A firm grip.

ANNUAL REPORT 2007

DELTICOM
Aktiengesellschaft

Highlights 2007

Revenues up **+24.5%**
to € 215.5 million
(previous year: € 173.1 million)

Revenues from eCommerce abroad up **+50.1%**

EBIT increased from € 10.2 million in the previous year to **12.3 Mio. €** in 2007. This corresponds to an EBIT margin of 5.7%.

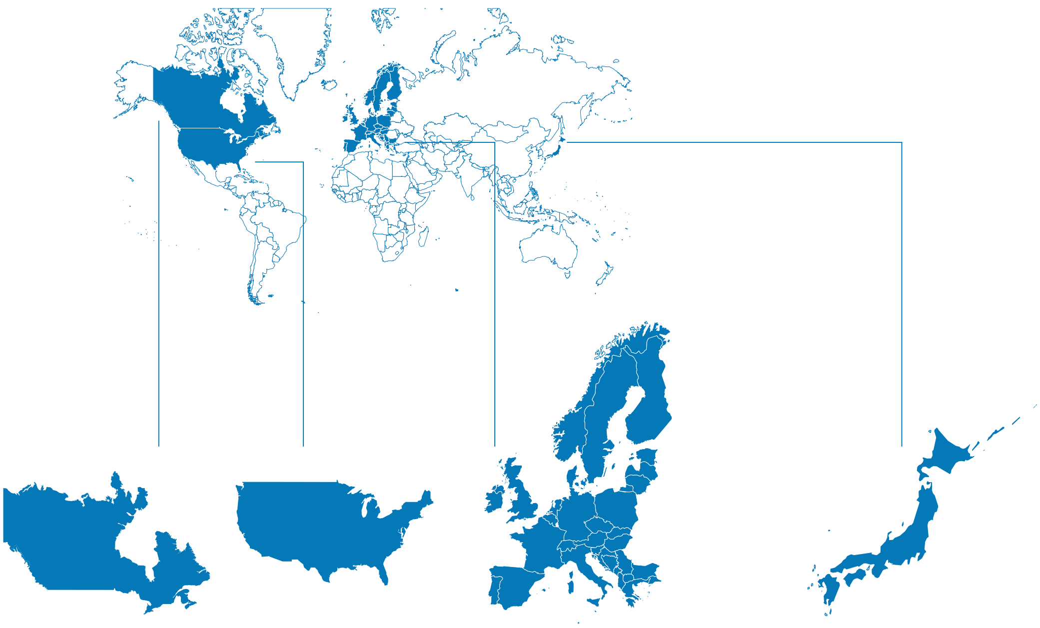
Planned dividend of **€ 2.00** per share (previous year: € 1.20).

625,000 new customers in 2007, customer basis grown to more than **1.8 million**

More than **21,000** service partners worldwide (previous year: 14,000), more than 5,000 in Germany alone.

Europe’s leading online tyre retailer

88 online shops in 31 countries



North America

- USA
- Canada

Europe

- Austria
- Belgium
- Bulgaria
- Czech R.
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom

Asia

- Japan

DELTICOM AG SELECTED KEY FIGURES

		2007	2006	2005
Revenues	€ thousand	215,504	173,131	129,228
eCommerce – share of sales	in %	90.6	89.7	84.5
New customers	thousand	625	490	359
Customer base	thousand	1,874	1,248	758
Revenues Germany	€ thousand	87,103	84,332	66,619
Revenues other EU countries	€ thousand	101,796	67,598	46,788
Revenues USA and rest of world	€ thousand	26,605	21,201	15,821
Total operating revenue	€ thousand	217,205	174,114	129,799
Gross profit margin [1)]	in %	24.7	23.5	22.2
Earnings before interest and taxes (EBIT)	€ thousand	12,274	10,217	5,680
EBIT Margin [2)]	in %	5.70	5.90	4.39
Earnings before and taxes (EBT)	€ thousand	13,390	10,383	5,633
Consolidated net income	€ thousand	8,348	6,280	3,342
Earnings per share	in €	2.12	1.97	1.08
Planned dividend	in €	2.00	1.20	1.08
Cash flow from operating activities	€ thousand	6,570	6,733	-1,758
Cash and cash equivalents	€ thousand	34,540	34,661	2,105
Balance sheet total	€ thousand	87,360	68,211	23,846
Subscribed capital	€ thousand	3,946	3,946	3,000
Equity ratio	in %	53.05	62.68	30.83
Average number of employees		75	62	48
Revenues per employee	in €	2,873	2,792	2,692
Personnel expenses	€ thousand	4,300	2,965	2,217
Personnel expenses ratio [3)]	in %	2.00	1.71	1.72
Marketing expenses ratio [4)]	in %	2.01	1.77	2.61

[1)] Gross profit to total operating revenue in %
[2)] Consolidated earning before interest and taxes (EBIT) to revenues in %
[3)] Personnel expenses to revenues in %
[4)] Marketing expenses to revenues in %

Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has 88 online shops in 31 countries, among others the ReifenDirekt domains in Germany, Switzerland and Austria, www.mytyres.co.uk and www.123pneus.fr. Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

Delticom's customers enjoy all the advantages of modern eCommerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in 2–3 business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 21,000 service partners (5,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Due to its cost-efficient operations, Delticom is able to combine growth and profitability. In 2008 the company intends to build upon its position as the leading online tyre dealer – and demonstrate that Delticom has a firm grip on this dynamic market.

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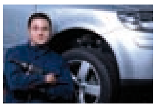
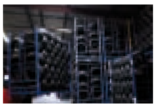



Letter to shareholders

DEAR SHAREHOLDERS, EMPLOYEES AND FRIENDS OF DELTICOM AG,

2007 was another successful financial year for our company. As Europe's leading Internet tyre sales company, we added another chapter to our eight-year success story. With € 2.12 per share, the company again generated impressive earnings for its shareholders in 2007.

In the last financial year, revenues increased by + 24.5%, from € 173.1 million to € 215.5 million, while net profit improved by + 32.9%, from € 6.3 million to € 8.3 million. As the cost leader, we are particularly satisfied at having been able once again combine growth and good margins. With our strong financial base, we are well positioned for future growth. Accordingly, we would like to allow our shareholders to participate in our success, as they have done in previous years. The Managing Board and Supervisory Board will propose a dividend of € 2.00 to the Annual General Meeting in May 2008 – up + 66.7% on the previous year.

The Internet is increasingly being used as a shopping medium throughout the world. Fast Internet connections are now widely available and affordable in many developed countries, with the number of broadband connections estimated at around 300 million globally. Many of you are probably no strangers to surfing the Net via your mobile telephone while on the road. You will no doubt also remember the early days of the Internet, with modem and ISDN access, and hence be aware of just how rapidly things have changed. Despite this pace of development, however, online shopping is still in its infancy and is expected to continue to evolve. In the key industrialised nations, Internet-based spending is enjoying double-digit annual growth, with consumer behaviour across all age groups increasingly shifting towards the use of the Internet as a shopping tool.

Car tyres are our main product line. Experts are forecasting a further increase in demand for tyres in a world that is characterised by mobility and transportation. This is one of our growth drivers. The trend towards online tyre sales continued to intensify in 2007, demonstrating that tyres and eCommerce are a good match. As the market leader in Germany and a number of other countries, Delticom benefited from this development to an above-average extent. More and more car drivers and motorcyclists are discovering that tyres, engine oil, spare or replacement parts and other accessories can be bought easily, cheaply and securely from our shops, such as www.reifendirekt.de. In the past fiscal year, we delivered tyres and vehicle accessories to more than 625,000 new customers. To date, over 1.8 million Internet users in 31 countries have made purchases from our online shops, which now number 88 – and this trend shows no sign of slowing down. Key partners in our business model include the 21,000-plus workshops around the world (including more than 5,000 in Germany alone) which are responsible for fitting the tyres purchased on the Internet to our customers' cars.

However, 2007 was a difficult year for tyre sales in our home market of Germany. Winter tyre sales in particular failed to meet the high expectations that were still in place midway through the year, resulting in significant losses in certain segments of the tyre industry. The fact that our figures for the past financial year were still positive is due to the following factors:

1. Strong eCommerce growth was enough to more than offset the reduction in sales in the German winter tyre market.

2. We offer high-quality winter tyres at a significantly lower price than our competitors. This was demonstrated most recently by a study conducted by the renowned E-Commerce Center at the University of Cologne's Institute of Retail Research (IfH) in autumn 2007.

3. We are a globally active company, and hence are less dependent on developments in our home market than was the case a few years ago.

From left to right: Andreas Prüfer and Rainer Binder, Frank Schuhardt, Philip von Grolman.
The Managing Board of Delticom AG.

In the current financial year we will continue to offer a broad product range at attractive prices in order to defend and consolidate our market leadership in the European online tyre business. Economies of scale will be leveraged in order to further improve profitability, while we will also place increased emphasis on using advertising to increase awareness of our online shops. Accordingly, we are forecasting revenues of between € 240 million and € 260 million for the current financial year, with the EBIT margin remaining essentially unchanged at between 5.0% and 6.0%.

With the expansion of the Managing Board from two to four members in August 2007, we have taken steps to ensure that we have an appropriate management structure – to support what we expect to be the continued strong growth of our company.

The Managing Board would like to take this opportunity to express its gratitude to all of the Company's employees and partners for their excellent work, the Supervisory Board for their valuable questions and suggestions, and the Company's shareholders for the confidence they have shown in Delticom.

As an international company operating in a dynamic global market environment, Delticom can look forward to an exciting future.

Hanover, 26 March 2008

Andreas Prüfer   Rainer Binder   Frank Schuhardt   Philip von Grolman

Report by the Supervisory Board

DEAR SHAREHOLDERS, EMPLOYEES AND FRIENDS OF DELTICOM AG,

During the past fiscal year, the Supervisory Board performed its duties in accordance with both all legal requirements and Delticom's articles of incorporation. It regularly advised and supervised the Managing Board, and was involved in all decision making of fundamental importance to the company. We regularly and intensively concerned ourselves with the net assets, financial position and the results of operation as well as with the company's risk management. In this respect we took steps to satisfy ourselves that Delticom had, and has, in place policies and practices which ensure the efficient monitoring of our company and the effectiveness of our control possibilities. In its monitoring of firm management, the Supervisory Board oriented itself, based on the annual budget established for the 2007 fiscal year. In addition to its monitoring and oversight activities, the Managing Board provided the Supervisory Board with information outside the Supervisory Board meetings, and was provided with reports on all key factors relating to the business. The members of the Supervisory Board were available for advice to the Managing Board outside of regular meetings.

The Chairman of the Supervisory Board discussed specific topics with the Managing Board as required. In the relevant meetings, we discussed and decided on transactions which required the approval of the Supervisory Board. In instances where decisions needed to be made quickly, we took these after consulting together by telephone or in writing. All decisions made during the reporting period were unanimous.

COMPOSITION OF THE SUPERVISORY BOARD

According to the company's articles of incorporation, the Supervisory Board consists of three members. During the reporting period, the composition of the Supervisory Board changed with the resignation of Bernhard Schmid on 15 November 2007. Our thanks go out to him for his great contribution to the success of the company and for his work in the Supervisory Board. In place of Bernhard Schmid, the Hanover Local Court appointed Michael Thöne-Flöge, Managing Director of Becker + Flöge GmbH, to the Supervisory Board on 16 November 2007. Since that date, the Supervisory Board has been made up of the following members:

- Peter Stappen, Chairman
- Michael Thöne-Flöge, Deputy Chairman
- Alan Revie

Due to its size (three persons) the Supervisory Board has not established any committees in the sense of Section 171 (4) sentence 2 of the AktG (German Public Limited Companies Act).

MEETINGS

In the past fiscal year 2007, the Supervisory Board held four regular meetings. The first ordinary meeting on 03 April 2007 reviewed company accounts and is reported in detail below. In the meeting on 16 May 2007, which took place directly after the General Meeting, we discussed issues raised and comments by the shareholders. In addition, we received reports on the implementation of the new accounting software. Because logistics and transportation costs are significant in relation to total costs, we dealt extensively with the warehouse and transportation situation in our third meeting on 20 September 2007. In this meeting, the new Managing Board presented us with various warehouse options. The Supervisory Board supports the Managing Board strategy of renting larger warehouses as we share their assessment that these can be operated more effectively. In the last regular meeting on 20 November 2007, we discussed and considered the medium-term budget and the investment plan. Furthermore, we discussed the economic and market trends and their consequences.

Key issues addressed in meetings outside of those regularly scheduled were the appointment of the new Managing Board members and their remuneration (meeting on 09 August 2007) and the preparation and implementation of the formation of the US subsidiary (meeting on 12 July 2007).

The auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, was elected by the General Meeting on 16 May 2007. On the same day the Chairman of the Supervisory Board issued a written mandate for PricewaterhouseCoopers to carry out the audit.

CHANGES IN THE MANAGING BOARD

On 9 August 2007 Frank Schuhardt (38) and Philip von Grolman (33) were appointed members of the Managing Board. Frank Schuhardt heads the Finance Division and is responsible for Investor Relations. Philip von Grolman heads the Logistics Division; he is also responsible for the eCommerce business in North America.

Before starting at Delticom, Frank Schuhardt was Partner at the Munich-based DVC Deutsche Venture Capital Gesellschaft. He served as a member of the Delticom Supervisory Board from 2000 to 2005 and has been an employee of the company since January 2007.

Philip von Grolman has worked at Delticom since the company's founding in 1999. Before starting at Delticom, von Grolman was Head of Car Tyre Purchasing at the Continental retail organisation.

CORPORATE GOVERNANCE

The Supervisory and Managing Boards are aware that good corporate governance is in the interests of our shareholders and the capital markets and is an important foundation for the company's success. In April 2007, together with the Managing Board, we issued a declaration stating that all Delticom's activities are in conformity with Section 161 of the "German Corporate Governance Code". This declaration is permanently available on the Delticom AG web page and is to be updated every year after the accounts review meeting of the Supervisory Board. There is a separate report in this annual report on the implementation of the German Corporate Governance Code.

AUDIT OF THE 2007 FINANCIAL STATEMENTS

In the accounts review meeting of the Supervisory Board on 25 March 2008, the Supervisory Board dealt extensively with the annual financial statements and the audit report. Particular attention was paid to the annual financial statements of Delticom AG (prepared according to the regulations of the HGB – German Commercial Code), and the consolidated financial statements of the Delticom Group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of had the reporting date of 31 December 2007. In addition, close scrutiny was given to the management reports for both the company and the group for the 2007 fiscal year. The auditor's reports, the annual financial statements for the AG and the consolidated financial statements prepared by the Managing Board, the dependent company report and the management reports for Delticom AG and for the group as well as the Managing Board's proposal for the appropriation of net retained profits were submitted to us in due time, so that we had sufficient time to examine the reports. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, had previously audited the annual financial statements. There are no concerns regarding the auditor's independence.

The auditor is convinced that the financial statements of the AG and the consolidated financial statements of the group prepared in line with the relevant accounting standards present a true and fair view of the net assets, financial position and result of operations of the company and the group. The auditor provided an unqualified audit opinion in both cases. In addition, in the context of assessing the risk management system, the auditor confirmed that the Managing Board had implemented the measures required in Section 91 (2) for identifying risks which could jeopardise the company as a going concern at an early stage. Representatives of the auditor were present at the discussions. They reported on the material results of the audit and were available to provide additional information to the Supervisory Board. The Supervisory Board approved the audit report. After an in-depth review, the Supervisory Board sees no reason to raise objections against the annual financial statements prepared by the management or the Managing Board and thus ratified the annual financial statements of Delticom AG in its meeting today. The financial statements of Delticom AG and the consolidated financial statements are thus adopted. The Supervisory Board agreed with the Managing Board's proposals for the appropriation of net retained profits.

The Supervisory Board would like to thank the Managing Board and all employees for both their work and commitment to the company and congratulates them on the success they have achieved. Special thanks go to you, our shareholders, for the trust you have placed in our company.

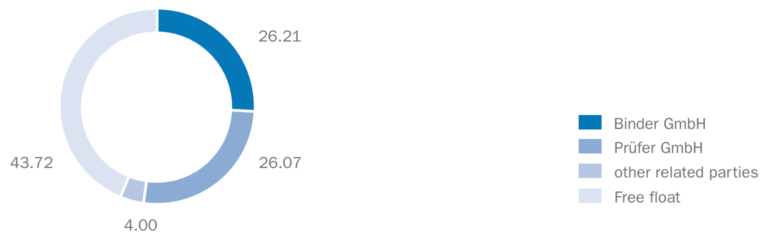
Hanover, 26 March 2008

Peter Stappen
(Chairman of the Supervisory Board)

Delticom's Shares

SHAREHOLDER STRUCTURE

Shareholder Structure in %



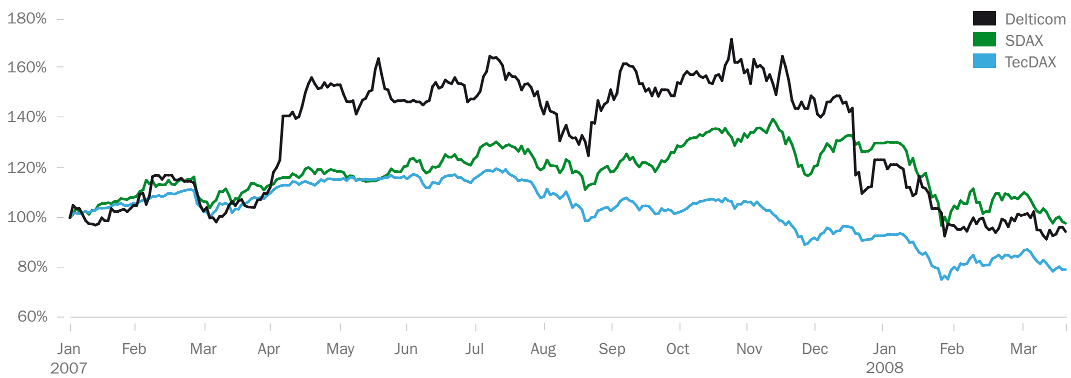
The free float according to the definition of Deutsche Börse AG is 47.72%.

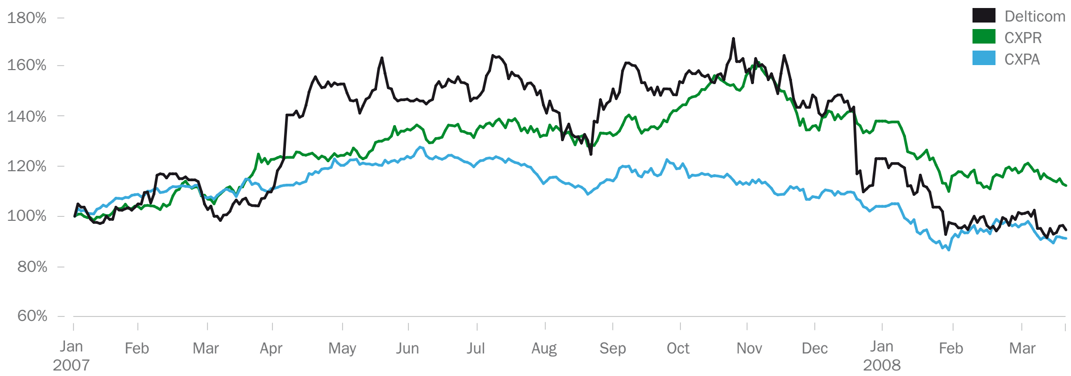
STOCK MARKET TRENDS IN 2007

In 2007 the German economy developed favourably. As a result, the stock market performed well: the DAX closed at 8067, a gain of 22% for 2007. The market segment of smaller companies, though, was not able to continue its good performance from the previous years: 2007 the SDAX closed at 5192, a loss of 7% year on year.

From July on, the Subprime crisis lead to increased demand on the euro money markets and hectic activity by international central banks. Originating in the USA and exacerbated by the problems of the financial sector, fears of an imminent recession started to surface. This resulted in widespread losses over all segments of the stock markets.

Due to the liquidity crisis and because of clients retracting funds, Small- and Midcap fund managers had to rebalance their portfolios. Consequently, share prices of many smaller companies have come under pressure since then.





DELTICOM SHARE PRICE

The Delticom share started 2007 at € 40.97 and closed on 28 December 2007 at € 49.70. For the year 2007 the Delticom share was able to post a gain of 21%.

Immediately after the release of the 2006 financial statements in April 2007 the Delticom share price appreciated considerably. One of the reasons for the gains was the high EBIT, which positively surprised investors and analysts.

With the first flare-up of the Subprime crisis in July, the Delticom stock price dropped on low volume. Already in August the share price reentered the positive trend channel from April and reached an all-time high of € 70.30 on 19 October 2007.

2007 was a difficult year for the German tyre dealers (see also “Course of Business” in the Business Report). Long into the second half of the year manufacturers and retailers had forecast a moderate growth both for summer and especially for winter tyres. Up to December Delticom’s management had also expected a positive market development in its internal budgets. The pronounced decrease in the number of tyres sold came as a surprise. On 14 December 2007 – immediately after the revised forecast from BRV (Association of German Tyre Dealers) – Delticom published an ad hoc news with a guidance for 2007 sales and EBIT. The new information lead to a sharp drop of the Delticom share price, on high volume.

In the current fiscal year Delticom’s market capitalisation decreased in line with the relevant share indices trending lower. As of 29 February 2008, the low of the share price was € 38.00 on 22 January 2008.

ANALYST COVERAGE

The following analysts publish regular updates on Delticom’s performance (in the order of initiation of coverage):

Broker	Analyst Name	Focus	Recommen-dation	Target price	Estimates 2008 Sales (€)	EBIT (€)	EBIT (%)	EPS
Dresdner Kleinwort	Georg Remshagen	Small- and Midcaps	Buy	55,00	245,0	15,0	6,1	6,1
NordLB	Frank Schwope	Retail	Buy	55,00	255,0	14,3	5,6	5,6
Bankhaus Metzler	Jürgen Pieper	Automotive	Buy	47,00	265,0	15,8	6,0	6,0

Lehman Brothers	Nadine Al Kassar	Retail	Overweight	71,00	262,5	16,2	6,2	6,2
Sal. Oppen-heim	Marcus Sander	Internet	Buy	60,00	265,0	16,0	6,0	6,0
Exane BNP Paribas	Andreas Inderst	Midcaps	Outperform	78,60	262,0	16,2	6,2	6,2
				61,10	259,1	15,6	6,0	6,0

(estimates and target prices as of 29 February 2008)

INVESTOR RELATIONS

Investor Relations in 2007 were mainly focused on talks with institutional investors:

- roadshows in Frankfurt (three times), London (twice), Edinburgh, Zurich, Geneva and Paris (once each)
- conferences arranged by banks in Hanover, Frankfurt and Paris
- Eigenkapitalforum, Frankfurt

In addition, Board members had one-on-one meetings with many shareholders and potential investors.

Delticom publishes any insider information that directly affects the company without delay, including ad hoc publicity outside the recurring financial reportings. In addition, Delticom's management comments important developments in conferences for shareholders, potential investors, analysts and the financial press. Publications and presentations are made available in the download section of www.delti.com/Investor_Relations. Also available is the financial diary, which is updated as soon as the dates of events (e.g., Annual Report, interim reports and the General Meeting) become available.

The IR team will continue to provide timely information to the shareholders, investors, the capital markets and the public. (For IR contact see back cover).

Delticom stock – key information

German Securities Code Number (WKN)		514680
ISIN		DE0005146807
Reuters/Bloomberg		DEXGn.DE/DEX GR
Type of shares		No-par value registered shares
Segment		Amtlicher Markt (official trading), Prime Standard, Frankfurt
Indices		NISAX, CXPR
Share capital	in €	3.946.480
Number of shares		3.946.480
Free float [1]	in %	47.72
Initial listing		26 October 2006
Share price start [2]/Share price end of 2007 [3]	in €	40.97/49.70
High/Low 2007	in €	70.30/39.80
Share performance 2007	in %	21.31
Average trading volume per day (2007, XETRA)	€ thousand	6,263
Share price on 29 February 2008	in €	39.00
Market capitalisation [4]	€ million	153.9
P/E-Ratio [5]		18.4

1) according to definition of Deutsche Börse AG, 2) opening price on 2 January 2007, 3) closing price on 28 December 2007,
4) as of 29 February 2008, 5) Profits 2007, closing price 29 February 2008

Corporate Governance Report

The German Corporate Governance Code aims to create transparent general conditions for company management and control. Delticom perceives the duty to corporate governance as an important measure to increase trust on the part of shareholders, employees and the general public. Delticom conforms to the recommendations of the Code except for a few exceptions. The deviations are explicitly listed with the corresponding item numbers in this report.

SHAREHOLDERS AND GENERAL MEETING

Shareholders are able to exercise their rights and vote at the General Meeting. Each share grants one vote. Shares with multiple voting rights, preferential voting rights or maximum voting rights do not exist.

The Managing Board prepares the General Meeting, the annual financial statements and consolidated financial statements. The General Meeting resolves upon the appropriation of the net retained profits and the discharge of members of the Managing and Supervisory Boards. Furthermore, the General Meeting resolves on changes in the articles of incorporation of the company and appoints members to the Supervisory Board.

The General Meeting where Managing and Supervisory Boards give account of the concluded fiscal year takes place annually. Shareholders have the possibility to exercise their voting rights in person at the General Meeting or be represented by an authorised proxy of their choice or a proxy appointed by the company and bound by instructions. The Meeting Chairman ensures the General Meeting proceeds in a timely manner. To facilitate exercising rights and to prepare the shareholders for the General Meeting, the documents made available for viewing by the shareholders at the company's premises in relation to convening the General Meeting are easily accessible on the Delticom website www.delti.com.

COOPERATION BETWEEN THE MANAGING AND SUPERVISORY BOARDS

The Supervisory Board and the Managing Board work intensively together. In the context of its monitoring and advisory function, the Supervisory Board also works closely together with the Managing Board outside its meetings. Their joint objective is the sustained increase in enterprise value.

The Managing Board informs the Supervisory Board regularly, promptly and comprehensively about all relevant company issues with regard to planning, business development, risk position, risk management and compliance. It deals intensively with the deviations in business development from the proposed plans and objectives, substantiating with reasons. Critically assessing the course of business is one of the Supervisory Board's core tasks.

The Managing Board's concrete tasks and duties to the Supervisory Board are set out in the rules of procedure for the Managing Board. In particular, the rules of procedure specify the obligations of the Managing Board for informing and reporting, as well as determining approval requirements for the Supervisory Board for transactions of fundamental importance.

In line with Item 3.8 of the Code, a suitable deductible is recommended for liability insurance (so-called Directors and Officers liability insurance – D&O) that the company concludes for its Managing and Supervisory Board members. The current D&O insurance does not contain a deductible for persons insured. This is stated in the declaration of conformity as a deviation from the recommendation.

In the past fiscal year, the company did not issue any loans to members of the Supervisory or Managing Boards.

This Corporate Governance Report and the current declaration of conformity are published in the annual report as well as on the Delticom website in both German and English.

MANAGING BOARD

Delticom Managing Board is responsible for managing the company in line with provisions of the Stock Corporation Act and a rule of procedure, as well as its business allocation plan. The Managing Board develops the strategic alignment of the company, seeks Supervisory Board approval and ensures its implementation.

The Managing Board consists of the following four members:

Name	Function	Contract begin	Contract end
Rainer Binder	Co-CEO	08.09.2004	07.09.2009
Philip von Grolman	Logistics, North America	09.08.2007	08.08.2012
Andreas Prüfer	Co-CEO	08.09.2004	07.09.2009
Frank Schuhardt	CFO	09.08.2007	08.08.2012

A Chairman or Spokesman of the Managing Board does not exist. The company thus deviates from the Code (Item 4.2.1). The four Executive Board members also have clearly defined responsibilities. As set out in the respective applicable schedule of reponsibilities, each Managing Board member is solely responsible for his own specific area. Members of the Managing Board are jointly responsible for the overall management of the company.

The Supervisory Board is responsible for determining the remuneration system structure and the remuneration of the individual Managing Board members. It examines the remuneration structure regularly in respect to adequacy. The Managing Board remuneration consists of fixed remuneration and a variable remuneration which is paid monthly. For the Managing Board members Binder and Prüfer this is aligned to the operating result achieved at Delticom AG; for Managing Board member Grolman in line with the level set targets have been achieved. Managing Board member Schuhardt was granted the right to participate in a share option programme as a variable component with a long-term incentive. He holds

5,270 share options. The entire fair value of the 2007 option programme for Mr Schuhardt totalled € 102,209.70 at the point of issue. Other remuneration includes non-cash benefits from the use of a company car. The members of the Managing Board received the following remuneration in 2007:

Name	Fixed salary (in €)	Variable remuneration (in €)	Other remuneration (in €)
Rainer Binder	265,000	86,940	19,980
Philip von Grolman	49,000	6,250	
Andreas Prüfer	265,000	86,940	19,980
Frank Schuhardt	51,000		

The articles of incorporation stipulate that the age limit for Managing Board members is 65. The current Managing Board members have no individual pension benefit plans. The Managing Board members do not receive loans from the company.

SUPERVISORY BOARD

The advisory and supervisory functions have been completely fulfilled by the Supervisory Board. As part of the strategic evaluation of the company, its risk management and reporting, the Managing Board communicates with the entire Supervisory Board. In order to work efficiently, this is not restricted only to the Supervisory Board Chairman.

The Supervisory Board has established a set of rules of procedure. These define the Supervisory Board's tasks, obligations and internal organisation and also include further details on non-disclosure requirements, handling conflict of interests and the Managing Board's reporting duties.

Committees in the Supervisory Board have deliberately not been established. This was deemed unnecessary because of the number of members and the size of the company. Neither the Managing Board nor the Supervisory Board sees a need to effect a change here, even if this results in a deviation from the Code (Item 5.3).

In the reporting period, a change in composition of the Supervisory Board occurred. On 15 November 2007, Mr Bernhard Schmid resigned from the Supervisory Board. In place of Mr Schmid, the Hanover District Court appointed Mr Michael Thöne-Flöge as member of the Supervisory Board with effect from 16 November 2007. The Supervisory Board has since consisted of the following members:

- Mr Peter Stappen, Chairman
- Michael Thöne-Flöge, Deputy Chairman
- Alan Revie

As a preventive measure in selecting members to the Supervisory Board, attention was paid to ensure that there were no conflicts of interest and no excess number of Supervisory Board positions. The Supervisory Board does not include any former Managing Board members of the company. The Supervisory Board has not set an age limit for its members. Remuneration for the entire Supervisory Board totals € 30,000, of which the Chairman receives € 15,000, the Deputy Chairman € 10,000 and one ordinary member € 5,000 respectively. The remuneration does not contain any performance-related component, contrary to Item 5.4.7.

TRANSPARENCY

The Managing Board and public relations employees ensure that shareholders, financial analysts, the media and interested general public receive open, prompt information on the company's situation and any major changes to the business.

Insider information directly affecting the company is published immediately by Delticom, even outside regular reporting. Delticom also deploys the Internet to ensure comprehensive and prompt information. The website is clearly structured. All major dates are published in advance in a financial calendar (e.g. Annual Report, interim reports or General Meeting).

Delticom discloses securities transactions promptly upon receiving the corresponding information (Directors' Dealings), in line with the provisions of Section 15a of the German Securities Trading Act. Information on securities transactions by members of the Managing and Supervisory Boards which had to be disclosed for the 2007 fiscal year are included in the so-called "annual document" prepared in line with Section 10 of the German Securities Trading Act. This document also contains all the publications made in line with capital market regulations (including ad hoc disclosures) that Delticom released in the fiscal year.

The following table shows shares held by members of Supervisory and Managing Boards of Delticom AG (as of 31 December 2007):

Name	Owner	Shares	Shareholding
Rainer Binder	Binder GmbH	1,028,716	26.07%
Andreas Prüfer	Prüfer GmbH	1,034,216	26.21%
Philip von Grolman	held personally	95,967	2.43%
Alan Revie	held personally	58,635	1.49%
Frank Schuhardt	held personally	1,080	0.05%
Peter Stappen	held personally	1,000	0.03%

ACCOUNTING AND AUDITING

Since the 2004 fiscal year, the accounting of the company at group level has been in line with the International Financial Reporting Standards (IFRS) and the single-entity statements in line with German standards (Code of Commercial Law). Reporting with the annual financial statements and quarterly interim reports is in line with statutory requirements and stock market regulations. The annual report and the website are published in English (in line with international standards). The annual report is also available on the Internet.

The Managing Board prepares the consolidated financial statements and is examined by the auditor and the Supervisory Board. The consolidated financial statements were not made publicly available within 90 days after the end of the fiscal year, contrary to Item 7.1.2. In addition, the publication deadline for interim reports was not observed (45 days after the end of the reporting period). We plan to adhere to these deadlines for the 2008 fiscal year. The corresponding dates for 2008 have already been published on the website under the financial calendar.

Delticom has the following subsidiaries listed below:

Company name	Registered office	Ownership	Share capital (in local currency)	Exchange rate	Share capital (in €)	Equity as of 31.12.2007 (in € '000)	Result (in € '000)
Reifendirekt GmbH	Hanover, Germany	100%	25,000.00 EUR		25,000.00	41	3
Delticom Ltd.	Oxford, UK	100%	2.00 GBP	0.626672	3.19	201	408
NETIX S.R.L.	Timisoara, Romania	100%	200.00 RON	4.13564	48.36	161	109
Delticom North America Inc.	Wilmington, Delaware, USA	100%	0.10 USD	1.4716	0.07	-4	-4

Relationships to shareholders – who are to be classified as related parties according to the applicable accounting standards – are described in the consolidated notes.

The appointed auditors issued written confirmation of their neutrality. The auditors of Delticom AG agreed that the Supervisory Board Chairman is to be promptly informed of any possible disqualifying reasons and conflict of interests discovered in the course of the audit, if these are not resolved immediately. Mandating the auditor (previously elected by the General Meeting) is assumed by the Supervisory Board Chairman.

If a fact is determined that contradicts the declaration of conformity to the German Corporate Governance Code submitted by the Managing Board and the Supervisory Board, the auditor has to inform the Supervisory Board and note it in the audit report.

On 25 March 2008, the auditor attended the Supervisory Board's discussions on the 2007 annual financial statements and consolidated financial statements and reported to the Supervisory Board on the results of the audit of the annual financial statements and Delticom management report as of 31 December 2007 (German Commercial Code) as well as the consolidated financial statements and Delticom group management report as of 31 December 2007 (IFRS).

DELTICOM'S DECLARATION OF CONFORMITY IN LINE WITH SECTION 161 OF THE AKTG (GERMAN PUBLIC LIMITED COMPANIES ACT)

The Managing Board and the Supervisory Board of Delticom declare that they have conformed to the recommendations of the German Corporate Governance Code of the Government Commission in the currently valid version announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 4 July 2003, with the following exceptions:

- The recommendation to include a deductible for D&O insurance in line with Item 3.8 of the Code is not conformed to.
- The recommendation to have a Managing Board Spokesman in line with Item 4.2.1 of the Code will be conformed to from 6 May 2008.
- The recommendation to form committees in the Supervisory Board in line with Item 5.3 of the Code is currently not conformed to.
- The recommendation to fix a variable component in the Supervisory Board's remuneration in line with Item 5.4.7 of the Code is not conformed to.
- The recommendation to publish the consolidated financial statements within 90 days after the end of the fiscal year and the interim reports within 45 days after the end of the reporting period, in line with Item7.1.2 of the Code, was not conformed to in the 2007 reporting year.

Hanover, 26 March 2008

Peter Stappen, *Chairman of the Supervisory Board*	Rainer Binder, *member of the Managing Board*	Philip von Grolman, *member of the Managing Board*	Andreas Prüfer, *member of the Managing Board*	Frank Schuhardt, *member of the Managing Board*


ReifenDirekt

ORDER ONLINE

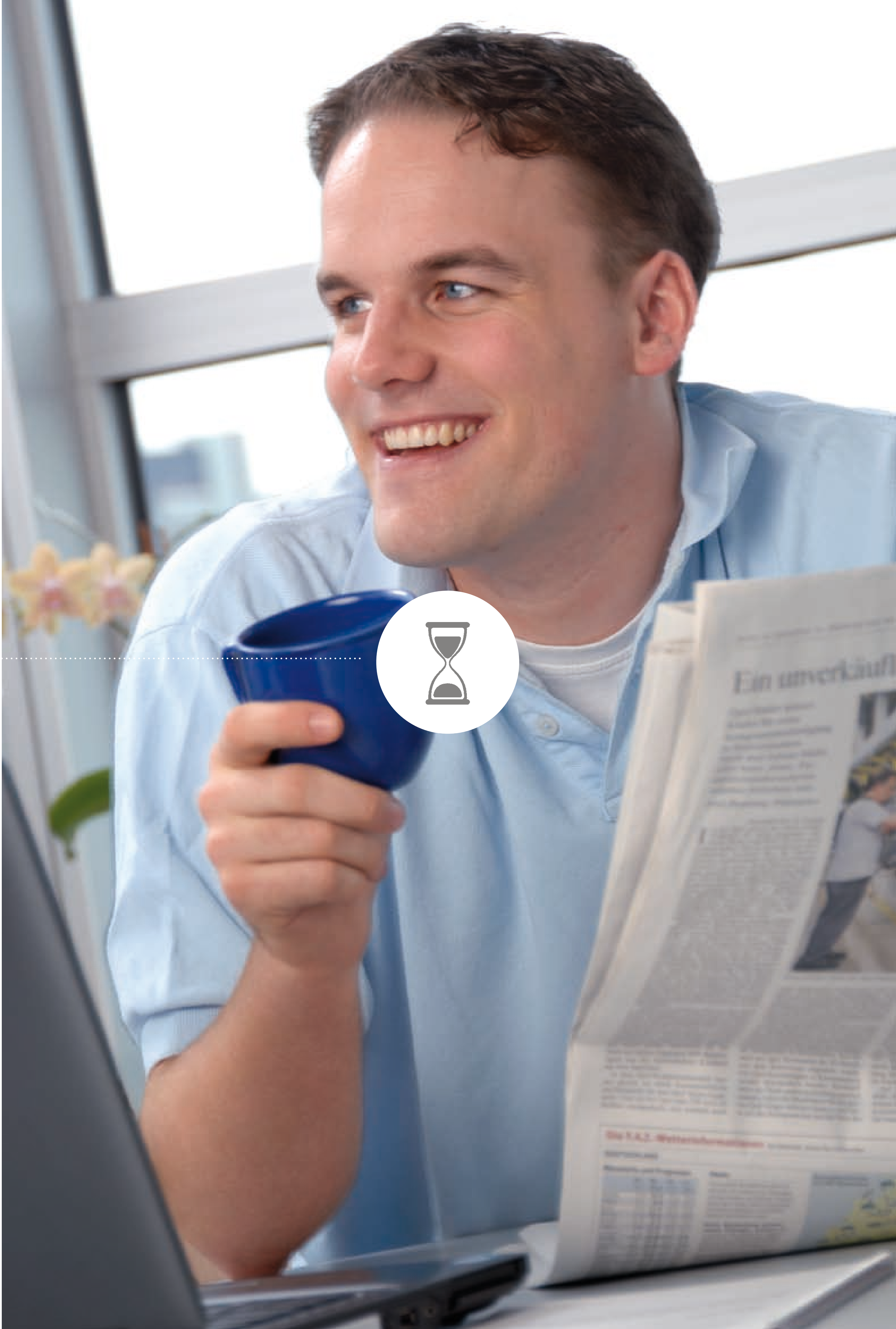
SIMPLE, FAST AND SECURE: FOUR EASY STEPS TO THE TYRES YOU NEED.


Linde


A WIDE
SELECTION
AVAILABLE
RIGHT AWAY
GOODYEAR

QUICK DELIVERY

OUR RELIABLE DELIVERY PARTNERS ENSURE ORDERS REACH THE CUSTOMER SECURELY AND WITHOUT DELAY




DELTICOM


QUICK
DELIVERY TO
ANY ADDRESS

SERVICE
THAT SATISFIES

OUR HOTLINES ANSWER ANY QUESTIONS REGARDING
CUSTOMER ORDERS. OVER 21,000 SERVICE PARTNERS WORLDWIDE

TOP QUALITY SERVICE AND CONSULTATION

As easy as that: Shopping online.

24 HOURS A DAY, 365 DAYS A YEAR. FROM ANYWHERE. IN MAKING THESE PHRASES A REALITY, THE INTERNET HAS HELPED CHANGE HOW PEOPLE LIVE THEIR LIVES. AND AS MORE AND MORE INDIVIDUALS EMBRACE THIS TECHNOLOGY, LIFESTYLES, BEHAVIOURS AND SHOPPING HABITS WILL CONTINUE TO CHANGE, TOO.

In a short period of time, the Internet has fundamentally changed how people gather information, communicate and go about their business. Information is now accessible around the clock. Communication paths have become more direct and more and more people use the Internet to shop online – and for good reason. The Internet lets customers shop from anywhere, at any time. Whether at home or while on the go, at the weekend or a holiday, online shopping is a convenient, stress-free way for people to browse and comparison shop at their leisure before making their purchase decision.

OUT FRONT FROM THE BEGINNING.

It is exactly these customer demands that Delticom works to meet. Through our 88 online shops in 31 countries worldwide, we offer consumers an attractive and wide range of products. From tyres for cars, motorcycles, commercial vehicles and buses, to complete wheels, replacement parts, accessories, and even motor oil, our online shops carry a selection regular stores simply can't compete with. And with our certified, user-friendly, easily navigable websites, Delticom customers have no trouble finding whatever they're looking for. We accomplish this by keeping our websites simple. And doing without unnecessary effects and features means even customers without broadband Internet access can complete an order with Delticom.

Ordering from Delticom is quick and easy with four simple steps leading our customers to exactly the tyres they need.

STEP 1: CHOOSE YOUR TYRES.

Once at any of Delticom's online shops (e.g. www.mytyres.co.uk), customers are already well on their way to placing an order. First, they answer a few simple questions about the tyres they're looking for: their size, speed index, brand or, of course, the type and model of vehicle for which the tyres are needed. If a customer is unsure of this, our sites can help them find this information in their vehicle registration documents by offering step-by-step instructions on navigating these often confusing papers.

STEP 2: COMPARE PRICES.

Once the customer has answered the initial questions, they are presented with a list of tyres meeting their specific needs and their respective prices. And the prices are good: The E-Commerce Center Handel (ECC) at the Institut für Handelsforschung based at Cologne University showed that in the German www.reifendirekt.de online shop, quality brand winter tyres were roughly 24% cheaper than in stationary outlets. Studies for France and Italy show similar results. All price information includes taxes and shipping costs as well as detailed product information to allow for easier decision making. Our online shops also provide the results of the most recent tyre tests from leading automobile magazines so that customers have access to up-to-date, objective information on the tyres we sell. A number of our sites also offer our customers a platform (in Germany, www.reifentest.de) to share their experiences with and opinions of our products.

STEP 3: PROVIDE A DELIVERY ADDRESS.

Here the customer lets us know where to ship their order. We'll ship to any address within the customer's country – and do it for free with every order of two tyres or more. If the customer wants to have their tyres installed professionally, we'll ship their order to one of Delticom's more than 21,000 service partners worldwide. And with a network that large, finding one which is conveniently located is usually no problem at all.

STEP 4: CHOOSE METHOD OF PAYMENT.

As a final step, the customer selects their preferred method of payment. In addition to the traditional methods of credit card, debit payment, bank transfer or account charge, our shops also offer those options favoured in their local markets (e.g. Carte Bleue in France, Switch/Solo in the UK or JCB in Japan) or even Internet-based payment services such as PayPal. Encryption technology guarantees a secure transaction that ensures that our customers' sensitive personal information is kept confidential and safe.

SERVICE AFTER THE SALE.

Immediately after the completion of a sale, we confirm a customer's order by email or fax. While waiting for delivery – usually two or three days – customers can use our tracking system to follow their order's progress. If they have questions, a hotline is available to provide informed answers to their inquiries. For additional customer convenience, messages left outside of regular business hours are returned promptly.

Delticom stocks its products in warehouses which are operated by partners.

Two paths to the customer: Delivery.

Tyres ordered through Delticom reach our customers in one of two ways, either from one of our own warehouses (stock-and-ship) or directly from a tyre manufacturer or wholesaler (drop-ship). With these two fulfilment methods we're able to offer a product line of more than 100 tyre brands and 25,000 tyre models with reliable delivery even in peak demand periods.

The lion's share of our sales volume is generated by selling from our own inventories (stock-and-ship fulfilment). The access to storage facilities lets us take advantage of the market's seasonal patterns by buying against normal sales trends. The result? Higher profit margins and the ability to fill orders when demand is peaking. With this model we use rented warehouses and partner with firms who assume responsibility for the storage of the goods. To ensure our tyres make it to the customer, well-known parcel services guarantee speedy, secure delivery.

With so-called drop-ship fulfilment, Delticom sells products directly (i.e. without stocking them) from the warehouses of manufacturers and wholesalers. The supplier either delivers the goods himself or we use a parcel service to pick up the products and deliver them to the customer. Drop-ship also gives us access to markets that are – like the US – too far away from our storage facilities. In addition, longstanding relationships with wholesalers around the globe provide us with excellent means of moving or acquiring tyres as the situation demands.

Our online shops are the common platform for our product lines, regardless of which model we use

Delticom offers its customers a range of 25,000 tyre models from more than 100 brands.

to fill an order. And if an ordered tyre needs to be picked up from a customer for whatever reason, a parcel service takes care of this.

RETAILER? WHOLESALER? BOTH.

In addition to our core eCommerce business, Delticom is also a wholesaler of tyres, selling to other wholesalers. While we do not expect the wholesale side of our business to grow in the same way as our eCommerce markets, it remains strategically important. Specifically, our wholesale business provides us dependable information on market tendencies, allowing us to react quickly to changes in supply and demand and establish ourselves in new countries and markets with little lag time.

Delticom's business model shortens the distribution paths in the supply chain and makes us an attractive partner for all our suppliers.

Getting Rolling: Fitting.

For DIY enthusiasts or customers who prefer a particular garage, we'll deliver the order to any address they wish. But if a customer wants the tyres fitted by a professional, we'll ship the tyres to one of our service partners – more than 5,000 in Germany alone. We determine which service partner is most convenient for the customer based on the postal code, location or area code they provide with their order. And of course our websites offer information and customer reviews on our service partners' prices and services.

A NETWORK THAT WORKS.

The EEC study provides clear evidence that the price is right at Delticom's service partners. According to this research, members of our ReifenDirekt network offer fitting prices that are typically 25% below the German national average as charged by other tyre dealers. Joining our network of service partners is simple, free and comes without any strings attached. Service partners can continue to charge their regular prices and benefit from the referral of new customers. When satisfied, it is not unusual that these customers return to our service partners for vehicle repairs or to have their tyres properly stored out of season.

The bottom line: our extensive network of service partners benefits our customers, our partners – and Delticom.

5,000 service partners in Germany, more than 20,000 worldwide.

CONTENT OF THE MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Business Report

1 BUSINESS SITUATION

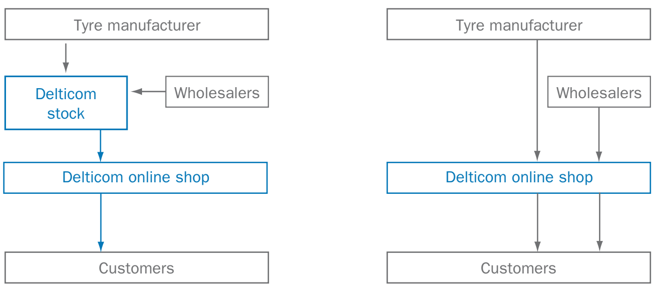
1.1 GROUP STRUCTURE AND OPERATIONS

1.1.1 Divisions

Delticom was founded in Hanover in 1999. The company is Europe's leading Internet tyre retailer. It operates in two divisions: eCommerce and Wholesale.

Most of the group's revenues are generated by the **eCommerce** division. Delticom has well-established Internet domains which are popular within the relevant target group. The company offers its private and business customers a broad product range: car tyres, motorbike tyres, truck tyres, bus tyres, rims, complete wheels (pre-mounted tyres on rims) as well as selected car replacement parts and accessories such as snow chains, catalytic converters and engine oil. The main product line is car replacement tyres; the range covers more than 100 tyre brands and 25,000 tyre models. For fitting the tyres on the vehicle the customer can choose from over 21,000 service partners worldwide, more than 5,000 in Germany alone (as of 14 March 2008).

STOCK-AND-SHIP DROP-SHIP



Different fulfilment models increase the flexibility of the business model.

Delticom generates a large share of its revenues by selling from own inventories. The business with stocked articles strengthens the relationships with manufacturers and enhances the supply capability, while generating good margins. Using drop-ship fulfilment, the company also sells goods from the warehouses of manufacturers and wholesalers: either the tyres are transported directly from the supplier to the customer, or Delticom lets parcel services carry out the delivery. The online shops present the entire product range in a consistent look and feel.

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

1.1.2 Markets

Delticom's online shop, which generates the most revenue, is www.reifendirekt.de – a well-known brand in the German online tyre business. In addition, the company sells its products in almost all countries in Europe. Operations in Europe are not restricted to EU member states, but also include countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, especially in North America, with the main focus on the USA. The group operates in 31 countries with 88 online shops. Revenues and profits grew significantly last year, both in Germany and internationally.

1.1.3 Key economic factors

Two key factors contribute to the growth of the Internet tyre business: the development of the tyre market and the buying behaviour of Internet users.

The German and European replacement tyre business

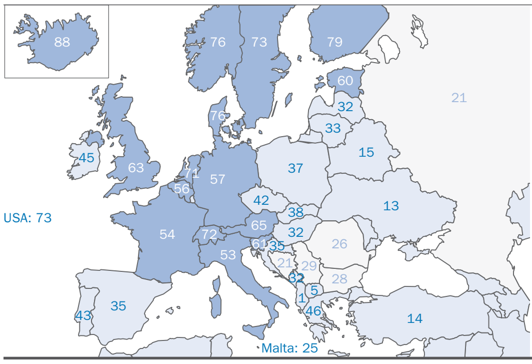
The global tyre market can be broken down into the market of original equipment (tyres pre-mounted on new cars) and replacement tyres. Globally the entire market for all vehicle types is quantified at approximately 1 billion tyres a year. Three quarters of this relate to the replacement market relevant for Delticom. According to the BRV (Association of German Tyre Retailers), German dealers sold 41.5 million car tyres to consumers in 2007 (previous year: 47.4 million), 20.4 million of which were winter tyres (previous year: 24.7 million).

In many countries, business with car replacement tyres depends to a large extent on the seasons with their different weather and road conditions. For example, the business in the northern parts of Europe and in German-speaking countries is characterised by two peak periods – the purchase of summer tyres in spring and winter tyres in early winter. Volume is generally weaker in the first quarter, as most winter tyres are bought and fitted with the first snow, and thus before the end of the year. The second quarter is characterised 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.

The seasonality is amplified by regulatory changes such as the amendment to the German Road Traffic Regulations in 2006 (in which "adequate tyres" were mandated).

Internet as a new distribution channel for tyres

INTERNET USER IN EUROPE 2007



Increasing internet penetration is a long-term driver of Delticom sales.

Source: Desk research GfK Austria, Austria, October 2007

The number of adult Internet users in Europe has grown steadily over the last few years. As many Internet users deploy a search engine for their product researches, companies like Google have made a major contribution to the success of eCommerce over the last few years: using search engine marketing, online retailers such as Delticom can draw customer attention to their products in an efficient manner. In addition, visitors of websites with strong traffic can be directed to suitable offers using advertising forms such as affiliate marketing. As a result, eCommerce has developed into an important distribution channel in Germany, with an overall turnover of more than € 18 billion in online retail with end-customers in 2007. Ultimately the relative advantage of the Internet as a distribution channel over other ways to sell products comes from efficiency gains achieved by online trading. The beneficiaries are both the customers (lower prices) and the online retailers (higher margins).

In comparison to other types of goods, the share of tyres sold via Internet is still relatively low in comparison to total tyre sales. According to a survey by EuPD Research, a Bonn-based market research company, only 2.8% of all online traders were active in the "Car and Accessories" markets. However, the online share of tyre trading is increasing: the BRV estimates that the online market share for business with end-customers reached 4% in the last fiscal year, after 3% in the year before. Delticom is thus well positioned to participate in this sustained change in the supply chain.

1.1.4 Competitive position

Advantages over online competitors

With barriers to entry being generally low, Delticom competes with many smaller regionally specialised online traders. In contrast to these competitors, Delticom is the pioneer in European online tyre trading and as such by far the largest market player.

Over the last few years, Delticom has been able to establish good business relationships with manufacturers and wholesalers in Europe; the company is considered to be the first-mover in online tyre retail. Many processes such as call centres, warehouses and logistics have been outsourced. With its network of partners, Delticom is able to offer its customers a broad range of products at attractive prices. Due to its size and financial strength, Delticom can purchase from suppliers outside the season, and this increases the delivery capability in peak seasons.

The "ReifenDirekt" brand is positioned well in all German-speaking countries (www.reifendirekt.de, www.reifendirekt.ch, www.reifendirekt.at). The large base of satisfied customers in those countries supports new customer acquisition and helps to cap marketing costs. This trend also gains momentum in other European countries.

Advantages over stationary competition

The company's business processes constitute a streamlined, scalable value chain. Due to its lean cost basis, Delticom can offer its products at favourable prices. In the autumn of 2007, a survey of the Retail E-Commerce Center Handel at the Institut für Handelsforschung (IfH) based at Cologne University showed that in the German www.reifendirekt.de online shop, quality brand tyres were roughly 24% cheaper than in stationary outlets.

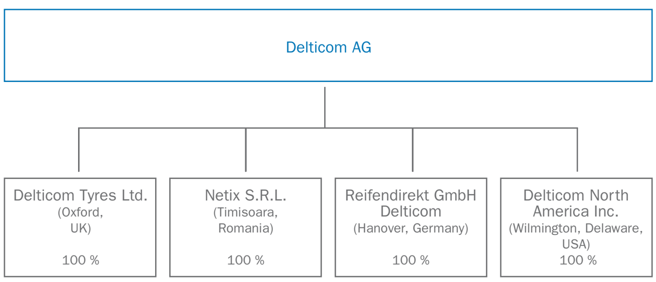
Delticom is a company that sources globally and sells its products in almost all countries across Europe. In this way, the company can react quickly to regional differences in supply and demand. As Delticom operates with a mix of fulfilment models (stock-and-ship from own inventories and drop-ship), demand fluctuations can be compensated more easily.

Delticom does not have any sales outlets. With its focus on online trading, Delticom does not depend on personnel-intensive local service. However, many customers expect customer service, even from Delticom shops. Delticom is able to provide this service cost-effectively: hotlines in the different languages and the global service partner network secure a high level of service quality. Furthermore, in the online shops customers can view an extensive archive of up-to-date, independent tyre tests and other product information.

1.1.5 Legal structure and organisation

The Delticom Group consists of four subsidiaries, which are consolidated in the financial statements.

CORPORATE STRUCTURE



Delticom has outsourced some of its business processing to operations centres located abroad, e.g. in Romania and Poland.

The following members serve on the Managing Board of Delticom AG:

- Rainer Binder (Purchasing/Pricing, Wholesale)
- Philip von Grolman (Logistics, North America)
- Andreas Prüfer (Marketing, IT/Software Development, Operations Centres)
- Frank Schuhardt (Finance, Controlling)

The Managing Board is advised and controlled by the Supervisory Board. At the end of 2007, the Supervisory Board had the following members:

- Peter Stappen (Chairman)
- Michael Thöne-Flöge (Vice Chairman)
- Alan Revie

1.1.6 Important business processes

Purchasing

To ensure sufficient delivery capability, Purchasing regularly forecasts the expected volumes by tyre brands and models, in coordination with the tyre manufacturers and wholesalers. Depending on available warehouse capacities, Purchasing acquires the goods (in Germany and abroad) and makes allotments to shops and countries. In addition, Purchasing determines margins in line with current availability and demand.

Marketing

Many consumers are not yet aware of the fact that one can buy tyres in the Internet simply, economically and securely. For this reason the prime responsibility of Delticom's Marketing department is to inform customers and draw their attention to the online shops. The most important source of information for customers is the shop itself. The Marketing department updates the shop contents and coordinates the opening of new shops. Other marketing activities in the last year included regular newsletter campaigns and cooperations with multipliers such as the ADAC (Allgemeiner Deutscher Automobil Club).

Order processing

At Delticom, the individual steps of the business processes are triggered largely by internally developed software. Some of the order processing and responding to customer enquiries has been outsourced to operations centres. Cross-company work flows have also been largely automated – taking into account data protection and privacy considerations.

Warehouse and transportation logistics

Delticom has own inventories in rented warehouses (stock-and-ship) but also sells from warehouses of manufacturers and retailers in Germany and abroad (drop-ship). The stock is handled by service providers. Parcel services transport the products sold in the online shops to the customers. Scheduling, tracking/tracing and controlling processes are carried out largely by proprietary software which is linked to the IT systems in other parts of the company.

1.2 CORPORATE MANAGEMENT AND STRATEGY

1.2.1 Corporate management

The management runs the company using financial and non-financial objectives. Key financial objectives:

- Revenue and revenue growth is recorded by division (primarily by eCommerce and Wholesale, on a secondary basis by country and country group). Within the year, current sales and revenues are compared against the short-term and medium-term targets.
- Purchasing controls the pricing and thus the gross margins of the individual products, online shops and countries.
- For Delticom as a whole, the key financial figure is the EBIT margin. Due to low capital intensity and the good capital situation, key figures such as EBITDA and EBT play a comparatively minor role for management purposes.

Furthermore, management and employees use non-financial objectives to manage the business. For non-financial objectives, however, a clear transition to financial objectives is needed: success is eventually measured in terms of sales and revenues growth as well as cost savings. Key non-financial objectives:

- Due to the great importance of own stock for margin and delivery capability, additions and disposals from warehouses are strictly controlled. Capacity planning spans a time frame of several years.
- The efficiency of online marketing has a major impact on the company’s sales and results. Success is measured with key figures from the area of web analytics and metrics related to search engine marketing.
- The Service Level Agreements (SLAs) negotiated with the management of the operations centres define process-specific ratios, which are monitored on an ongoing basis.

1.2.2 Strategy

The management intends to defend and extend its leadership on the European online tyre market. The eCommerce division is set to grow over the next few years, maintaining its strong contribution to company growth.

In the current fiscal year, Delticom will increase marketing to reinforce awareness levels for its online shops. In the short- and medium-term, it is the intention to open further shops, especially for motorbike tyres and shops targeting business customers. In addition, Delticom North America Inc. will help to expand the business beyond Europe.

In the Wholesale division, the company is not expecting major growth rates. Nevertheless, the division is an important building block of the business model: Delticom obtains market intelligence from the global tyre markets and can also move larger volumes in a short period of time. Using wholesale relationships, Delticom can also gain access to suppliers in new countries quickly.

Further automation and additional outsourcing are going to streamline the organisation. Delticom currently does not actively plan any M&A activities. However, with the funds from the IPO the company is able to acquire other businesses. In the past fiscal year, Delticom bought interesting Internet domains relating to tyres (e.g. www.banden.nl). Delticom will continue this strategy in the current fiscal year.

1.3 R&D

Company employees initiate and enhance the processes and systems. The actual processes and workflows are usually executed by service providers.

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

In-house systems are linked via interfaces to standard business software and to systems located at the service providers. Automatic tests ensure that the interfaces remain free of defects. In the risk inventory, software and IT system dependencies are recorded in particular detail and monitored on a inter-departmental basis in risk management (see also the Risk report section).

Each employee is reponsible for continuous improvement of Delticom's business processes:

- Purchasing revises and improves processes for volume and pricing planning.
- In Marketing, market research is used as input for the extension of the product and country portfolios. In addition, research helps to develop differentiation strategies and facilitates the implementation of new marketing and product ideas. Search engine marketing requires the deployment of modern methods to manage mass data, so as to be able to react to the market conditions in individual countries swiftly.
- Order processing develops meaningful performance indicators in cooperation with the outsourcing partners.
- Due to the high number of partners in warehouse and transportation logistics the complexity of the business model is high. Scheduling and controlling processes are improved on a permanent basis.

The employees are supported in their workflows with proprietary software solutions. Suggestions and change requests are prioritised in an inter-departmental steering committee and implemented by the Software Development department.

As Delticom operates on an international basis, the impact of innovations in the shops (such as different order routes, types of payment and service offers) have to be assessed in test markets before the changes are allowed to be rolled out on a global basis. In addition, Delticom always enters new geographical markets with a test phase. Only after successful completion of the tests the business is ramped up in the respective country. In this way the company can take its time to align offer, the order processing and customer communication to regional specifics.

1.4 COURSE OF BUSINESS

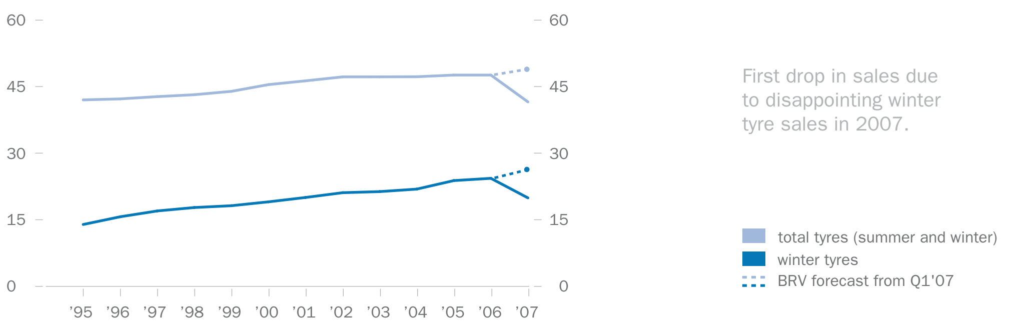
1.4.1 Overall economic situation

The global economy developed in a positive fashion in 2007 and Germany, with its export-oriented economy, benefited from this trend. The impact of the rise in the rate of Germany's value added tax on the domestic economy was less severe than generally expected. The key feature of the second half of the year was the subprime crisis, which resulted in strong demand on the euro money markets and a sharp upturn in interest rates. Originating in the USA and fueled by the turmoil in the financial sector, fears of a recession began to surface in the second half of the year. Overall growth in Germany's Gross Domestic Product slowed slightly, from 2.7% in 2006 to 2.6% in 2007.

1.4.2 Key events relating to business

The following chart shows that economic downturns and recession have comparatively little impact on growth rates in the tyre business:

CAR REPLACEMENT TYRES SALES IN GERMANY in million units



However, the chart does show that 2007 was a difficult year for the German tyre industry – after several years of moderate and stable growth. At the end of December, the BRV (Association of German Tyre Retailers) published market data stating that only 41.5 million car tyres were sold to end-consumers in Germany in 2007, after 47.4 million in 2006. This represents a 12% drop across all tyre categories. Driving these negative figures were the dramatically weaker sales in the winter season with a decline in unit sales of as much as 17%, from 24.7 million in 2006 to 20.4 million in 2007.

The main reason for this development was the very mild winter weather in 2007/2008. Another factor affecting the poor year-to-year numbers was the fact that unit sales in 2006 reflected an amendment to the German Road Traffic Regulations requiring drivers to use “adequate tyres”. This change probably generated additional demand in 2006, which was then not present in the market in 2007. In previous years, any increase in the change-over rate (share of car drivers who change to winter tyres before winter) induced additional demand for winter tyre sales. However, at 54% the change-over rate in Germany – compared to many other countries – is now rather high, and there was virtually no increase in 2007. Furthermore, despite Germany's generally healthy economic growth rates, there is evidence to suggest that consumers have not seen the economic upturn in their pockets yet. Other possible causes cited for the lower level of tyre sales are the sales tax increase in Germany, the reduction of tax benefits for travelling to work by car, an overall decline in the number of miles driven per year and a decrease in the number of new cars registered.

While some of these factors were already public knowledge at the beginning of 2007, the chart above shows that the actual decline was not in line with predictions: well into the second half of the year, manufacturers and retailers alike continued to expect slight growth, both for summer and, in particular, for winter tyres. Delticom's internal forecasting to December took a similar position with management assuming continued growth for the German market. In the end, however, Delticom was unable to buck overall downward market trends in its home market. The company was still able to sell off its own inventories in 2007 to the same extent as had been the case in previous years.

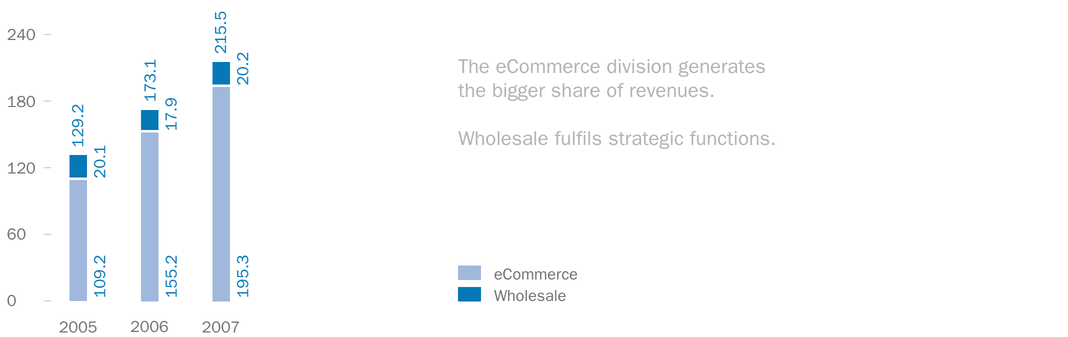
Given the experience of the past year, Delticom is more committed than ever to expanding its presence in the North American online tyre market. To this end, the firm has recently established the subsidiary Delticom North America Inc., our vehicle for a sustained development of Delticom's business in the United States.

2 EARNINGS POSITION, FINANCIAL POSITION AND NET ASSETS

2.1 EARNINGS POSITION

2.1.1 Revenues growth

REVENUES FROM DIVISION in € million

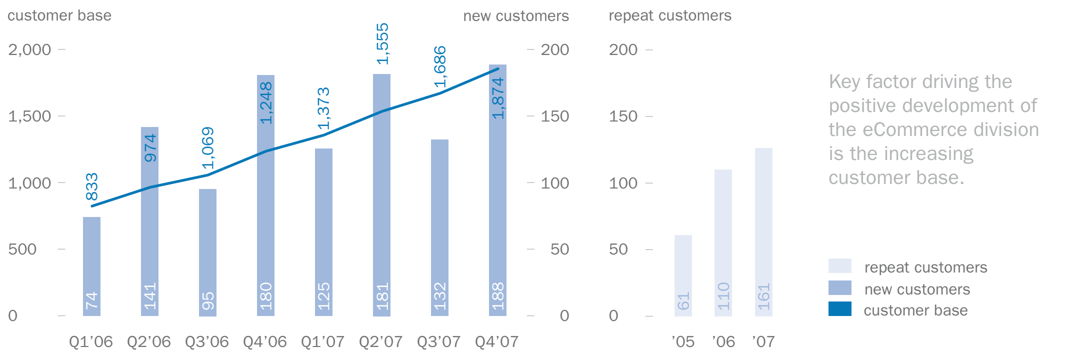


As European market leader Delticom again increased revenues strongly in the past fiscal year. Company revenues rose by + 24.5% from € 173.1 million to € 215.5 million.

In the 2007 fiscal year, revenues in the most important **eCommerce division** increased year-on-year by + 25.8% from € 155.2 million to € 195.3 million. In the **Wholesale division** revenues of € 20.2 million were generated in the fiscal year (up + 13.0% on previous-year divisional revenues of € 17.9 million).

The share of eCommerce revenues in total Delticom revenues steadily increased in the last fiscal year: in the reporting period, the revenues share of eCommerce was 90.6%, after 89.7% in the previous year.

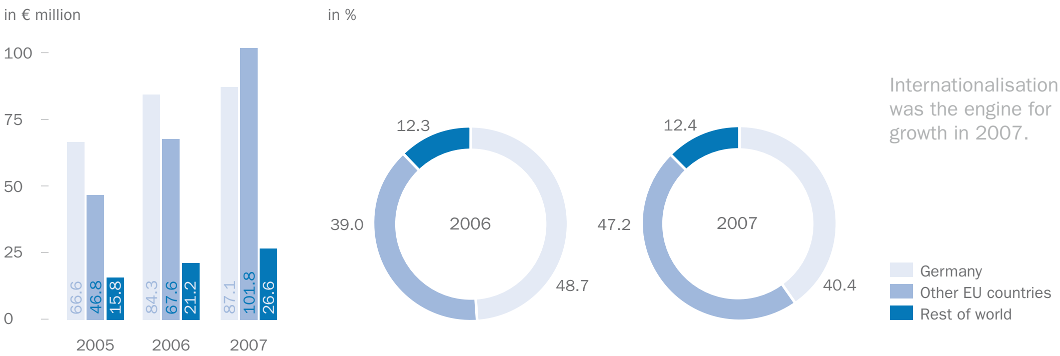
CUSTOMER METRICS in thousands



The key factor driving the positive development of the eCommerce division was the significant broadening of the **customer base** (customers which have made purchases at least once in 2007 or in previous years). In the eCommerce division, the customer base increased from approximately 1,248 thousand to 1,874 thousand as of 31 December 2007. Delticom gained approximately 625 thousand new customers in the eCommerce division (double countings cannot be ruled out). It is pleasing that in the reporting period, 161 thousand repeat customers bought again from Delticom.

Revenues in Germany posted virtually no year-on-year change in 2007, while international revenues improved considerably. In almost all 88 online shops in 31 countries, the Group recorded rising volume figures

REGIONAL SPLIT OF REVENUES

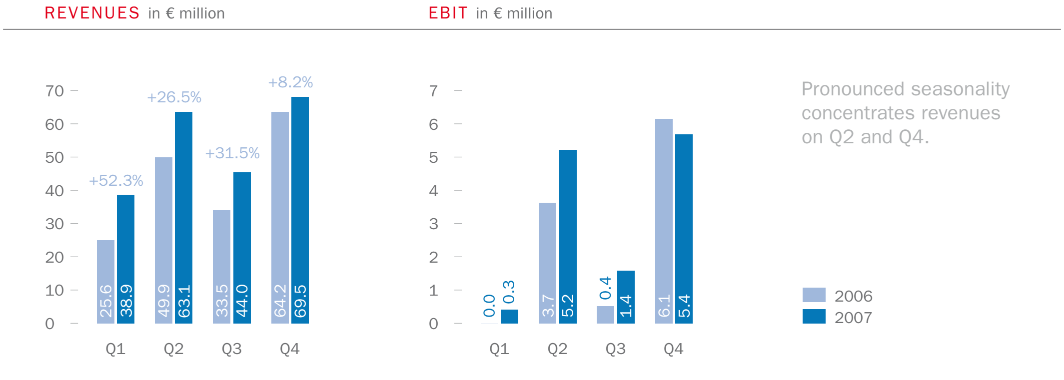


Internationalisation was the engine for growth in 2007.

and further market penetration. Overall, in the reporting period, in Germany a total of € 87.1 million was generated (up + 3.3% year-on-year), in the other EU countries € 101.8 million (up + 50.6%) and in the remaining other countries € 26.6 million (up + 25.5%).

The business in the car replacement tyre market has a high level of seasonality. Demand concentrates on the spring and winter months, although the demand for season-special tyre types (summer and winter tyres) depends on the individual country. The seasonal curve is reflected in revenues and thus also in the results.

In the first quarter, revenues increased sharply year-on-year: after the previous mild winter quarter and due to the onset of cold in Germany, the Alpine region and France in January, tyres were sold at good



margins. However, due to the warm month of March the summer tyre business in 2007 started early. An increase in volume levels of this nature is not due to active processing of the market but rather primarily the result of weather-driven demand. If the weather had been different in Q1 07, customers would have bought their summer tyres only in Q2 07. Such shifts between consecutive quarters results in fluctuating year-on-year growth rates. For this reason, revenues growth in Q1 07 with a year-on-year plus of + 52.3% (in the eCommerce division by as much as + 69.4%) was higher than the + 26.5% revenues upturn in the second quarter (eCommerce: plus + 28.9%) – a customer who buys summer tyres in the first quarter will generally not buy new summer tyres in the second quarter.

In Q3 07, revenues increased on a quarterly basis by + 31.5% (eCommerce: + 31.5%) from € 33.5 million to € 44.0 million (eCommerce: from € 28.9 million to € 38.0 million). In comparison to the first two quarters of 2007, this increase was not so strongly impacted by shifts due to different timing of demand.

In the fourth quarter, tyre dealers in Germany and Europe usually generate the highest level of revenues. In Germany and other countries with a high change-over rate from summer to winter tyres, this is due largely to high volume for winter tyres. Independently of this, for most European countries the weather is bad and demand for tyres is correspondingly high in the last quarter. Even if the eCommerce revenues were at the highest point in absolute terms in Q4 07, the quarter lagged behind expectations due to the volume decline of winter tyres on the domestic German market. Revenues increased only by + 8.2% to € 69.5 million (previous year: € 64.2 million), in eCommerce by only + 5.4% to € 63.1 million (Q4 06: € 59.9 million). The reason for the revenues downturn has already been described in the section “Key events relating to business”. The main reasons that Delticom was still able to increase revenues in Q4 07 are as follows:

- The share of revenues in Germany as a percentage of total revenues declined in 2007. Delticom grew internationally on a sustained basis in Q4 07.
- The other important winter tyre markets developed positively for Delticom.
- As market leader, Delticom benefits from a migration of demand from classical distribution channels to the online tyre trade. This change in demand behaviour is driving the company’s structural growth at Delticom. As a result, volume declines in Germany were more than offset.

In addition to the two type of shifts stated above (moves during the year between consecutive quarters; shifts between season highs in subsequent years), basis effects can result in additional fluctuations in growth rates. For instance, revenues growth in Q1 08 could be lower year-on-year simply due to the fact that Q1 07 posted strong growth against the previous year's comparative quarter.

2.1.2 Key expense positions

Cost of goods sold

This relates to the cost price of the tyres sold. The increase in the cost of sales from € 133.2 million in 2006 by + 22.8% to € 163.6 million in 2007 (75.9% of revenues) is due primarily to higher revenues. The cost of goods sold in the eCommerce division increased by + 24.1% from € 117.4 million to € 145.7 million (74.6% of divisional revenues). In the Wholesale division, due to higher divisional revenues in the reporting period, the cost of sales increased by + 12.8% to € 17.8 million (previous year: € 15.8 million), representing a materials ratio of 88.3% of divisional revenues (previous year: 88.4%)

Personnel expenses

Thanks to Delticom's highly efficient operating workflows, in 2007 the company has kept staff levels low despite increased transaction volumes. Across the reporting period, Delticom employed an average of 75 persons and as of 31 December 2007 78 staff (31 December 2006: 73). In addition, the company maintained expenses for order processing and the hotline at a low level by outsourcing to external service providers, some of whom are located in Eastern Europe. As a result of hiring new employees in the areas of Logistics, Marketing and Finance, the personnel cost ratio (ratio of personnel expense to revenues) increased in the reporting period from 1.7% to 2.0%.

Other operating expenses

In total, **other operating expenses** increased year-on-year by + € 9.2 million from € 27.5 million to € 36.7 million. Key positions:

- Delticom has tyres collected from its delivery points by logistics service providers and has them transported to customers. Higher business volumes resulted in an upturn of **transportation costs** of + € 3.9 million (+ 30.8%). The share of transportation costs to revenues totalled 7.7% (previous year: 7.3%).
- **Warehousing** costs increased by + € 1.0 million, a rise of + 59.2%, equating to a 1.3% share of revenues (previous year: 1.0%). The reason for this is that the share of revenues from stock-and-ship business slightly increased in comparison to drop-ship business.
- In the reporting period, costs for **advertising** totalled € 4.3 million. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.0%, after 1.8% in the corresponding period of the previous year. The focus was on the area of online marketing. The increase was in line with the market situation so as to achieve the growth targets for the current financial year.
- The hotline and selected parts of the customer and supplier processes were outsourced to external service providers. In the reporting period, the costs for the operations centres increased by + 41.6% from € 2.1 million to € 3.0 million. The was due to the high wage cost levels in the countries in which the operation centres are operated. Furthermore, in 2007 the operations centres commenced activities that had not been outsourced in 2006. It is for this reason that in relation to revenues, **operations centre** cost increased to 1.4% of revenues (after 1.2% in the corresponding period of the previous year).

2.1.3 Earnings

Gross profit

In the last fiscal year, gross profit increased year-on-year by + 31.1% from € 40.9 million to € 53.6 million. This represents an upturn in gross profit from 23.5% to 24.7%, due to a further improvement of purchasing conditions and optimised end-customer prices. In the reporting period, more tyres (relative to the total amount) were delivered from company warehouses to the end-customer than in the previous year. This resulted in a further improvement of the gross margin. As at least some direct costs were passed on to the customer in the context of the price calculation, the gross margin also increased slightly against the previous year due to the increase of such costs.

The two divisions - eCommerce and Wholesale - generate different gross margins. Last year the gross margin in the eCommerce division at 25.7% (previous year: 24.7%) was again higher than the 11.9% in the Wholesale division (previous year: 12.0%). If Wholesale revenues continue to grow more slowly than eCommerce revenues, then the gross margin will gradually approach that of the eCommerce division.

EBIT

Consolidated earnings before interest and taxes (**EBIT**) improved in the reporting period to € 12.3 million (previous year: € 10.2 million). The return on sales based on EBIT is 5.7% (previous year: 5.9%).

Positive impact on the EBIT trend:

- Improved contribution margin after direct costs (such as transportation and warehouse costs)
- Costs in connection with the IPO no longer apply.

Negative impact on the EBIT trend:

- Increase of marketing costs in relation to revenues
- Relative increase of personnel expenses
- Relatively low revenues growth in Q4 07, resulting in a weaker operating leverage than in the previous year.

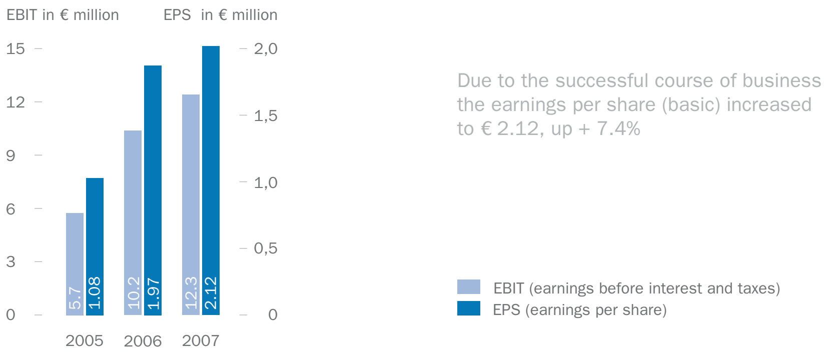
Due to the low assets, depreciation and amortisation is low at € 326 thousand (previous year: € 213 thousand). For this reason there is very little difference in the result from ordinary activities before amortisation and depreciation (EBITDA) of € 12.6 million and that of the EBIT (EBITDA margin 5.8%). For this reason EBITDA is not posted separately in the annual financial statements as was the case in previous years.

EBT and consolidated net income

Due to the higher level of cash and cash equivalents (largely due to the cash proceeds from the IPO) and the resulting interest income, last year's financial result was € 1.1 million (previous year: € 0.2 million). Financial expenses of - € 0.1 million in the financial year resulted from financing the working capital with overdraft facilities which were regularly repaid rapidly.

In the past fiscal year, as a result of the change in tax legislation, the effective tax rate declined slightly from 39.5% to 37.7%. The change will only be fully applicable in the 2008 fiscal year.

DEVELOPMENT OF EBIT AND EPS



Consolidated net income for the past fiscal year was € 8.3 million or € 2.12 per share (basic). Earnings per share thus increased + 7.4% against the previous-year figure of € 1.97.

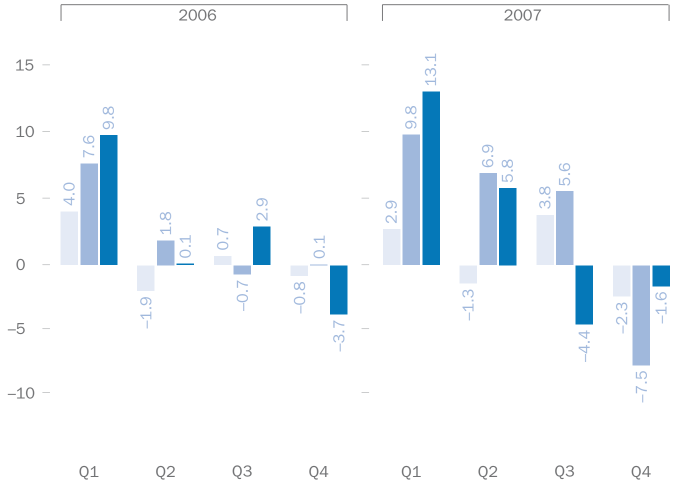
The Managing Board and Supervisory Board will propose the General Meeting on 06 May 2008 a dividend of € 2.00 – an increase of + 66.7% (previous year: € 1.20).

2.2 FINANCIAL ASSETS

Notes on working capital

At the end of the reporting period, working capital totalled € 17.5 million (after € 12.7 million on 31 December 2006). Working capital is calculated from the capital tied up in changes of accounts receivable, changes in inventories and changes in accounts payable.

WORKING CAPITAL in € million



At the end of the reporting period, working capital totalled € 17.5 million (previous year: € 12.7 million).

Quarterly fluctuations are due to the typical seasonal patterns.

Changes in accounts receivable move in line with the seasonality of demand:

- The 2007 summer tyre season started as early as March. Many of the receivables built up to the end of March resulted in payments in April, and thus in Q2 07. For this reason trade receivables increased and were higher in Q1 07 than in Q4 06.
- The summer tyre season peaked in April with the season running out in May. In June most of the receivables from the summer tyre business had already resulted in payments. To the end of Q2 07, total trade receivables were thus lower than to the end of Q1 07.
- In 2007, the winter tyre business began in the last week of September. As a result, many of the receivables built up in Q3 07 only resulted in payments in Q4 07. The accounts receivable to the end of Q3 07 were somewhat greater than to the end of Q3 07.
- The winter tyre season peaked in Q4 07. A large part of the tyres order in Q4 07 were delivered and paid for to the end of the fiscal year. For this reason, accounts receivable declined in Q4 07.

When interpreting the changes in accounts receivable, account must be taken of the fact that the eCommerce and Wholesale divisions grant different terms of payment.

The **Change in inventories** is the result of buying policy (additions) and seasonality in sales (disposals). In the past fiscal year, inventories changed as follows:

- In Q1 07, summer tyres were taken into inventory. Lower revenues in Q1 07 as compared to Q4 06 resulted in an inventory build up.

- In Q2 07, tyres were stored for the winter business. In the same quarter, revenues for the summer tyre business peaked. Summer tyres in the inventories were sold. As a result the inventory level to the end of Q2 07 was lower than at the end of Q1 07.
- Net inventory build up in Q3 07 was lower than in the previous quarter. This occurred because winter tyres were sold from inventories due to the start of the winter tyre business in September.
- To the end of Q4 07, Delticom had sold most of the winter goods in the inventory so that inventory levels declined in comparison to the previous quarter.

In building up inventories during the course of 2007, the management pursued two objectives:

- Optimising margins with inventories procured early.
- Offering customers a product range with high levels of availability across the whole of the year.

Changes in accounts payable result from purchases in connection with the individually negotiated terms of payment:

- The build-up of inventories in Q1 07 resulted in higher accounts payable.
- To the end of Q2 07 and thus to the end of the summer season, accounts payable had been reduced in comparison to the previous quarter. However, in Q2 07, further tyres went into inventories. For this goods, suppliers granted Delticom terms of payment into Q3 07 and Q4 07. For this reason, the net change in accounts payable was positive in comparison to the end of Q1 07.
- Longer terms of payment are quite normal in the European tyre business. However, only in some cases does Delticom make early payments so as to obtain supplier discounts and to take advantage of credit lines granted by suppliers. In Q3 07, early payments resulted in lower accounts payable. In return, Delticom obtained better buying conditions.
- In the winter business during Q4 07, a large amount of the outstanding accounts payable were paid.

In the future, depending on the situation, the management will make early payments as well as take advantage of longer terms of payment.

Financing analysis

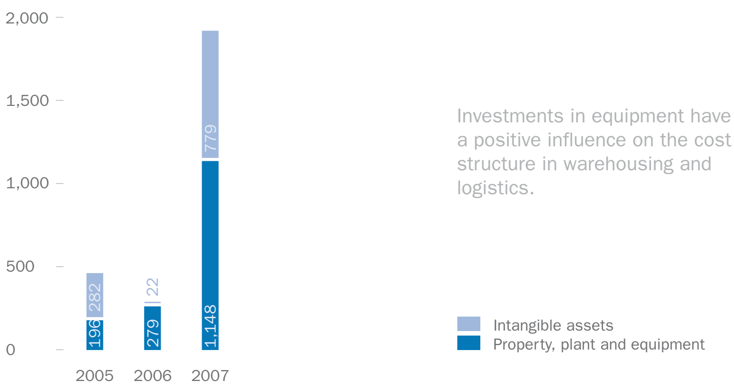
In 2007 Delticom financed the business from ongoing income, accounts payable and equity.

Debt totalled € 41.0 million, 99.2% of which were current. The preponderant element here was accounts payable (€ 31.7 million). In line with planning, this position increased by + 68.5% (31 December 2006: € 18.8 million). The non-current liabilities to the end of the fiscal year totalled € 344 thousand (previous year: € 246 thousand). A large part of this related to deferred tax liabilities (€ 320 thousand).

In the past fiscal year, **no material financing measures** were necessary. In 2007 Delticom was not subject to any particular restrictions which would have restricted the availability of financial funds.

Investment analysis

INVESTMENTS in € thousands



In the reporting period, Delticom made total investments of € 1,926 thousand, € 1,148 thousand of which in property, plant and equipment and € 779 thousand in intangible assets. The main investments related to the acquisition of office and operating equipment and domains (e.g. www.banden.nl).

Delticom does not own warehouses. However, in the past fiscal year, **equipment investments in warehouses** were made in close coordination with logistics service providers. This capital investment lead indirectly to cost reductions in two areas:

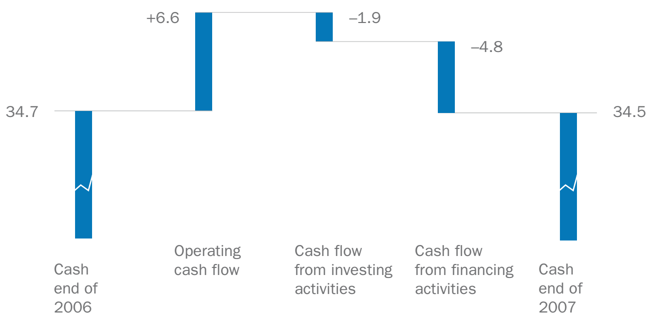
- The capital expenditure furthered process automation. This resulted in better economic efficiency for the warehouse service providers and consequently also for Delticom.
- The cost structure at the transportation service providers was improved, partly the result of optimised routes and new packaging technology.

Liquidity analysis

The **cash conversion cycle** increased only slightly against the previous year, from 20 days to 22 days. This shows that despite the inventory build-up and difficult winter tyre business, Delticom managed working capital efficiently also in 2007.

A measurement for the ability to self-finance company operations is cash flow from ordinary activities (also known as operating cash flow). Delticom generated an operating cash flow for the year of € 6.6 million (previous year: € 6.7 million). This equates to 3.0% of revenues (previous year: 3.9%). Operating cash flow in Q3 07 was negative as a result of building up inventories and early payments (- € 1.9 million). In the current fiscal year, comparable strategies could also result in variations of the operating cash flow.

CHANGE IN CASH POSITION in € millions



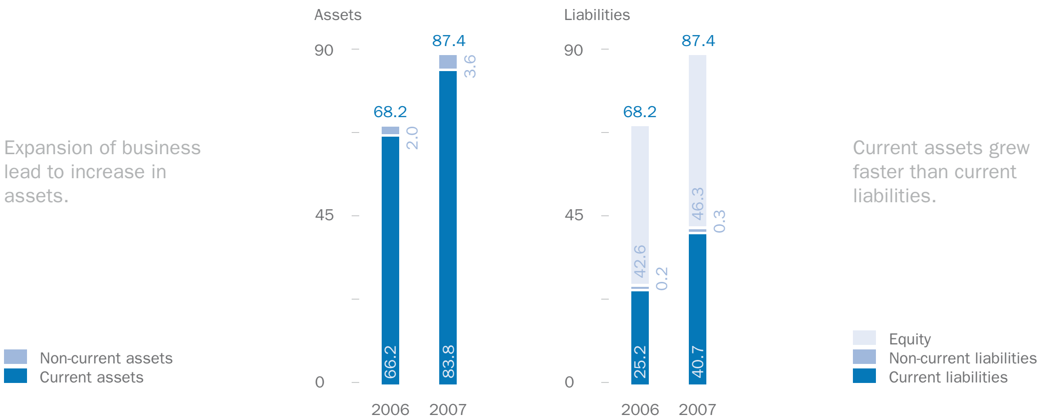
Variations during the fiscal year, but nearly flat year-on-year.

Because in 2007 the level of capital expenditure (in relation to cash and cash equivalents) was low, the available liquidity was always considerably higher than would have been needed to secure business processes. In the past fiscal year, Delticom was able to meet its payment obligations at all times.

2.3 NET ASSETS

BALANCE SHEET STRUCTURE in € millions

Expansion of business lead to increase in assets.



Current assets grew faster than current liabilities.

The company's **non-current assets** totalled only € 3.6 million on 31 December 2007, or just 4.1% (31 December 2006: 2.9%) of total assets.

In the **current assets**, inventories accounted for € 35.6 million, 40.7% of total assets (31 December 2006: € 20.8 million or 30.5%). The + 71.1% year-on-year upturn in inventories was necessary to cover the higher requirements for stocked goods due to revenues growth in 2007. What is more, in Q4 07, in coordination with its suppliers Delticom stored some winter tyres for the coming 2008/2009 winter season. No impairment is required on any inventories.

To the end of the reporting period, **receivables** totalled € 13.7 million, € 10.4 million of which were accounts receivable and € 3.3 million other receivables. In the reporting period, bad debt losses increased by + 16.9% year-on-year from € 0.9 million to € 1.1 million. The increase was lower than the eCommerce revenue growth rate (+ 25.8%). The default rate (share of receivables losses and individual write-downs on revenues) remains low at 0.5% (previous year: 0.5%).

2.4 STATEMENT ON THE ECONOMIC SITUATION

In the past fiscal year, Delticom developed well. With year-on-year revenues growth of + 24.5% to € 215.5 million and a + 32.9% increase of consolidated net profit to € 8.3 million, Delticom was again able to combine strong growth and profitability.

3 REPORT ON KEY EVENTS AFTER THE END OF THE FISCAL YEAR

Andreas Prüfer, Co-CEO and one of the company's founders, has resigned on 04 March 2008 from his position as a member of the Managing Board. On the same day, Peter Stappen, Chairman of the Company's Supervisory Board, also resigned from his position on the Supervisory Board. Both of these resignations will come into effect at the end of the company's next Annual General Meeting on 06 May 2008. The Supervisory Board will propose electing Andreas Prüfer to the Supervisory Board at the company's next Annual General Meeting. Rainer Binder will be the company's sole CEO in future.

There were no further events of particular importance after the end of fiscal year 2007.

4 RISK REPORT

4.1 RISK MANAGEMENT

As an internationally operating company, Delticom is subject to varying types of risk. For this reason, the Management Board established a risks and opportunities management system at an early stage and set guidelines on early risk identification and on risk management.

4.1.1 Risks/opportunities

Delticom defines risks as internal and external events which could negatively impact achieving the business objectives within a specified period. Key factors are market share, revenue expectations, margins and customer satisfaction. In line with a combined risks and opportunities analysis, missing opportunities to achieve the objectives are also considered risks. Although the fundamental objective of any risk analysis is maintaining the long-term existence of Delticom AG, the observation horizon is based on a period of 24 months.

4.1.2 Early risk identification and risk management

Delticom's **early warning system** implements organisational workflows to

- identify material risks and those risks which threaten the existence of the company at an early stage,
- analyse and assess these risks,
- determine responsibilities for risk monitoring and
- communicate risks to the relevant parties.

In addition, **risk management** is understood as the catalog of measures which counteract risks by

- reducing the extent of damage (e.g. FX forwards, credit insurance, insurance contracts),
- reducing the probability of occurrence (e.g. by deciding on alternatives with lower risk, initiating controls),
- avoiding the risks (taking other courses of action), or
- accepting risks explicitly.

Combinations of measures are possible.

4.1.3 Organisation of risk management

Risk management at Delticom is organised with three types of entities – Risk Support Team, Risk Manager and Managing Board.

The smallest organisational units in Delticom's risk management are the departments and their teams. The managers of the departments are responsible for identifying and evaluating risks and for formulating and implementing activities to deal with them. The group of department heads as a whole is called **Risk Support Team**; they support risk management processes, using their department-specific tools (reporting, methods, etc.).

The **Risk Manager** is a member of the Project Management with authority to issue guidelines for methods and codes of conduct in the context of risk management. He also coordinates risk reporting at Delticom; the reports usually address the Managing Board and Supervisory Board.

In coordination with the Risk Manager, the **Managing Board** ensures the completeness of the reporting. In line with the requirements of corporate law, the Management Board ensures appropriate risk management and risk controlling in the company, in close conjunction with the Supervisory Board. The Managing Board approves suitable measures for dealing with risk.

4.1.4 Risk assessment

The starting point for identifying and assessing risks is the detailed definition of business objectives.

Within Delticom the business objectives are determined and documented at strategic planning (period of 5 years) and budget planning (current and next year) levels. A uniform period of 24 months is used for risk assessment.

The **assessment of risks** relates to a deviation from the targets and planned values from current strategic and operational plans. If the risks have no direct relation to these quantitative objectives, other quantitative benchmarks or benchmarks of a qualitative nature can be used instead.

The company's equity is the basis for determining the reporting thresholds. In line with conservative measurement and taking into account possible aggregations of individual risks and the possible impact on the liquidity of the company, Delticom defines the following pragmatic thresholds for the expected level of damage:

- € 5 million for risks which endanger the continued existence of the company
- € 1 million for major risks
- € 100 thousand for minor risks

Risks are always to be regarded as gross risks, i.e. before countermeasures have been taken. Identified Countermeasures are assessed in relation to how effective they are to avoid or reduce the risk (probability of occurrence, level of damage) or to pass it on to third parties.

After the assessment of the gross risks and the impact of the countermeasures implemented, the net risks can be calculated. This is based on the figure for gross risk minus the effect of the measures, both for the level of damage and the probability of its occurrence.

The expected value of the gross damage is calculated on the basis of the expected level of damage and the expected probability of the gross risk occurring. The measurement thresholds for the expected probability have been set at 25% (low), 50% (medium) and 75% (high).

4.1.5 Communication and reporting

Risk reporting at Delticom consists of two key components. Parallel to regular risk reporting, it is possible (and in some cases also necessary) to report directly to the Managing Board on risks at any point in time, in the sense of ad hoc reporting. Ongoing communication on risks is a regular part of general management.

4.1.6 Risk monitoring and risk controlling

Delticom uses software to support risk monitoring and risk controlling. The software is compliant with regulatory requirements and facilitates risk inventory and reporting.

During the recurring risk inventory, known risks and countermeasures are completely reevaluated. Any new risk is included in the inventory, assessed and countermeasures allocated. The Risk Manager carries out the risk inventories and initiates and coordinates the cooperation with the Risk Support Team.

4.2 KEY INDIVIDUAL RISKS

The key individual risks and the measures in the context of risk management are described below. The information in brackets indicate the risk classification used in the risk management system.

4.2.1 Industry-specific risks

Delticom's business activities are based on the sustained acceptance of the Internet as channel for buying tyres (strategic risk). The stationary tyre dealers and other channels in the global tyre business are an important part of the supply chain. This will not change: many car drivers will continue to buy their tyres from the bricks-and-mortar tyre shops. However, as with other types of goods, the number of tyres sold via online shops is already significant. Growing sales – both at Delticom and its competitors – seem to indicate that this trend neither declines nor stagnates. For this reason Delticom consciously accepts this risk.

4.2.2 Business risks

Business at Delticom is subject to seasonal variations. Global trends such a global warming can reinforce seasonal variations or result in a seasonal downturn of revenue and results (strategic risk). By operating in different geographical markets, Delticom can diversify its sales risks. Additional portfolio effects are achieved by a gradual broadening of the offered product range. For example, in addition to car tyres, Delticom also offers motorbike tyres, motor oil, spare parts and accessories.

Delticom maintains a high level of inventories, which are subject to the risk of waste and obsolescence. Inventories costs can rise. The liquidity situation can be negatively impacted by tying up capital in inventories (logistics risk). Tyres are considered new when there are not older than three years (from the time of production). In order to prevent obsolescence, Delticom examines regularly the tyres in the warehouses. Tyres identified as being older than two years are marked as such in the shop and are often offered with a rebate.

Delticom operates in a competitive market with low entry barriers. The price level and thus the margins achieved can drop considerably as a result of competitive pressure (strategic risk). The management is convinced that entry barriers for small tyre businesses are small. However, there are considerable barriers to grow to a size comparable to Delticom. Delticom indirectly erects and heightens those barriers using the economies of scale it has achieved so far: good buying prices and a streamlined cost basis allow a high level of price flexibility. Increasing internationalisation at Delticom diversifies country risk: this is because it can be assumed that prices could come under pressure for a short period in individual countries, but not over the whole of Europe.

As a globally operating company, Delticom invoices and pays invoices in currencies which are not the euro. This results in currency risks. Delticom protects itself against foreign currency risks by deploying suitable financial instruments, particularly forward transactions. In the USA Delticom only uses drop-ship as fullfilment method. This represents a natural hedge to dollar positions resulting from the end-customer business. With the growth of the end-customer business outside the Eurozone, Delticom will initiate additional protection measures. Preparations in this respect have already been made with bank partners.

4.2.3 Human resources risks

Untrained staff and insufficient monitoring of customer orders can result in incorrect customer support and order processing. This could result in a high level of customer dissatisfaction and thus to a downturn in revenues (sales risk). Delticom uses specialist staff to train those employees at the operations centres which are responsible for customer support. In order to keep the knowledge of the customer support staff up-to-date, Delticom has created an extensive knowledge base with documentation, manuals and instructions. On the basis of intensive cooperation, Delticom and the operations centre management are developing indicators and methods on an ongoing basis. The indicators increase utilisation and help to optimise capacity planning at the operations centres. Independent of the day-to-day work in the specific departments, audit processes have been established to monitor and ensure adherence to agreed service levels. In the context of the "S@ferShopping" audit, once a year TÜV Süd examines Delticom processes and systems for customer-friendliness.

4.2.4 IT risks

To a large degree business operations at Delticom depend on the functioning and stability of complex IT systems, both at Delticom and its partners. Outage of these systems or disruption of Internet connections as well as restrictions to Internet use could adversely impact business operations at Delticom (IT risk). At Delticom, redundancy has been established for all important IT systems, service providers and suppliers. If a service provider or supplier is not able to operate fully for IT reasons, then at least one different supplier or provider can assume these functions. If the computer centre is not available, Delticom can switch to a backup computer centre within a very short period of time.

4.2.5 Other risks

Legal disputes can impact the Delticom Group negatively (legal risk). In order to obtain prior advice in respect to brand, copyright, contract or liability issues, Delticom employs an in-house lawyer and works with well-known law firms in Germany and abroad. In addition to an aggressive policy on making provisions, Delticom pursues an effective debt collection policy. The company cooperates with specialised collection agencies on a regional basis.

4.3 OVERALL RISK

Delticom has an extensive, well integrated and well functioning early warning system for risk identification and management. In the last fiscal year, risk potential was identified at an early stage and reported promptly to the Managing Board so that countermeasures could be taken rapidly. Systems and processes in the area of risk and opportunities management have proved successful. They are being further developed on an ongoing basis.

Currently no individual risks which could jeopardise the continued existence of the company have been identified. Overall risk does not affect Delticom's going concern negatively.

5 FORECAST

5.1 INDUSTRY SITUATION

In all likelihood, the general market conditions for the industry will remain more or less unchanged in 2008. Trade associations and experts are forecasting a modest increase in the number of cars registered in Germany, after 2007 saw 3.1 million new registrations with an overall increase in number of registered cars to 49.3 million, a growth of + 0.7%. In addition, mileage per tyre is likely to remain at approximately the same level as in 2007. As a result, growth rates for the European replacement tyre market of between 1% and 3% are considered reasonable.

In Germany, however, no significant sales growth is expected for 2008/2009 winter tyre season due to the continuing impact of several factors which have affected demand in recent years (such as the winter tyre regulation or the rise in the value added tax). This is compounded by the fact that, after the difficult year in Germany in 2007, it is safe to assume that there are excess inventories of unsold winter goods, a factor which might create downward pressure on prices. Additionally, the intensive debate on climate change in the media has had an effect on end-consumers with many tyre buyers expecting German winters to be milder and with less snow in the future. This could impact the winter tyre business in Germany.

Independent of these factors, there is a general expectation that the Internet will grow in importance as a distribution channel for tyres over the next few years. The BRV (the Association of German Tyre Retailers) estimates that the market share for online tyre sales reached approximately 4% in 2007, after recording 3% in 2006. An indication of the potential for online sales in the German replacement tyre market is provided by "Reifenmonitor 2007" (Tyre Monitor), a study published by the ADAC (Allgemeiner Deutscher Automobil-Club). When this survey asked car drivers "Where did you buy your last car tyres?" 2.5% of respondents in 2007 said the "Internet", compared with just 1.8% in the previous year. This figure was even higher among the younger target group of 18 to 39-year olds 4.8% (3.3% in 2006). This trend is likely to gain momentum in the future. In the same study, 15.1% of car drivers stated they might buy tyres on the Internet in the future (previous year: 13.7%). Here, too, the figure for the younger, more Internet aware target group was significantly higher at 26.4% (previous year: 24.1%).

Delticom's success outside Germany shows that the rising importance of the online distribution channel is actually an international phenomenon. The number of Internet connections is also increasing outside Germany and, as Internet access increases, there is a higher propensity to buy tyres online.

5.2 PLANNED REVENUES AND EARNINGS GROWTH

Management expects revenues of between € 240 million and € 260 million for 2008. The lower end of the forcecast reflects the possibility of a somewhat weaker summer or another poor winter season, while the upper end of the projection is an ambitious but achievable target. While the 2008 fiscal year has started well, given the very strong Q1 07, no significant increase in sales should be anticipated for Q1 08.

The following factors are expected to have a direct impact on expenses in the 2008 fiscal year:

- Due to the expected increase in the number of customers, purchasing volume will have to rise as well. As a growing, profitable and well-financed first-mover, the company has been able to develop stable business relationships with manufacturers and wholesalers in recent years. As a result, management anticipates that the company will be able to post a slight increase on the gross margin of 2007 (24.7%).
- Management expects that the ratio of warehouse costs to sales will increase slightly.
- With an increasing share of business outside Germany, transportation costs will rise in relation to total sales. Management also expects that at least part of the higher transportation costs can be passed on to customers in 2008.
- The global success of the eCommerce channel will result in higher costs for online advertising as Delticom invests more in search engines and new forms of online marketing. In the medium term, management expects marketing expenses to increase proportionally to sales.
- Expenses for outsourcing are expected to rise, also relative to sales. While further processes are being outsourced, particularily to Eastern Europe, resulting in some savings, wage levels there also continue to rise steadily.
- As a result of the favourable interplay of automation and outsourcing, no material increase in the number of employees is expected for the current fiscal year.

At the present moment in time, management anticipates that an EBIT margin between 5.0% and 6.0% is adequate and achievable in 2008 (after 5.7% in 2007).

5.3 OVERALL FORECAST

The European online tyre business will become more and more attractive in 2008, and Delticom is well positioned to participate in this market's sustained growth.

The combination of business processes creates an efficient cross-border value chain. As the European market leader, Delticom enjoys good purchasing conditions and can react in a flexible fashion to variations in volume in individual countries. Due to the good buying conditions and the streamlined cost basis, Delticom will continue to offer a broad product range at attractive prices and grow profitably. In the medium term and increasing with size, further economies of scale can be achieved. In addition, the company has the means to quickly expand into new product groups and markets.

Delticom's international business activities combine to give the company an efficient, diversified set of income streams. As the European market leader, Delticom enjoys good purchasing conditions and can react in a flexible fashion to variations in volume in individual countries. Due to access to favourable terms of purchase and streamlined cost structure, Delticom will continue to be able to offer a wide product range at attractive prices and see its profits grow. As the company continues to expand, management is confident that further economies of scale can be achieved in the medium term. In addition, the company is well-positioned to quickly move into new product groups and markets should opportunities present themselves.

The Managing Board expects that Delticom will experience positive, sustainable growth in 2008.

6 MANAGING BOARD REMUNERATION REPORT

The Supervisory Board is responsible for determining the remuneration system structure and the remuneration of the individual Managing Board members. It examines the remuneration structure regularly in respect to adequacy.

Remunerations for the members of the Managing Board are made up of the following components:

- fixed base remuneration, paid monthly
- variable remuneration
- variable component with a long-term incentive.

For the Managing Board members Binder and Prüfer this is aligned to the operating result achieved at Delticom AG, for Managing Board member Grolman in line with the level set targets have been achieved. Managing Board member Schuhardt was granted the right to participate in a share option programme as variable component with a long-term incentive.

In 2007 the Managing Board members did not receive any loans from the company.

7 RELATED PARTIES REPORT (SECTION 312 ABS. 3 AKTG - GERMAN PUBLIC LIMITED COMPANIES ACT)

According to Section 312 of the AktG, Delticom has prepared a related parties report and concluded this report with the following declaration by the Managing Board: “We declare that Delticom AG has received reasonable compensation for all of the transactions and activities listed in the report on relationships with affiliated companies according to the circumstances which were known to us on the date on which the transactions were performed, and that it was at no disadvantage from the fact that these activities were performed or not performed.”

8 COMPOSITION OF THE SHARE CAPITAL (INFORMATION ACCORDING TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE)

After going public on 26 October 2006, Delticom’s subscribed capital comprises 3,946,480 no-par value registered shares, each with a proportionate interest of € 1 in the company’s share capital and full profit participation rights from 1 January 2006. The shareholder Binder GmbH with 26.07% and Prüfer GmbH with 26.21% are are the only shareholders with an interest of more than 10%. The interest in Delticom AG in terms of Section 22 I S. 1 Nr. 1 WpHG (Securities Act) for Binder GmbH can be attributed to Rainer Binder and for Prüfer GmbH to Andreas Prüfer. In addition, Binder GmbH and Prüfer GmbH have entered in a pool contract in terms of Section 22 II S. 1 WpHG. There are no shares with special rights which grant the holders controlling powers, there is also no specifically designed control of voting rights for employees holding an interest in the share capital and who do not directly exercise their control rights.

Members of the Managing Board are appointed and dismissed according to Sections 84 et seq. of the Aktiengesetz (AktG – German Public Limited Companies Act). Changes to the articles of incorporation are governed by Sections 179ff of the AktG. The Managing Board’s powers with regard to the issue of shares are set out in Article 5 “Amount and Constitution of the Share Capital” of Delticom’s articles of incorporation and in Sections 71ff of the AktG.

The Managing Board was also authorised by resolution of the shareholders’ meeting on 30 August 2006, subject to the approval of the Supervisory Board, to increase the company’s share capital by a maximum of € 698,240.00 (authorised capital II/2006) by no later than 29 August 2011, through one or more issues of new no-par value registered shares against cash or non-cash contributions in full or in partial amounts. The authorised capital II/2006 was entered in the commercial register on 1 September 2006.

The General Meeting on 30 August 2006 authorised the Managing Board or the Supervisory Board in place of the Managing Board to the extent that options are granted to members of the Managing Board, to grant on one or several occasions up to 29 August 2011, options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company’s Managing Board and its employees. By way of a resolution by the General Meeting on 30 August 2006, the company’s share capital was conditionally increased by € 100,000 by issuing a total of up to 100,000 new no-par value registered shares (contingent capital I/2006). Contingent capital I/2006 serves exclusively to grant shares to the holders of options issued by the company on the basis of the authorisation granted by the General Meeting on 30 August 2006 for the granting of options. The contingent capital I/2006 was entered in the commercial register on 1 September 2006. In the fiscal year 5,270 option rights were issued to a member of the Board.

The General Meeting on 30 August 2006 authorised the Managing Board, with the approval of the Supervisory Board, to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 29 August 2011 with a total nominal amount of up to € 150,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 1,448,240 no-par value registered shares of the company with a proportionate interest in the share capital totaling € 1,448,240.00 ("new shares") according to the details of the terms and conditions for the convertible bonds or bonds with warrants. This authorisation may be exercised in whole or in part. By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by up to € 1,448,240.00 by issuing up to 1,448,240 new no-par value registered shares (contingent capital II/2006). Contingent capital II serves exclusively to grant new shares to the holders of conversion rights or options that are issued according to the authorisation of the General Meeting on 30 August 2006 to issue convertible bonds or bonds with warrants by Delticom AG or by companies in which Delticom AG directly or indirectly holds a participating interest. Contingent capital II/2006 was entered in the commercial register on 1 September 2006.

There are no material agreements which are subject to a change of control as a result of a takeover offer. The company does not have any compensation agreements with the members of the Managing Board or its employees for the event of a takeover offer.

Consolidated Balance Sheet

AS OF 31 DECEMBER 2007

ASSETS

€ thousand	Notes	31.12.2007	31.12.2006
Non-current assets		3,579	1,992
Intangible assets	(10)	1,173	463
Property, plant and equipment	(11)	1,330	439
Financial assets	(12)	1,000	1,000
Other receivables	(13)	76	90
Current assets		83,781	66,219
Inventories	(15)	35,581	20,791
Accounts receivable	(16)	10,356	7,544
Other receivables	(17)	3,303	3,223
Cash and cash equivalents	(18)	34,540	34,661
Assets		87,360	68,211

SHAREHOLDERS' EQUITY AND LIABILITIES

€ thousand	Notes	31.12.2007	31.12.2006
Equity		46,342	42,758
Subscribed capital	(19)	3,946	3,946
Share premium	(20)	31,706	31,701
Adjustment item for currency conversion	(21)	-27	5
Retained earnings	(22)	200	200
Net retained profits	(23)	10,518	6,905
Liabilities		41,018	25,454
Non-current liabilities		344	246
Non-current provisions	(24)	24	19
Deferred tax liabilities	(14)	320	227
Current liabilities		40,674	25,208
Provisions for taxes	(24)	1,888	2,055
Other current provisions	(24)	337	22
Accounts payable	(25)	31,696	18,815
Other current liabilities	(27)	6,753	4,316
Shareholders' equity and liabilities		87,360	68,211

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

€ thousand	Notes	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006
Revenues	(1)	215,504	173,131
Other operating income	(2)	1,701	983
Total operating revenue		217,205	174,114
Cost of goods sold	(3)	-163,557	-133,203
Gross profit		53,648	40,911
Personnel expenses	(4)	-4,300	-2,965
Depreciation and amortisation of intangible assets and depreciation of property, plant and equipment	(5)	-326	-213
Other operating expenses	(6)	-36,748	-27,516
Earnings before interest and taxes (EBIT)		12,274	10,217
Financial expenses		-109	-151
Financial income		1,225	317
Financial result	(7)	1,116	166
Earnings before and taxes (EBT)		13,390	10,383
Income taxes	(8)	-5,042	-4,103
Consolidated net income		8,348	6,280

Consolidated Cash Flow Statement

FOR FISCAL YEAR 2007

€ thousand	31.12.2007	31.12.2006
Earnings before interest and taxes (EBIT)	12,274	10,217
Depreciation and amortisation of intangible assets and depreciation of property, plant and equipment	326	212
Changes in other provisions	320	5
Net gain on the disposal of assets	0	4
Changes in inventories	-14,791	-8,858
Changes in receivables and other assets not allocated to investing or financing activity	-2,689	-2,675
Changes in payables and other liabilities not allocated to investing or financing activity	15,318	11,052
Interest received	1,036	127
Interest paid	-109	-151
Income tax paid	-5,116	-3,200
Cash flow from operating activities	6,570	6,733
Payments for investments in property, plant and equipment	-1,148	-279
Payments for investments in intangible assets	-779	-22
Cash flow from investing activities	-1,926	-301
Dividends paid by Delticom AG	-4,736	-3,426
Receipts/payments from additions to capital	0	29,547
Increase in share premium due to stock options	4	0
Cash flow from financing activities	-4,732	26,121
Changes in cash and cash equivalents due to currency translation	-32	3
Cash and cash equivalents at the start of the period	34,661	2,105
Cash and cash equivalents at the end of the period	-121	32,556
Cash and cash equivalents - end of period	34,540	34,661

Statement of Changes in Shareholders' Equity

FOR FISCAL YEAR 2007

€ thousand	Subscribed capital	Share premium	Adjustment item for currency conversion	Accumulated profits/losses: Retained earnings	Accumulated profits/losses: Net retained profits	Accumulated profits/losses: Total	Total equity
as of 1 January 2006	3,000	100	2	200	4,051	4,251	7,352
Conversion of convertible bond	97	2,903					3,000
Shares for capital increase	850						850
Capital increase of 850,000 shares		29,750					29,750
Reduction in share premium due to IPO costs		-1,052					-1,052
Currency translation differences			3				3
Dividends paid					-3,096	-3,096	-3,096
Offset interim dividend for 2003					-330	-330	-330
Consolidated net income					6,280	6,280	6,280
as of 31 December 2006	3,946	31,701	5	200	6,905	7,105	42,758
as of 1 January 2007	3,946	31,701	5	200	6,905	7,105	42,758
Increase in share premium due to stock options		4					4
Currency translation differences			-32				-32
Dividends paid					-4,736	-4,736	-4,736
Consolidated net income					8,348	8,348	8,348
as of 31 December 2007	3,946	31,706	-27	200	10,518	10,717	46,342

Consolidated Notes

FOR FISCAL YEAR 2007

GENERAL NOTES

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

Delticom's activities as an international tyre retailer are mostly in its Wholesale and eCommerce divisions. In the Wholesale division, the company sells tyres from manufacturers, including under its own brand, to wholesalers. In the eCommerce division, tyres are sold to dealers, workshops and end users via 88 shops in 31 countries.

Delticom supplies its own tyres from external warehouses and also supplies tyres directly from suppliers to customers or to one of its around 20,800 service partners.

The Managing Board has authorised these consolidated financial statements for publication on 25 March 2008. The consolidated financial statements will be published and submitted to the operators of the electronic federal gazette, to make these public.

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

KEY ACCOUNTING AND VALUATION POLICIES

GENERAL PRINCIPLES

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code).

Delticom's consolidated financial statements for fiscal year 2007 were prepared according to the accounting standards prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognised in income. The requirements of the standards and interpretations (SIC/IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

The consolidated financial statements were prepared in euros (€). This is both Delticom's functional and reporting currency. As a rule, the information on the amounts in the consolidated notes are in thousands of euros (€ thousand) to the extent that nothing is stated to the contrary.

Impact of new or changed standards

Standard/interpretation		Mandatory application	EU Commission use [1]	Impact
IFRS 7	Financial Instruments Disclosure	01.01.2007	Yes	Disclosure in the notes
IAS 1	Presentation of Financial Statements - Information on Capital	01.01.2007	Yes	Disclosure in the notes
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	01.03.2006	Yes	None
IFRIC 8	Scope of IFRS 2	01.05.2006	Yes	No major
IFRIC 9	Reassessment of Embedded Derivatives	01.06.2006	Yes	None
IFRIC 10	Interim Financial Reporting and Impairment	01.11.2006	Yes	None

New or amended standards not applied

Standard/interpretation		Mandatory application	EU Commission use [1]	Impact
IFRS 8	Operating Segments	01.01.2009	Yes	Segment reporting
IAS 1	Presentation of Financial Statements	01.01.2009	No	New order of statements
IAS 23	Borrowing Costs	01.01.2009	No	None
IFRIC 11	IFRS 2: Group and Treasury Share Transactions	1.03.2007	Yes	No major
IFRIC 12	Service Concession Arrangements	01.01.2008	No	None
IFRIC 13	Customer Loyalty Programmes	01.07.2008	No	None
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01.01.2008	No	None

[1] from 31.12.2007

GROUP OF CONSOLIDATED COMPANIES

The group of consolidated companies comprises Delticom AG, with its registered office in Hanover, registered at Hanover local court under the number HRB 58026, as well as the German subsidiary Reifendirekt GmbH, Hanover (Delticom AG holds a 100% interest) and the foreign subsidiaries Delticom Ltd., Oxford (United Kingdom, Delticom AG holds a 100% interest) and NETIX S.R.L., Timisoara (Romania, Delticom AG holds a 100% interest) and Delticom North America Inc. (Wilmington, Delaware/USA, Delticom AG holds a 100% interest). The group of consolidated companies was expanded in 2007 with the addition of the subsidiary Delticom North America Inc., which was formed on 12 December 2007.

CONSOLIDATION METHODS

Subsidiaries are all companies for which the company has control of the financial and business policy, as a rule accompanied by voting rights of more than 50%. They are included from the date on which they can be controlled; they are deconsolidated when this is no longer possible.

Acquired subsidiaries are accounted for using the purchase method. Acquisition costs correspond to the fair value of the assets paid, the equity instruments issued and the debts resulting or taken over on the date of exchange plus the costs that can be directly allocated to the acquisition. Assets, liabilities and contingent liabilities that can be identified as part of a business combination are valued at their fair value on the date of exchange during initial consolidation, irrespective of the scope of the minority interests. The amount by which the acquisition costs exceed the Group's share of the net assets measured at their fair value is carried as goodwill. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, the difference is taken directly to the income statement.

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

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

SEGMENT REPORTING

A business segment is a group of assets and operating activities that provides products or services, and that differs from the other divisions with regard to its opportunities and risks. A geographic segment provides products or services in a specific economic environment for which the risks and opportunities differ from other economic environments.

CURRENCY TRANSLATION

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

The items included in the financial statements of each group company are measured based on the currency which is the currency of the primary economic environment in which the company operates (functional currency).

The foreign companies which form part of the Delticom group are, as a rule, independent sub-units, whose financial statements are translated to euros using the functional currency concept.

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

Currency translation

Country	Mid rate on 31.12.2007 1 € =	Weighted yearly average rate 1 € =
UK	0.7346 GBP	0.6848 GBP
USA	1.4716 USD	1.3683 USD
Romania	3.5910 RON	3.3511 RON

ESTIMATES AND ASSUMPTIONS

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

ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets acquired for a fee are capitalised at cost plus the costs required to make these usable and are, to the extent that they have a definite useful life, written down over their useful life, using the straight-line method on a pro rata basis.

Costs that are associated with the development or maintenance of software are recognised as expenses when these are incurred. During the current fiscal year, the development costs for internally generated assets were recognised in income, as the production costs of the internally generated assets cannot be reliably determined. As a result, the conditions for capitalising these as assets were not fulfilled.

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

Scheduled depreciation (Intangibles)

	Useful life in years 2007
Similar rights and assets (domains)	20
Software	3

Property, plant and equipment is carried at cost less accumulated scheduled depreciation and impairment costs. Cost includes the purchase price including directly attributable incidental acquisition costs that are incurred to render the asset usable. Discounts, bonuses and rebates are deducted from the purchase price. Assets are depreciated using the straight-line method on a pro rata basis. Subsequent costs are only recorded as part of the costs of the asset if it is probable that the future economic benefits will flow to the group and the costs of the asset can be reliably identified. All other repairs and maintenance are recognised in income in the income statement in the fiscal year in which they are incurred.

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

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

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

Scheduled depreciation (Property, Plant, Equipment)

	Useful life in years 2007
Equipment	3 – 15
Office fittings	3 – 15

Delticom is both a **lessee** and also a **lessor**. Leases are classified as finance leases if the major risks and opportunities associated with the ownership of the leased asset from use of the leased asset are transferred to Delticom.

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

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognised over the term of the lease using the annuity method. In 2007 Delticom did not enter into any such leases.

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

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

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

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

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

An impairment test is performed on each balance sheet date to review whether there are objective reasons for impairment of a financial asset or a group of financial assets.

As a rule, **inventories** are carried at the lower of cost or market and, if necessary, taking into account any write-downs for restricted marketability. Costs are calculated based on the average cost method (weighted average). In the average cost method, acquisition or production costs for comparable assets are ascertained in that a weighted average is formed of the costs of the inventories present at the start of the period and the acquisitions at measured at cost during the period. The market price is the selling price during the course of normal business less selling costs. Borrowing costs are not capitalised as costs.

Trade accounts receivable and **other receivables** are initially carried at their fair value and then at amortised cost using the effective interest rate method and less impairment. Impairment is recognised for trade accounts receivable if there is objective evidence that it will not be possible to collect the due receivable in full. The amount of the impairment is the difference between the book value of the receivable and the cash value of the estimated future cash flow from this receivable, discounted using the effective interest rate. The impairment is recognised as expense. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

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

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

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

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realised or the deferred tax liability is expected to be paid. Deferred taxes from German companies are measured with a tax rate of 31.93% (previous year: 40.15%), taking into account the tax rates which apply from the 2008 assessment period according to the Unternehmenssteuerreformgesetz 2008 (German Corporate Taxation Reform Act 2008).

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

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

As in the previous year, the German companies are subject to average trade tax of approx. 18.70% of its trade income. This can be deducted from the corporation tax. The corporation tax rate totaled 25.0%, as was the case in the previous year, plus an unchanged solidarity surcharge of 5.5% on the corporation tax.

Foreign income taxes are calculated based on the applicable laws and regulation in the respective individual countries. The income tax rate applied is 30.0%.

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

Provisions are only carried if the company has a current (legal or de facto) obligation to third parties as a result of a past event and it is probable that fulfilment of the obligation will lead to an outflow of resources, and the amount of the obligation can be reliably estimated. Provisions are formed taking into account all recognisable risks at the expected fulfilment amount and are not offset against any recourse claims. Provisions are reviewed on each balance sheet date and adjusted to the current best estimate. If there is a material interest effect from the date of fulfilment of the obligation, the provision is carried at its cash value. To the extent that no reliable estimate is possible in individual cases, no provision is formed – instead a contingent liability is carried.

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

Income is recognised if it is probable that the economic benefits associated with the corresponding transaction will accrue to the enterprise and the amount of the revenues can be reliably measured. Revenues are carried less VAT and any price reductions and bulk rebates when delivery has been made and the opportunities and risks associated with ownership have been transferred. As a rule, income from services is recognised on a pro rata basis over the period in which the service is performed.

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

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

Scheduled amortisation/depreciation is performed in line with the useful lives of intangible assets and property, plant and equipment. **Value adjustments** for assets (impairment test) at amortised cost are carried under extraordinary amortisation/depreciation. On each balance sheet date, Delticom performs an impairment test for its intangible assets and property, plant and equipment to ascertain whether there are signs of impairment. If any such signs can be recognised, the recoverable amount is estimated in order to ascertain the amount of the impairment. If the recoverable amount for an individual asset cannot be estimated, the estimate is performed at the level of the cash-generating unit to which the asset belongs.

Extraordinary amortisation/depreciation is performed if the benefits accruing from the asset are lower than its carrying amount. The benefit accruing from an asset is the higher of the net selling price less costs of sale and the capitalised earnings value. The present value is given by the cash value of the cash flows to be allocated to the asset in future. If the reason for previous impairment no longer applies, the asset is written-up.

CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income for its stakeholders by optimising the equity/borrowing ratio. This also serves the purpose of reducing the costs of procuring capital. This ensures that all of the group companies can operate as going concerns.

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

The Group's capitalisation comprises liabilities, including borrowing, cash and cash equivalents and the equity due to Delticom AG's investors.

NOTES TO THE INCOME STATEMENT

(1) REVENUES

Other income is carried under other operating income.

Revenues 2007

€ thousand	Germany	Abroad	Total
eCommerce	82,282	112,998	195,281
Wholesale	4,820	15,403	20,223
Total	87,103	128,401	215,504

Revenues 2006

€ thousand	Germany	Abroad	Total
eCommerce	79,940	75,297	155,237
Wholesale	4,392	13,502	17,894
Total	84,332	88,799	173,131

(2) OTHER OPERATING INCOME

Other operating income

€ thousand	2007	2006
Income from exchange rate differences	694	198
Insurance recoveries	42	78
Other	966	707
Total	1,701	983

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

(3) COST OF GOODS SOLD

Cost of goods sold of € 163,557 thousand (previous year € 133,203 thousand) result exclusively from the sale of trading goods.

(4) PERSONNEL EXPENSES

Personnel expenses

€ thousand	2007	2006
Wages and salaries	3,764	2,531
Social security contributions	513	409
Expenses for pensions and other benefits	22	25
Total	4,300	2,965

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

In 2007 Delticom had an average of 75 employees (previous year: 62 employees).

(5) AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation

€ thousand	2007	2006
Intangible assets	69	29
Property, plant and equipment	257	185
Total	326	213

No extraordinary amortisation/depreciation was required as a result of impairment testing (IAS 36).

(6) OTHER OPERATING EXPENSES

Other operating expenses

€ thousand	2007	2006
Transportation costs	16,622	12,708
Operations centre costs	2,979	2,103
Warehousing costs	2,771	1,740
Bad debt losses and individual write-downs	1,070	915
Advertising costs	4,323	3,066
Expenses from exchange rate differences	959	338
Credit card fees	1,805	1,333
Telephone and internet	298	211
Rent	606	236
Cure costs	0	514
IPO costs	0	585
Other	5,315	3,765
Total	36,748	27,516

The rental payments carried stem from a rental agreement for office premises and parking spaces in Brühlstrasse 11, Hanover and warehouses for trading goods in 2 locations. The rental agreements meet the definition of an operating lease according IAS 17.3.

The future lease payments are discussed in 29.

(7) FINANCIAL RESULT

Financial result

€ thousand	2007	2006
Financial expenses	109	151
Financial income	1,225	317
Total	1,116	166

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

(8) INCOME TAXES

The income taxes recognised in income result from:

Income taxes

	2007			2006		
€ thousand	Germany	Rest of world	Total	Germany	Rest of world	Total
Ongoing income taxes	4,772	177	4,949	3,888	94	3,982
thereof non-period	-12	0	-12	0	0	0
Deferred income taxes	92	0	92	120	0	120
Total	4,864	177	5,042	4,008	94	4,103

No income taxes were carried under equity during the year under review. In the previous year, in connection with capital procurement costs from the capital increase, an amount of € 706 thousand was recorded directly under equity.

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

Deferred taxes

	2007		2006	
€ thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	30	0	40
Property, plant and equipment	0	32	0	38
Inventories	0	85	0	66
Receivables	0	17	1	16
Provisions	3	8	2	10
Liabilities	0	164	0	77
Other equity and liabilities	13	0	17	0
Total	16	336	21	248
Netting	-16	-16	-21	-21
Carrying amount	0	320	0	227

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

Actual income tax

€ thousand	2007	2006
Profit before income taxes	13,390	10,383
Delticom AG income tax rate	40.15%	40.15%
Expected tax expense	5,376	4,169
Differences from anticipated income tax expense		
Adjustment to different tax rate	-102	-68
Non-deductible operating expenses	8	11
Minimum taxation of foreign dividends	6	5
Creditable foreign withholding tax	-156	-29
Non-period ongoing taxation	-12	0
Adjustment of deferred taxes due to new tax rate	-82	0
Other tax effects	3	14
Total adjustments	-334	-66
Actual tax expense	5,042	4,103

The adjustment to the different tax rate is based on lower income tax rates for foreign subsidiaries.

(9) EARNINGS PER SHARE

Basic earnings per share totaled € 2.12 (previous year: € 1.97). The diluted earnings per share totalled € 2.12 (previous year: € 1.97).

Earnings per share are calculated according to IAS 33. In the fiscal year there were 5,270 potential shares (financial instruments and other agreements that authorise the bearer to subscribe to ordinary shares). Because the exercise price is higher than the average stock price since the issue date of the options 22 November 2007, the diluted earnings per share correspond to the basic earnings per share.

The calculation of the earnings per share was based on net income after taxes totaling 8,348,354.22 (previous year: 6,280,328.53) and the weighted average number of shares issued during the fiscal year totaling 3,946,480 shares (previous year: 3,194,117 shares).

NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

(10) INTANGIBLE ASSETS

Intangible assets

€ thousand	Domains	Software	Total
Acquisition costs			
as of 1 January 2006	514	35	549
Additions	13	9	22
as of 31 December 2006	527	44	572
Accumulated depreciation			
as of 1 January 2006	47	33	80
Additions	26	3	29
as of 31 December 2006	73	36	108
Residual carrying amounts on 31 December	455	9	463

€ thousand	Domains	Software	Total
Acquisition costs			
as of 1 January 2007	527	44	572
Additions	639	140	779
as of 31 December 2007	1,166	185	1,351
Accumulated depreciation			
as of 1 January 2007	73	36	108
Additions	41	28	69
as of 31 December 2007	114	64	177
Residual carrying amounts on 31 December	1,053	121	1,173

(11) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

€ thousand	Office and operating equipment	Total
Acquisition costs		
as of 1 January 2006	665	665
Additions	279	279
Disposals	-27	-27
as of 31 December 2006	917	917
Accumulated depreciation		
as of 1 January 2006	318	318
Additions	185	185
Disposals	-24	-24
as of 31 December 2006	479	479
Residual carrying amounts on 31 December	439	439

€ thousand	Office and operating equipment	Total
Acquisition costs		
as of 1 January 2007	917	917
Additions	1,148	1,148
as of 31 December 2007	2,065	2,065
Accumulated depreciation		
as of 1 January 2007	479	479
Additions	257	257
as of 31 December 2007	735	735
Residual carrying amounts on 31 December	1,330	1,330

Property, plant and equipment includes office equipment for the leased offices in Brühlstrasse 11 in Hanover as well as packaging machines and warehouse equipment.

(12) FINANCIAL ASSETS

Delticom made a loan in the amount of € 1,000 thousand via Deutsche Bank Portugal. This loan has a term of three years and ends on 10 June 2008. It bears fixed interest of 2.14% p.a (previous year: 2.14%). Interest is due with the repayment upon expiration in 2008. The fair value totals € 990 thousand (previous year: € 975 thousand). The fair value is based on an interest rate of 4.5% as of 01 January 2008 and 4.0% as of 01 January 2007.

(13) OTHER NON-CURRENT RECEIVABLES

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

In addition, receivables 2006 include a lease with Nankang Rubber Tire Corp. Ltd., Taipei, Taiwan, in which Delticom acts as the lessor. The subject of this lease is the lease of side plates. This receivable was discounted, as the term of the lease could be reliably estimated. Lease receivables are as follows:

Other non-current receivables

€ thousand	2007	2006
Non-current receivables		
Gross receivables finance leases		
More than 1 year and up to 5 years	0	42
Unearned finance income	0	-2
Net investments finance leases	0	40
Current receivables		
Gross receivables finance leases		
Up to 1 year		
Unearned finance income	0	0
Net investments finance leases	0	0
Gross receivables finance leases	0	0
Up to 1 year		
More than 1 year and up to 5 years	0	0
Subtotal	0	42
Unearned finance income	0	42
Net investments finance leases	0	-2
Net investments finance leases	0	40

(14) DEFERRED TAXES

Deferred tax liabilities are realised after more than 12 months in the amount of € 62 thousand (previous year: € 78 thousand).

CURRENT ASSETS

(15) INVENTORIES

Inventories

€ thousand	2007	2006
Tyres	34,459	20,676
Other accessories	1,122	114
Total	35,581	20,791

Inventories comprise merchandise which is underway for which sales transactions had been concluded in part on the balance sheet date totaling € 2,103 thousand (previous year € 4,619 thousand) as well as stored goods totalling € 33,478 thousand (previous year: € 16,172 thousand) intended for sale via eCommerce. Inventories are carried taking into account the agreed terms of delivery according to Incoterms 2000. During fiscal year 2007, € 88,938 thousand of inventories were carried as expenses (previous year: € 64,062 thousand). There were no write-ups during the assessment year. All inventories are free of pledges.

(16) ACCOUNTS RECEIVABLE

Accounts receivable

€ thousand	31,12,2007	31,12,2006
Accounts receivable	10,356	7,544
thereof receivables from related parties	380	0
Total trade accounts receivable	10,356	7,544

Maturity of accounts receivable

Trade receivables € thousand	Carrying amount	Due on balance sheet date and not written down	Not written down and due in the following periods				
			up to 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days
as of 31.12.07	10,356	3,601	3,005	2,895	494	343	19
as of 31.12.06	7,544	4,313	2,307	566	174	95	89

The write-downs for trade receivables were as follows:

Write-downs

€ thousand	2007	2006
Write-downs - balance on January 1	1,095	1,036
Additions (expenses for write-downs)	1,070	915
Reversals	-23	0
Expenses for writing off receivables	-1,001	-856
Write-downs - balance on December 31	1,141	1,095
Income from the receipt of written-off receivables	29	75

(17) OTHER CURRENT RECEIVABLES

Other current receivables

€ thousand	2007	2006
Refund claims from taxes	2,089	1,832
Credits with suppliers	342	373
Deferrals	286	88
Other current receivables	586	930
Total	3,303	3,223

In addition, this item does not include any receivables from currency hedge contracts (currency forwards), as was the case in the previous year.

(18) CASH AND CASH EQUIVALENTS

This item is used to disclose bank balances which are exclusively current in nature, as well as cash in hand.

Cash and cash equivalents are broken down as follows:

Cash and cash equivalents

€ thousand	2007	2006
Cash	6	9
Bank balances	34,535	34,652
Total	34,540	34,661

Bank balances do not include any overdrafts, as was the case in the previous year.

EQUITY

(19) SUBSCRIBED CAPITAL

The Managing Board was also authorised by resolution of the shareholders' meeting on 30 August 2006, subject to the approval of the Supervisory Board, to increase the company's share capital by a maximum of € 698,240.00 (authorised capital II/2006) by no later than 29 August 2011, through one or more issues of new no-par value registered shares against cash or non-cash contributions in full or in partial amounts. The authorised capital II/2006 was entered in the commercial register on 01 September 2006.

The General Meeting on 30 August 2006 authorised the Managing Board or the Supervisory Board in place of the Managing Board to the extent that options are granted to members of the Managing Board, to grant on one or several occasions up to 29 August 2011, options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company's Managing Board and its employees. By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by € 100,000.00 by issuing a total of up to 100,000 new no-par value registered shares (contingent capital I/2006). Contingent capital I/2006 serves exclusively to grant shares to the holders of options issued by the company on the basis of the authorisation granted by the General Meeting on 30 August 2006 for the granting of options. The contingent capital I/2006 was entered in the commercial register on 01 September 2006. In the fiscal year 5,270 option rights were issued to a member of the Board.

The General Meeting on 30 August 2006 authorised the Managing Board, with the approval of the Supervisory Board, to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 29 August 2011 with a total nominal amount of up to € 150,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 1,448,240 no-par value registered shares of the company with a proportionate interest in the share capital totaling € 1,448,240.00 ("new shares") according to the details of the terms and conditions for the convertible bonds or bonds with warrants. This authorisation may be exercised in whole or in part. By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by up to € 1,448,240.00 by issuing up to 1,448,240 new no-par value registered shares (contingent capital II/2006). Contingent capital II serves exclusively to grant new shares to the holders of conversion rights or options that are issued according to the authorisation of the General Meeting on 30 August 2006 to issue convertible bonds or bonds with warrants by Delticom AG or by companies in which Delticom AG directly or indirectly holds a participating interest. Contingent capital II/2006 was entered in the commercial register on 01 September 2006.

(20) SHARE PREMIUM

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

Stock option programme

Delticom AG has granted a member of the Managing Board equity-settled options. This commitment is based on the option conditions dated 22 November 2007.

As a rule, the options can be exercised in a six-week period in each case after the announcement of the final quarterly results or the final results of the previous fiscal year.

Exercising an option is conditional upon the unweighted average of the closing price of the company's shares on the five stock market days prior to the first day of the respective exercise period in which the option was exercised being at least 120% of the exercise price.

The following overview shows additional key commitment components:

Stock options plan

Type of plan	Stock options for Board members
Issue date	22.11.2007
End of programme	22.11.2017
Lockup	2 years
Exercise price	€ 59.43

In total, the number of options changed as follows during fiscal year 2007:

Stock options book

	Number of options	Excercise price
Granted	5,270	€ 59.43
Revoked	-	-
Forfeited	-	-
Excercised	-	-
Outstanding on 31.12.2007	5,270	€ 59.43
Excercisable on 31.12.2007	-	-

The options' fair values were calculated using a binomial model. In so doing, possible developments in Delticom AG's share price were modelled using a binomial decision tree.

The fair value per option totaled € 19.41 on the date granted. The total fair value of the options totaled € 102,291.00 on the date granted.

The expenses from the stock option programme to be taken into account in fiscal year 2007 totalled € 4,262.00.

The following overview shows the parameters used.

Stock options valuation parameters

Expected time to maturity of issued stock options	4.71 years
Expected annual dividend yield	3,00%
Risk-free interest rate	3,90%
Stock price at issue date	€ 58.95
Exercise price	€ 59.43
Expected volatility	45,00%

The expected volatility was calculated on the basis of historic stock prices of Delticom AG shares. The expected maturity relates to the remaining time to the expiration of the contract of the Board member. The riskless interest rate was calculated on the basis of a (hypothetical) default-free zero coupon bond without for the appropriate times to maturity.

(21) CURRENCY TRANSLATION ADJUSTMENT

The accounting currency translation differences for the subsidiaries Delticom Ltd. and NETIX S.R.L. and Delticom North America Inc. were transferred to the adjustment item for currency translation.

(22) RETAINED EARNINGS

Retained earnings exclusively comprise the legal reserve, which Delticom AG must form according to Section 150 of the Aktiengesetz (AktG – German Public Limited Companies Act).

(23) NET RETAINED PROFITS

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

LIABILITIES

(24) PROVISIONS

Provisions had the following breakdown:

Provisions

€ thousand	01.01.2007	Taken up	Reversal	Additions	31.12.2007
Provisions for taxes	2,055	1,591	0	1,424	1,888
Other non-current provisions	19	0	0	5	24
Other provisions	22	17	0	333	337
Total	2,096	1,608	0	1,762	2,249

Other provisions include, for example, costs for fiscal representation and anticipated fines. Other receivables and provisions for taxes are due within less than one year. Non-current provisions are due in more than one year.

Non-current provisions are used to carry the costs of fulfilling the statutory archive requirements for business documents. The discount rate is 5.5% (previous year: 5.5%).

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

(25) TRADE ACCOUNTS PAYABLE

Accounts payable

	2007	2006
Accounts payable	31,696	18,815
thereof payables from related parties	121	41
Total trade accounts payable	31,696	18,815

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

(26) ADDITIONAL INFORMATION RELATING TO FINANCIAL INSTRUMENTS

Book values, carrying amounts and fair values by measurement category

€ thousand	Valuation categories according to IAS 39	Book value as of 31.12. 2006	Balance sheet valuation according to IAS 39: amortised cost	Balance sheet valuation according to IAS 39: Fair value – recognised in income	Balance sheet valuation according to IAS 17	Fair value as of 31.12. 2006
Assets						
Cash and cash equivalents	LaR	34,661	34,661			34,661
Accounts receivable	LaR	7,544	7,544			7,544
Other receivables	LaR	90	50		40	90
Other original financial assets	HtM	1,000	1,000			1,000
Liabilities						
Accounts payable	FLAC	18,815	18,815			18,815
Derivative financial liabilities, Derivates not used for hedging (Held for Trading)	FLHfT	43		43		43
Thereof cumulated according valuation categories IAS 39						
Loans and Receivables (LaR)		42,295	42,255		40	42,295
Held-to-Maturity Investments (HtM)		1,000	1,000			1,000
Financial Liabilities Measured at Mortised Cost (FLAC)		18,815	18,815			18,815
Financial Liabilities Held for Trading (FLHfT)		43		43		43

€ thousand	Valuation categories according to IAS 39	Book value as of 31.12. 2007	Balance sheet valuation according to IAS 39: amortised cost	Balance sheet valuation according to IAS 39: Fair value – recognised in income	Balance sheet valuation according to IAS 17	Fair value as of 31.12. 2007
Assets						
Cash and cash equivalents	LaR	34,541	34,541			34,541
Accounts receivable	LaR	10,356	10,356			10,356
Other receivables	LaR	76	76		0	76
Other original financial assets	HtM	1,000	1,000			1,000

Liabilities						
Accounts payable	FLAC	31,696	31,696			31,696
Derivative financial liabilities, Derivates not used for hedging (Held for Trading)	FLHfT	47		47		47
Thereof cumulated according valuation categories IAS 39						
Loans and Receivables (LaR)		44,972	44,972		0	44,972
Held-to-Maturity Investments (HtM)		1,000	1,000			1,000
Financial Liabilities Measured at Mortised Cost (FLAC)		31,696	31,696			31,696
Financial Liabilities Held for Trading (FLHfT)		47		47		47

The maximum default risk can be seen from the carrying amount of each financial asset in the balance sheet including derivative financial instruments. As the contractual partners for the derivatives are well-known banks, the group believes that they will fulfill their commitments. As a result, the management believes that the maximum risk of default is the amount of trade receivables and the total other current assets less the write-downs for these assets taken into account on the balance sheet date.

(27) OTHER CURRENT LIABILITIES

These mostly relate to customer credits, VAT, social insurance contributions and payroll and church tax. In addition, liabilities are deferred using best possible estimates.

In addition, this item includes liabilities from currency hedge contracts totaling € 47 thousand (currency forwards) (previous year: € 43 thousand).

All current liabilities are due within one year.

Other current liabilities

€ thousand	2007	2006
Sales tax (VAT)	1,572	1,788
Payments received on account of orders	1,798	1,286
Customer credits	2,225	775
Social security contributions	8	3
Income and church tax	89	57
Other current liabilities	1,061	406
Total other current liabilities	6,753	4,316

Other liabilities include interest-bearing current account overdrafts from banks totaling € 154 thousand (previous year: € 0).

(28) SEGMENT REPORTING

The company's activities that result in revenues and other income fall under the divisions of Wholesale and eCommerce. As a result, Delticom is a two-segment company. In the Wholesale division, the company sells tyres from manufacturers, including under its own brand, to wholesalers. In its eCommerce division, it sells tyres to retailers, workshops and end users in 88 shops (previous year: 78) in 28 European countries as well as the USA, Canada and Japan. There are no other divisions that could constitute segments with a separate reporting requirement. As in previous years, there were no inter-segment revenues.

These segments are managed internally via the Wholesale and eCommerce divisions. Primary segment reporting is also in line with this breakdown.

PRIMARY SEGMENT REPORTING

Segment results for fiscal year 2006 are as follows:

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	155,237	17,894	0	173,131
Other operating income	584	78	321	983
Cost of goods sold	-117,383	-15,820	0	-133,203
Gross profit	38,439	2,151	321	40,911
Personnel expenses	-1,320	-399	-1,245	-2,965
Depreciation and amortisation	-89	-62	-62	-213
thereof property, plant and equipment	-62	-61	-61	-185
thereof intangible assets	-27	-1	-1	-29
Other operating expenses	-23,729	-792	-2,996	-27,516
thereof bad debt losses and individual write-downs	-821	-95	0	-915
Segment result	13,301	898	-3,983	10,217
Net financial result				166
Income taxes				-4,103
Consolidated net income				6,280

Segment results for fiscal year 2007 are as follows:

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	195,281	20,223	0	215,504
Other operating income	913	42	746	1,701
Cost of goods sold	-145,709	-17,848	0	-163,557
Gross profit	50,484	2,417	746	53,648
Personnel expenses	-1,662	-432	-2,206	-4,300
Depreciation and amortization	-148	-72	-106	-326
thereof property, plant and equipment	-98	-68	-90	-257
thereof intangible assets	-50	-4	-15	-69
Other operating expenses	-32,666	-644	-3,438	-36,748
thereof bad debt losses and individual write-downs	-984	-86	0	-1,070
Segment result	16,008	1,269	-5,003	12,274
Net financial result				1,116
Income taxes				-5,042
Consolidated net income				8,348

The segment assets, segment liabilities and segment investments were as follows on 31 December 2006:

€ thousand	eCommerce	Wholesale	not allocated	Group
Segment assets				
Intangible assets, property, plant and equipment and financial assets	604	149	1,149	1,902
Other non-current assets	90	0	0	90
Total non-current assets	694	149	1,149	1,992
Inventories	16,928	3,698	165	20,791
Accounts receivable	3,382	4,162	0	7,544
Cash and cash equivalents	1,993	2,070	30,598	34,661
Other assets	1,077	0	2,146	3,223
Total current assets	23,380	9,930	32,909	66,219
Total segment assets	24,074	10,079	34,058	68,211
plus deferred taxes				0
plus securities				0
Total assets				68,211

Segment liabilities				
Non-current segment liabilities	0	0	18	18
Other current provisions	0	0	22	22
Accounts payable	16,455	1,574	786	18,815
Other current borrowing	3,044	89	1,183	4,316
Current segment liabilities	19,499	1,663	1,991	23,153
Total segment liabilities	19,499	1,663	2,009	23,171
plus deferred taxes and tax liabilities				2,283
Total segment assets				25,454
Segment investments				
Intangible assets	16	3	3	22
Property, plant and equipment	93	93	93	279
Total investments	109	96	96	301

The segment assets, segment liabilities and segment investments were as follows on 31 December 2007:

€ thousand	eCommerce	wholesale	not allocated	Group
Segment assets				
Intangible assets, property, plant and equipment and financial assets	2,128	83	1,293	3,503
Other non-current assets	76	0	0	76
Total non-current assets	2,204	83	1,293	3,579
Inventories	35,581	0	0	35,581
Accounts receivable	4,401	5,955	0	10,356
Cash and cash equivalents	5,243	4,298	25,000	34,540
Other assets	653	0	2,650	3,303
Total current assets	45,878	10,252	27,650	83,781
Total segment assets	48,082	10,335	28,943	87,360
plus deferred taxes				0
plus securities				0
Total assets				87,360

Segment liabilities				
Non-current segment liabilities	0	0	24	24
Other current provisions	0	0	337	337
Accounts payable	28,450	3,049	196	31,696
Other current borrowing	5,522	39	1,191	6,753
Current segment liabilities	33,972	3,089	1,725	38,786
Total segment liabilities	33,972	3,089	1,749	38,810
plus deferred taxes and tax liabilities				2,208
Total segment assets				41,018
Segment investments				
Intangible assets	645	0	134	779
Property, plant and equipment	937	0	210	1,148
Total investments	1,583	0	344	1,926

SECONDARY SEGMENT REPORTING

Delticom's two divisions operate in three main geographic regions. In Germany, the group serves both the wholesale and eCommerce segments. The group companies in the United Kingdom and Romania exclusively serve customers in the eCommerce segment with their products and services.

The following table shows the group's sales in the geographic regions in which its customers are located:

Revenues

€ thousand	2007	2006
Germany	87,103	84,332
Other EU countries	101,796	67,598
USA and rest of world	26,605	21,201
Total	215,504	173,131

The following tables show the carrying amounts of segment assets and additions to property, plant, equipment, and intangible assets by geographic area in which the assets are located:

Assets and additions

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
€ thousand	2007	2006	2007	2006
Germany	86,246	67,321	1,926	301
United Kingdom	947	825	0	0
Romania	165	65	0	0
USA	1	0	0	0
Total	87,360	68,211	1,926	301

(29) OTHER NOTES

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

The key financial liabilities comprise:

Key financial liabilities

€ thousand	2007	2006
Order commitments for goods	3,547	2,286
Financial commitments	8,688	2,666
Total	12,235	4,952

Delticom rents office premises and parking spaces in Brühlstrasse 11, Hanover, as well as warehouses for trading goods in 2 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreement for the office premises in Brühlstr. 11 runs until 31 Dezember 2012. The agreements for the warehouses run until 31 August 2010 and 31 December 2015.

In addition, there are operating leases for cars. The car leases end in June 2007 and June 2008 after a 24-month term in each case.

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

Accumulated minimum lease payments

€ thousand	2007	2006
up to one year	1,416	284
2 years to 5 years	4,043	279
more than 5 years	1,161	0
Total	6,620	563

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS

Delticom only uses derivative financial instruments for hedging. Only forward exchange transactions are carried in the consolidated financial statements.

The derivatives do not fulfil the conditions for hedge accounting within the meaning of IAS 39.142. All derivatives are carried at their fair values. The valuation is performed by banks taking into account current ECB reference rates and forward premiums and discounts. The changes in the fair values of the derivatives was recorded in the income statement in the amount of € 4 thousand (previous year: € 35 thousand).

The remaining maturities of the forward exchange transactions were all less than 7 months on the balance sheet date (previous year: 6 months).

CURRENCY RISK

Delticom has international operations, which means that the company is subject to market risks as a result of changes to exchange rates. Currency risks result primarily for cash and cash equivalents and trade payables and receivables. Delticom uses derivative financial instruments to reduce these risks. Purchasing contracts in foreign currencies (mostly USD) were hedged. These contracts are either to stock the company's own warehouses or have a corresponding sale transaction in EUR. In addition, in the Wholesale division, if required, sales contracts in foreign currencies were hedged, purchasing and the associated sales contracts in the same foreign currency are not hedged. No currency hedges were performed for sales contracts in foreign currency in the eCommerce division.

In order to show market risks, IFRS 7 calls for sensitivity analyses which show the impact of hypothetical changes in relevant risk variables on the results. There are currency risks within the meaning of IFRS 7 as a result of assets and liabilities not denominated in euros.

The following table shows the positive and negative impact of changes of 10% up (gains) or down (losses) in the value of the euro compared to the various currencies. Movements in the exchange rates were calculated on a symmetrical basis.

FX sensitivities

Currency	1 foreign currency = euro (exchange rate on 31.12.2007)	Profit in € thousand	Loss in € thousand
CHF	0.6040	10	10
DKK	0.1341	15	15
GBP	1.3613	52	52
RON	0.2785	28	28
SEK	0.1060	18	18
USD	0.6795	115	115
Others	N/A	11	11

LIQUIDITY RISK

The liquidity risk, i.e., the risk that it will not be possible to fulfil existing or future payment obligations are a result of a lack of availability of cash and cash equivalents, is managed centrally within the Delticom Group. In order to ensure liquidity at all times, cash and cash equivalent are kept available in order to be able to meet all planned payment obligations throughout the group on their respective due dates. In addition, a reserve is maintained for unplanned lower receipts or additional expenditure. Cash and cash equivalents are mostly held in the form of demand and fixed-term deposits. In addition, bank credit lines are also available.

In its Wholesale division, Delticom supplies tyres and rims to retail companies with highly varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the group's income and liquidity position. As a result, Delticom has concluded credit insurance and commission transactions with some customers. These restrict the financial impact on the company so that there is no danger to its continued existence. The total credit-insured gross receivables totaled € 4,138 thousand (previous year: € 2,746 thousand).

RELATED PARTY DISCLOSURES

The group had the following relationships with related parties in 2007:

Related party disclosures

Related persons	Function	Legal relationship
Rainer Binder	Managing Board	via Binder GmbH
Philip von Grolman from 09.08.2007	Managing Board	-
Andreas Prüfer	Managing Board	via Prüfer GmbH
Frank Schuhardt from 09.08.2007	Managing Board	-
Peter Stappen	Chairman of the Supervisory Board	-
Bernhard Schmid until 15.11.2007	Deputy Chairman of the Supervisory Board	-
Michael Thöne-Flöge from 16.11.2007	Deputy Chairman of the Supervisory Board	-
Alan Revie	Supervisory board	-

Affiliated companies	Legal relationship
Delticom Tyres Ltd.	Wholly-owned subsidiary
Reifendirekt GmbH	Wholly-owned subsidiary
NETIX S.R.L.	Wholly-owned subsidiary
Delticom North America Inc.	Wholly-owned subsidiary

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

- Binder GmbH (number of shares 1,028,716, 26.07% interest)
- Prüfer GmbH (number of shares 1,034,216, 26.21% interest

SALE OF GOODS/SERVICES

€ thousand	2007	2006
to related parties	1,159	0

PURCHASE OF GOODS/SERVICES/ASSETS

€ thousand	2007	2006
from related parties	841	810

EXECUTIVE BODIES

The company's executive bodies are the General Meeting, the Supervisory Board and the Managing Board. Philip von Grolman and Frank Schuhardt were appointed to the Managing Board with immediate effect in the Supervisory Board meeting on 09 August 2007. Bernhard Schmidt, member of the Supervisory Board, resigned from office as of 15 November 2007. Mr Michael Thöne-Flöge was appointed as a member of the Supervisory Board by way of a resolution by Hannover Local Court as of 16 November 2007. The new Supervisory Board elected Mr Thöne-Flöge as Deputy Chairman of the company's Supervisory Board in its meeting on 20 November 2007.

As a result, the composition of the Managing and Supervisory Boards is as follows:

Managing Board

- Rainer Binder, Hanover: Managing Board member for Wholesale, procurement and pricing
- Philip von Grolman, Hanover, from 09 August 2007: Managing Board member for logistics
- Andreas Prüfer, Hanover: Managing Board member for B2C business, company organisation and IT
- Frank Schuhardt, Düsseldorf, from 09 August 2007: Managing Board member for finance/controlling, accounting and investor relations

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

Remuneration of Board Members

	Non-performance related remuneration		Performance-related remuneration		Long-term incentive	
€ thousand	2007	2006	2007	2006	2007	2006
Rainer Binder	285	179	87	0	0	0
Philip von Grolman	49	0	6	0	0	0
Andreas Prüfer	285	179	87	0	0	0
Frank Schuhardt	51	0	0	0	102	0

The remuneration of € 102 thousand carried under long-term incentives for Frank Schuhardt comprise the total fair value of the options granted as of the balance sheet date. This figure was calculated using a binomial model.

Supervisory Board

During fiscal year 2007, the Supervisory Board was composed as follows:

- Peter Stappen
  Chairman of the Supervisory Board from 07 April 2006
  bank merchant, Hofheim/Taunus

- Bernhard Schmid
  Resigned from office on 15 November 2007
  Deputy Chairman of the Supervisory Board from 07 April 2006 to 15 November 2007
  investment manager, Munich

- Alan Revie
  Member of the Supervisory Board, entrepreneur, Hamilton/United Kingdom

- Michael Thöne-Flöge,
  Member of the Supervisory Board from 16 November 2007
  Deputy Chairman of the Supervisory Board from 20 November 2007
  entrepreneur, Peine/Schwicheldt

During fiscal year 2007, remuneration for the members of the Supervisory Board was as follows: Peter Stappen € 15 thousand (previous year: € 15 thousand), Michael Thöne-Flöge € 1 thousand (previous year € 0), Bernhard Schmid € 9 thousand (previous year € 10 thousand) and Alan Revie € 5 thousand (previous year € 5 thousand).

DIVIDENDS

The General Meeting on 16 May 2007 resolved to pay a dividend in the amount of € 4,735,776.00 from Delticom AG's 2006 net retained profits (€ 1.20 per share, previous year € 1.10 € per share) and to carry forward the remaining amount of € 546,253.23 to new account.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Managing Board proposes to distribute an amount of € 7,892,960.00 or € 2.00 per share from Delticom AG's net retained profits of € 8,365,872.99, carrying € 472,912.99 forward to new account.

SHAREHOLDINGS

	Fixed capital interest %	
Name, registered office, country	2007	2006
Delticom Ltd., Oxford, UK	100	100
NETIX S.R.L., Timisoara, Romania	100	100
Reifendirekt GmbH, Hannover, Germany	100	100
Delticom North America Inc., Wilmington, Delaware, USA	100	-

AUDITOR'S FEES

In fiscal years 2006 and 2007, the following fees were recorded for the auditor PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft:

€ thousand	2007	2006
Audits of the financial statements	103	112
Other confirmation and valuation services	29	754
Tax consultancy services	22	7
Other services	26	5
Total	180	878

Other confirmation and valuation services in 2006 include insurance premiums totaling € 400 thousand for the liability risk resulting from the IPO for the auditor of the financial statements, which were passed on by the auditor to an insurance company.

DECLARATION OF CONFORMITY ON THE APPLICATION OF THE RECOMMENDATIONS OF THE "GERMAN CORPORATE GOVERNANCE CODE GOVERNMENT COMMISSION"

The Managing and Supervisory Boards issued the declaration required by Section 161 of the Aktiengesetz (AktG - German Public Limited Companies Act) on 03 April 2007, and made accessible to shareholders on our Web site: www.delti.com.

NOTES TO THE CASH FLOW STATEMENT

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

DECLARATION BY LEGAL REPRESENTATIVES

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

Hanover, 14 March 2008

(The Management Board)

AUDITOR'S REPORT[1]

We have audited the consolidated financial statements prepared by the Delticom AG, Hanover, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements including the segment reporting, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hanover, 17 March, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Günter Benz	ppa, Philip Friedel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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

Financial Calendar 2008

30.04.08	Publication of provisional 3-monthly turnover
06.05.08	Annual General Meeting 2008
14.05.08	3-monthly report 2008
31.07.08	Publication of provisional 6-monthly turnover
13.08.08	6-monthly report 2008
31.10.08	Publication of provisional 9-monthly turnover
10.11.08 – 12.11.08	German Equity Forum Frankfurt
12.11.08	9-monthly report 2008

Imprint

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