2018, more than 4 billion people worldwide are already using the Internet today. In addition to increasing user numbers, the time people stay online is also increasing. The average Internet user now spends about six hours a day with Internet-enabled devices and services. In 2017, 1.77

billion Internet users already bought consumer goods online, an increase of 8 % compared to the previous year.

For German E-Commerce, the Federal Association E-Commerce and Mail Order Germany e.V. (Bundesverband E-Commerce und Versandhandel Deutschland e. V., bevh) calculates this year with an increase in turnover of 9.3 % to € 63.9 billion. As Europe's leading online tyre retailer, specialist in efood and expert in the field of efficient warehouse logistics, Delticom will continue to benefit from the growing E-Commerce trend.

Guidance unchanged

Despite a late start to the season, Delticom succeeded in increasing Group profitability in the first six months of the current year in a difficult market environment compared to the same period last year. For the second half of the year, we plan to further fine-tune the balance between sales growth and profitability and to drive forward the market establishment of our start-ups in the corporate portfolio.

As Europe’s leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehousing logistics, Delticom will benefit from the growing E-Commerce trend in the coming months. We expect a positive sales trend in the second half of the year. This year, too, the winter business in the fourth quarter will be decisive for the business development in the 2018 fiscal year as a whole. Due to the investments made into the warehouse infrastructure and the expansion of our storage capacity, we are well equipped for the upcoming winter season.

We continue to expect the Delticom Group's revenues to increase to € 690 million in the current fiscal year. For the Group, we continue to plan EBITDA for the full year at around € 14 million.

New customers

Through our different shops we appeal to a variety of buyer groups. In our planning for the current year, we continue to expect to be able to acquire more than 1 million new customers via the Delticom shops and online distribution platforms over 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 the coming months we will be building our stocks in line with our sales planning for the current year. As of the year-end, a positive development is expected in both cash flow and liquidity.

Strategic options North America

The Company is evaluating various strategic options for its E-Commerce activities in North America. We are currently in discussions with a selection of potential investors and market participants. After analysing various strategic options, the management of Delticom AG and Delticom North America Inc. will make a decision regarding their future activities in North America in the course of the coming months.

Consolidated Interim Financial Statements of Delticom AG

Table of Contents

Consolidated Income Statement

in € thousand	Notes	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Revenues	(1)	**290,506**	**297,094**
Other operating income	(2)	13,943	12,161
Total operating income		**304,449**	**309,255**
Cost of goods sold	(3)	–227,506	–234,835
Gross profit		**76,943**	**74,420**
Personnel expenses	(4)	–6,078	–5,247
Depreciation of intangible assets and property, plant and equipment	(5)	–3,615	–3,633
Bad debt losses and one-off loan provisions		–1,693	–1,299
Other operating expenses	(6)	–62,347	–62,895
Earnings before interest and taxes (EBIT)		**3,209**	**1,346**
Financial expenses		–260	–197
Financial income		13	22
Net financial result	(7)	**–246**	**–175**
Earnings before taxes (EBT)		**2,963**	**1,171**
Income taxes	(8)	–964	–371
Consolidated net income		**1,999**	**800**
Thereof allocable to:			
Non-controlling interests		–112	–108
Shareholders of Delticom AG		2,111	908
Earnings per share (basic)	(9)	0.16	0.06
Earnings per share (diluted)	(9)	0.16	0.06

KMPG's review of these interim financial statements was not yet final at the time of publication. The EBITDA achieved in H1 18 and thus also the EBIT may be € 1.8 million too high due to adjustments to transport costs from previous years.

Statement of Recognised Income and Expenses

in € thousand	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Consolidated Net Income	**1,999**	**800**
Changes in the financial year recorded directly in equity		
Other comprehensive income for the period	**217**	**–302**
Income and expense that will be reclassified to the statement of income at a later date		
Changes in currency translation	175	–290
Net Investment Hedge Reserve		
Changes in current value recorded directly in equity	21	–16
Deferred taxes relating to Net Investment Hedge Reserve	22	4
Total comprehensive income for the period	**2,216**	**498**
Attributable to non-controlling interests	–116	–210
Attributable to shareholders of the parent	2,332	708

Consolidated Balance Sheet

Assets

in € thousand	Notes	30.06.2018	31.12.2017
Non-current assets		**79,357**	**79,364**
Intangible assets	(10)	55,603	57,073
Property, plant and equipment	(11)	18,497	17,346
Financial assets		4	201
Investments using equity method		0	197
Other financial assets		4	4
Deferred taxes	(12)	4,805	4,303
Other receivables	(13)	447	441
Current assets		**140,737**	**122,992**
Inventories	(14)	93,784	79,811
Accounts receivable	(15)	25,023	24,364
Other current assets	(16)	13,932	14,786
Income tax receivables	(17)	4,022	150
Cash and cash equivalents	(18)	3,976	3,881
Assets		**220,094**	**202,356**

The deferred tax assets according to IFRS could possibly decrease by up to € 3.2 million as part of the outstanding reviews by KPMG.

Shareholders' Equity and Liabilities

in € thousand	Notes	30.06.2018	31.12.2017
Equity		**53,337**	**52,940**
Equity attributable to Delticom AG shareholders		**52,854**	**52,356**
Subscribed capital	(19)	12,463	12,463
Share premium	(20)	33,739	33,739
Stock option plan	(19)	88	71
Other components of equity	(21)	448	232
Retained earnings	(22)	200	200
Net retained profits	(23)	5,916	5,651
Non-controlling interests		**483**	**585**
Liabilities		**166,757**	**149,415**
Non-current liabilities		**7,343**	**9,007**
Long-term borrowings	(24)	5,833	7,312
Non-current provisions	(25)	191	317
Deferred tax liabilities	(26)	890	962
Other Non Current Liabilities		429	416
Current liabilities		**159,414**	**140,408**
Provisions for taxes	(25)	887	1,041
Other current provisions	(25)	479	599
Accounts payable	(27)	88,071	114,392
Short-term borrowings	(24)	55,337	8,009
Other current liabilities	(29)	14,640	16,367
Shareholders' equity and liabilities		**220,094**	**202,356**

Consolidated Cash Flow Statement

in € thousand	01.01.2018 – 30.06.2018	01.01.2017 – 30.06.2017
Earnings before interest and taxes (EBIT)	**3,209**	**1,346**
Depreciation of intangible assets and property, plant and equipment	3,615	3,633
Changes in other provisions	–249	–111
Changes in inventories	–13,973	–27,856
Changes in receivables and other assets not allocated to investing or financing activity	–4,343	–9,540
Changes in payables and other liabilities not allocated to investing or financing activity	–24,565	21,967
Interest received	13	22
Interest paid	–260	–197
Income tax paid	–4,769	–1,695
Cash flow from operating activities	**–41,321**	**–12,430**
Payments for investments in property, plant and equipment	–2,207	–1,789
Payments for investments in intangible assets	–981	–1,236
Payments for the acquisition of consolidated subsidiaries (less acquired cash and cash equivalents)	0	–75
Cash flow from investing activities	**–3,188**	**–3,100**
Dividends paid by Delticom AG	–1,246	–6,232
Cash inflow of financial liabilities	46,682	19,363
Cash outflow of financial liabilities	–833	–1,250
Cash flow from financing activities	**44,603**	**11,881**
Changes in cash and cash equivalents due to currency translation	0	8
Cash and cash equivalents at the start of the period	3,881	6,686
Changes in cash and cash equivalents	95	–3,648
Cash and cash equivalents - end of period	**3,976**	**3,046**

Statement of Changes in Shareholders' Equity

in € thousand	Subscribed capital	Share premium	Reserve from currency translation	Net Investment Hedge Reserve	Stock option plan	Retained earnings	Net retained profits	Total	Non-controlling interests	Total equity
as of 1 January 2017	**12,463**	**33,739**	**606**	**41**	**0**	**200**	**10,302**	**57,351**	**1,119**	**58,470**
Compensation of differences from purchase of non-controlling interests							8	8	–83	–75
Dividends paid							–6,232	–6,232		–6,232
Stock option plan	0				44			44	0	44
Net income							908	908	–108	800
Other comprehensive income			–290	–12			102	–200	–102	–302
Total comprehensive income			**–290**	**–12**			**1,010**	**708**	**–210**	**498**
as of 30 June 2017	**12,463**	**33,739**	**315**	**29**	**44**	**200**	**5,089**	**51,879**	**826**	**52,705**
as of 1 January 2018	**12,463**	**33,739**	**215**	**16**	**71**	**200**	**5,651**	**52,355**	**585**	**52,940**
Dividends paid							–1,246	–1,246		–1,246
Stock option plan	0				17			17	0	17
Compensation of differences from purchase of non-controlling interests							–604	–604	14	–590
Net income							2,111	2,111	–112	1,999
Other comprehensive income			175	42			4	221	–4	217
Total comprehensive income			**175**	**42**			**2,115**	**2,332**	**–116**	**2,216**
as of 30 June 2018	**12,463**	**33,739**	**390**	**58**	**88**	**200**	**5,916**	**52,854**	**483**	**53,337**

Notes to the Consolidated Interim Financial Statements of Delticom AG

Table of Contents

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 automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics. The range of tyres offered to retail and commercial customers includes over 100 brands and more than 25,000 models for cars, motorbikes, trucks, utility vehicles, buses and complete wheel sets. Customers are also able to have the ordered products sent to one of the around 42,000 service partners of Delticom AG around the world.

Our range also encompasses over 500,000 automotive parts and accessories, including motor oils, snow chains and batteries. Entry into the business of online used car selling has rounded off the automotive offering. In this sense, Delticom AG has developed from a classic online retailer to an online solutions provider. Delticom AG also now offers a comprehensive range of around 20,000 different food items. Delticom has enhanced its logistics expertise with the acquisition of the efood and logistics companies in 2016 and taken an important strategic step to further expand its future market position in European E-Commerce.

Further information about the reporting company can be found in the chapter *Business Operations* and in the chapter *Organisation* of the Annual Report 2017.

Employees

From 01.01.2018 to 30.06.2018 Delticom had an average of 185 employees (thereof on average 7 apprentices and interns). The calculation is based on full-time equivalents, thus taking into account the actual work hours.

Seasonal effects

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 the German-speaking countries is characterized 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. The second quarter is characterized by strong sales: the weather in April and May is usually quite warm and car drivers buy their new summer tyres.

The third quarter is a transitional quarter between the summer and winter business, with unit sales again being somewhat weaker. In most European countries, the last quarter generates the highest sales as car drivers face difficult road conditions and become aware of the fact that they need new tyres. Due to the seasonality, differences in performance between quarters and year-over-year are unavoidable.

For the food business the days before Christmas in December traditionally represent the highest sales-period of the year.

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

Delticom's consolidated interim financial statements as of 30.06.2018 were prepared according to the *International Financial Reporting Standards* (IFRS), as prescribed by the International Accounting Standards Board (IASB), that were mandatory according to the European Union (EU) Directive. All applicable and mandatory IFRS standards on the balance sheet date were applied, especially IAS 34 (Interim Financial Reporting).

According to the IAS 34 the minimum components of the Interim Financial Report are:

- a condensed balance sheet (statement of financial position)
- 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

To the extent that there were no changes to standards requiring first-time application, the accounting, valuation and calculation methods explained in the 2017 Consolidated Financial Statements have also been applied in this set of interim financial statements, and apply correspondingly.

These interim financial statements do not contain all clarifications and information required for Group annual financial statements, and should therefore be read in conjunction with the annual financial statements as of 31.12.2017 of Delticom Group.

The Annual Report 2017 is made available on the Delticom website in the section *Investor Relations* or can be downloaded directly using the following link:

www.delti.com/Investor_Relations/Delticom_AnnualReport_2017.pdf

The fair value of the financial instruments corresponds to the book value in respect of all balance sheet items. The financial instruments in the following categories have been assigned to Level 2 of the fair value hierarchy: *Financial assets held for trading* amounting to € 441 thousand (31.12.2017: € 1 thousand) and *Financial liabilities held for trading* amounting € 33 thousand (31.12.2017: € 240 thousand). As in previous years, there are no Level 3 fair value inputs. Changes in the fair values have been recognized in the income statement. The calculation was performed by the issuing banks and includes actual euro-reference-quotation and timing discounts respectively timing additions.

Due to short due dates for payments the book value of the trade receivables is equal to their fair value. In the interim financial statements, the taxes on income reported in the Income Statement are calculated pursuant to IAS 34.3c on the basis of an annual tax rate.

Group of consolidated companies

The group of consolidated companies comprises Delticom AG as controlling company, fourteen domestic and ten foreign subsidiaries, all fully consolidated in the interim financial accounts.

The fully consolidated subsidiaries at 30.06.2018 are:

- DeltiCar SAS, Paris (France)
- Delticom North America Inc., Benicia (California, USA)
- Delticom OE S.R.L., Timisoara (Romania)
- Delticom Japan GK (Tokio, Japan) - owned 100 % by Delticom OE SRL
- Delticom TOV, Kiev (Ukraine)
- Delticom Russia LLC, Moscow (Russia)
- Deltiparts GmbH, Hanover (Germany)
- DeltiLog Ltd., Witney (United Kingdom)
- DeltiLog GmbH, Hanover (Germany)
- DeltiStorage GmbH, Hanover (Germany) (formerly: Delti-Vorrat-1 GmbH)
- Extor GmbH, Hanover (Germany)
- Giga GmbH, Hamburg (Germany)
- Gigatires LLC, Benicia (California, USA)
- Gourmondo Food GmbH, Munich (Germany)
- MobileMech GmbH, Hanover (Germany) (formerly: Reife tausend1 GmbH)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Ringway GmbH, Hanover (Germany)
- Tireseasy LLC, Benicia (California, USA)
- Tirendo Deutschland GmbH, Berlin (Germany)
- Tirendo Holding GmbH, Berlin (Germany)
- Toroleo Tyres GmbH, Gadebusch (Germany)
- Toroleo Tyres TT GmbH & Co.KG Gadebusch (Germany)
- TyresNET GmbH, Munich (Germany)

- Wholesale Tire and Automotive Inc., Benicia (California, USA)

Delticom Russia LLC was fully consolidated in March 2018 after Delticom AG acquired 51 % of the shares from Sojitz Corporation. In the prior periods, Delticom Russia LLC was consolidated at equity.

Price Genie LLC, Benicia (California, USA), was liquidated in January 2018 and therefore not included in the consolidation.

Changes in Group structure

Acquisition of 51 % shares of Delticom Russia LLC

On 23.03.2018, Delticom AG acquired 51 % of Delticom Russia LLC shares becoming the unique shareholder of Delticom Russia LLC for the sale price of € 51. Related to this purchase, an income of € 660 thousand impacted the Consolidated Income Statement.

Delticom Japan GK

Following our market expansion strategy a new company was set up in Japan. The unique shareholder of Delticom Japan GK is Delticom OE SRL.

DeltiStorage GmbH (formerly: Delti-Vorrat-1 GmbH)

In April 2018, DeltiStorage GmbH bought land and buildings of a warehouse in Hanover for a price of € 1.050 thousand.

At the time of purchase, five lease contracts were taken over from the previous owner, which will generate annual revenues of around € 90 thousand.

Significant business events

Granting stock options

The Annual General Meeting of 29.04.2014 authorized the Management Board, having the approval of the Supervisory Board (respectively the Supervisory Board in place of the Management Board insofar as option rights are granted to members of the Management Board), to issue option rights until 28.04.2019 (once or several times), to subscribe for a total of up to 540,000 new no-par value registered shares of the company to members of the company's Management Board, employees of the company, to employees of the company and member of the management of companies affiliated with the company using the Contingent Capital I/2014.

By resolution of the Management Board of the company dated 25.12.2016 and the Supervisory Board of the Company dated 27.12.2016, a stock option plan for employees of the company was introduced and by resolution of the Supervisory Board of the company from 28.12.2016 a stock option plan for members of the Management Board of the company was introduced, taking into account the requirements for the key features contained in the resolution of the company's Annual General Meeting of 29.04.2014.

Based on these plans, a total of 16,003 stock options were issued to employees of the company on 10.01.2017, and a total of 32,000 stock options were issued to members of the company's Management Board on 05.01.2017. The members of the Management Board of the company Susann Dörsel-Müller, Philip von Grolman, Thierry Delesalle and Dr. Andreas Prüfer accepted the stock options with a subscription dated 06.01.2017, which entitle them to subscribe to 8,000 new no-par bearer shares of the company.

By resolution of the Management Board of the company on 21.11.2017 with the approval of the Supervisory Board of the company, 3,334 new stock options were issued to employees of the company on 13.01.2018.

The waiting period for all stock options is four years starting on the respective issue date. The stock options are therefore currently not exercisable. The option rights have a maximum life of ten years as from the date of the formation of the respective option right. The beneficiaries may exercise the option rights at the earliest after expiry of a waiting period of four years, starting on the day of issue. The Management Board and the Supervisory Board will report in detail on the option rights granted and the exercise of option rights for each financial year in accordance with the applicable provisions in the notes to the annual financial statements, in the notes to the consolidated financial statements or in the annual report. The term of the stock option program ends on 28.04.2019. After this date, stock option options from this stock option plan are no longer permitted.

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

The following assumptions were used in order to determine the fair share options:

- Dividend yield: 3 %
- Volatility of shares, computed on a historical basis: 30 %
- Risk-free interest rate: -0.04 %

Based on the above, a fair value of € 3.75 per share option was considered for the stock options issues on 10.01.2017. This amount is recognized directly in equity together with a corresponding expense. The total expense for all equity options granted in consideration of deferred taxes, amounts to € 103 thousand in the reporting year 2017.

Regarding the stock options issued on 13.01.2018, a fair value of € 2.88 per share option was considered.

The following assumptions were used in order to determine the fair share options:

- dividend yield: 3 %
- volatility of shares, computed on a historical basis: 30 %
- risk-free interest rate: -0.05 %

The total expense for all equity options granted in consideration of deferred taxes amounts to € 130 thousand for the first half of 2018.

Changes in significant accounting policies

Except as described below, the accounting policies in these interim financial statements are the same as those applied in the Group´s consolidated financial statements as at and for the year ended 31.12.2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31.12.2018. The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 01.01.2018. A number of other new standards are effective from 01.01.2018 but they do not have a material effect on the Group's financial statements.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The transition to IFRS 15 did not have any material impact on the consolidated statement of financial position at 01.01.2018 or on the consolidated statement of profit or loss and Other Comprehensive Income (OCI) for the six-month ended 30.06.2018.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group applied the accounting policy of choice in respect of the hedge accounting and continues to apply the hedge accounting requirements of IAS 39.

In accordance with the new requirements of IFRS 9, the Group classifies financial instruments into the following categories: “at amortised cost”, “at fair value through other comprehensive income” and “at fair value through profit or loss”. All equity instruments held at the date of the adoption of the Standard were classified at fair value through profit or loss.

IFRS 9 introduces a new model for determining impairment based on expected credit losses. Expected credit losses are updated at each balance sheet date on the basis of available information. The introdution of the new impairment model did not have any material impact on the consolidated statement of financial position at 30.06.2018 or on the consolidated statement of profit or loss and Other Comprehensive Income (OCI) for the six-month ended 30.06.2018.

Classification and measurement of financial assets and financial liabilities

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9.

in € thousand	Valuation categories acc. to IAS 39	Valuation categories acc. to IFRS 9	Book Value 31.12.2017 IAS 39	Book Value 31.12.2017 IFRS 9
Assets				
Cash and cash equivalents	Loans and receivables	At amortised cost	3,881	3,881
Accounts receivable	Loans and receivables	At amortised cost	24,364	24,364
Other receivable	Loans and receivables	At amortised cost	2,922	2,922
Available for Sale Financial Assets	Available for Sale	Fair value directly through other comprehensive income	0	0
Derivative financial assets			0	0
Derivates not used for hedging (Held for Trading)	Held for Trading	Fair value through profit or loss	1	1
Liabilities				
Accounts payable	Other liabilities	At amortised cost	114,392	114,392
Other current liabilities	Other liabilities	At amortised cost	3,697	3,697
Other original financial liabilities	Other liabilities	At amortised cost	15,321	15,321
Derivative financial liabilities			0	0
Derivates not used for hedging (Held for Trading)	Held for Trading	Fair value through profit or loss	240	240

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 contracts (and related revenues) exist between Delticom and private customers. Delticom is a one-segment-entity with E-Commerce activities. The revenues are categorized in geographic regions (EU and non-EU). The short due dates of payments and monitoring activities lead to no categorization regarding non-payment risk. The type of sold products (tyres, automotive parts, food) lead to no complex identification of performance obligations in the related contracts.

Notes to the income statement

Revenues

Revenues relate almost exclusively to the revenues from goods transferred to customers for the period from 01.01.2018 to 30.06.2018.

in € thousand	EU Countries	Non-EU Countries	Total
Revenue	222,689	67,817	290,506

Other operating expenses

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

in € thousand	H118	H117
Transportation costs	24,822	28,148
Warehousing costs	4,003	3,402
Credit card fees	2,516	2,494
Bad debt losses and one-off loan provisions	1,693	1,299
Marketing costs	13,074	11,977
Operations centre costs	4,804	4,968
Rents and overheads	3,393	3,069
Financial and legal costs	2,583	2,400
IT and telecommunications	2,029	1,931
Expenses from exchange rate differences	1,548	1,878
Other	3,574	2,628
Total	**64,040**	**64,193**

Earnings per share

Basic earnings per share totalled € 0.16 (H1 17: € 0.06). The diluted earnings per share totalled € 0.16 (H1 17: € 0.06).

Calculation of earnings per share

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 1,998,901.00 (previous year: € 799,569.67) by the 12,463,331 weighted average number of ordinary shares in circulation during the financial year (previous year: 12,463,331 shares).

No stock options were exercised during the current year. The option rights can be fully exercised after four years starting from the date the options rights were granted. In general, all shares to be issued should be included in computing diluted EPS if the effect from the stock options is dilutive. They are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period (no dilutive effect in H1 18).

Dividends

On 14.05.2018 Delticom has paid a dividend of € 0.10 for fiscal year 2017 (previous year: € 0.50).

Related parties disclosure

Related companies and persons in the meaning of IAS 24 include the Managing and Supervisory boards of Delticom AG (category *persons in key positions*), the majority shareholders Binder GmbH and Prüfer GmbH (category *companies with a significant influence on the Group*), as well as not consolidated subsidiaries (category *not cosolidated subsidiaries*). All transactions with related parties are agreed contractually, and conducted on terms as would also be usual with third parties. Transactions which occured during the interim reporting period did not have any signifanct effects on the earnings, financial and asset positions.

Related companies and persons (Category *persons in key positions*): In the reporting period, goods and services worth € 338 thousand (H1 17: € 244 thousand) were purchased from related companies and persons, and goods and services worth € 0 thousand (H1 17: € 1.2 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 1 thousand (H1 17: € 0.07 thousand) and accounts payable totalled € 26 thousand (H1 17: € 53 thousand).

Contingent liabilities and other financial commitments

As compared to 31.12.2017, the situation with regards to other financial commitments has not changed significantly.

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

Key events after the reporting date

No key events occurred after the reporting period. With regard to the review of these interim financial statements and the interim management report, we refer to our explanations on page 12f.

Declaration according to section 37w Abs. 5 WpHG (Securities Act)

The review of these interim financial statements and the interim management report had not been completed by the time this report was published. Please refer to our explanations on page 12f.

German Corporate Governance Codex

The website www.delti.com/Investor_Relations/Entsprechungserklaerung.html 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, 14.08.2018

(The Management Board)

The Delticom Share

WKN	514680
ISIN	DE0005146807
Reuters / Bloomberg	DEXGn.DE / DEX GR
Index membership	CDAX, CLXP, D1BL, 4N83, CXPR, 4N9U, I1RC, PXAP, NX20
Type of shares	No-par value, registered
Transparency level	Prime Standard
13.11.2018	Q3-Notification
26.11.2018	German Equity Forum Frankfurt

		01.01.2018 – 30.06.2018	01.01.2017 – 31.12.2017
Number of shares	shares	12,463,331	12,463,331
Share price on first trading day[1]	€	11.35	17.83
Share price on last trading day of the period[1]	€	8.82	11.50
Share performance[1]	%	–22.3	–35.5
Share price high/low[1]	€	11,5 / 8,04	18,04 / 11,19
Market capitalisation[2]	€ million	109.9	143.3
Average trading volume per day (XETRA)	shares	5,682	3,189
EPS (undiluted)	€	0.16	0.09
EPS (diluted)	€	0.16	0.09

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

				Estimates for 2018					Estimates for 2019				
Broker	Analyst	Recommendation	Target price	Sales (€m)	EBITDA (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBITDA (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Sell	7.50	690.0	12.0	5.1	0.7	0.27	725.0	15.3	8.4	1.2	0.44
BH Lampe	Christoph Schlienkamp	Sell	10.50	710.8	17.4	9.9	1.4	0.51	767.7	19.5	12.0	1.6	0.63
Warburg	Marc-René Tonn	Hold	9.50	718.7	12.7	6.0	0.8	0.29	776.1	17.3	11.6	1.5	0.60
		Average	9.17	706.5	14.0	7.0	1.0	0.36	756.3	17.4	10.7	1.4	0.56

as of 14 June 2018

Imprint

Publisher

Delticom AG
Brühlstraße 11
30169 Hanover
Germany

Contact Investor Relations

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