Corporate News

DELTICOM Aktiengesellschaft

Delticom publishes Semi-Annual Report 2018

Hanover, 14 August 2018 - Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online retailer of tyres and automotive accessories as well as efood specialist and expert in the field of efficient warehouse logistics, has published its report for the first half year of 2018. In the first six months of the current financial year, the company recognized revenues of € 291 million, a decrease of 2.2 % (H1 17: € 297 million). EBITDA came in at € 6.8 million (H1 17: € 5 million, +37 %). EBIT increased in the reporting period by 138 % to € 3.2 million (H1 17: € 1.3 million).

Business in the first six months

Market environment. The domestic tyre trade was unable to benefit from rising sales figures in the first half of the year. 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. 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.

Revenues. In H1 18 the Group recognized revenues of € 291 million, a decrease of 2.2 % after € 297 million in the prior-year period. During the first quarter of the current fiscal year, Delticom generated revenues of € 111 million (Q1 17: € 127 million, –12.6 %). 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 € 180 million, an increase of 5.5 % (Q2 17: € 170 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.

Customers. 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.

Gross margin. 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 € 235 million in H1 17 to € 228 million in H1 18. The gross margin increased in the reporting period from 21.0 % in H1 17 to 21.7 %. In the first six months of the current year the company structured the prices in its online shops in line with its profitability targets.

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.

Other operating expenses. Other operating expenses amounted to € 64 million (H1 17: € 64.2 million, –0,2 %). 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.

Marketing. Marketing expenses in H1 18 amounted to € 13.1 million, after € 12 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 %.

EBITDA. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the reporting period came in at € 6.8 million (H1 17: € 5 million, +37 %). This equates to an EBITDA margin of 2.3 % (H1 17: 1.7 %).

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

EBIT. Earnings before interest and taxes (EBIT) increased in the reporting period by 138 % 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 %).

Income taxes. In the first six months the expenditure for income taxes totalled € 1 million (H1 17: € 0.4 million). This equates to a tax rate of 32.5 % (H1 17: 31.7 %).

Net income. Consolidated net income in the first half of the year totalled € 2 million after € 0.8 million in H1 17. This corresponds to earnings per share (EPS) of € 0.16 (H1 17: € 0.06).

Inventories. Among the current assets, inventories is the biggest line item. Since the beginning of the year their value grew by € 14 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.

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 million (31.12.2017: € 39.3 million, 30.06.2017: € 45.2 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.

Liquidity. Liquidity as of 30.06.2018 totalled € 4 million (31.12.2017: € 3.9 million, 30.06.2017: € 3 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 exclusively based on the reporting date effect as described within the cash flow from ordinary business activities. 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. 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.

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 million in order to build a production facility for ultra-modern logistics machinery. Further € 1 million were invested in intangible assets (H1 17: € 1.2 million).

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 mainly of short-term nature.

Outlook.

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.

Today, more than 4 billion people worldwide are already using the Internet. 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.

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.

Note to these half-year financial statements 2018

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 this report for the first half of 2018, two topics had not yet been finally clarified: Deferred tax assets and transport costs for the financial years 2016 to 2018. Further explanations can be found in the section *Significant events after the reporting date* on page 12f. of the Semi-Annual Report 2018.

The report for the first six months 2018 stands ready for download within the "Investor Relations" section of the website www.delti.com.

Company 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 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.

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

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