Semi-Annual Report 2010

DELTICOM
Aktiengesellschaft

Profile

Deltiom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 100 online shops in 35 countries, among others the *ReifenDirekt* domains in Germany, Switzerland and Austria, mytyres.co.uk and 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, bicycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

Delticom's customers enjoy all the advantages of modern E-Commerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in two business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 25,000 service partners (7,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Selected Key Figures

		01.01.2010 - 30.06.2010	01.01.2009 - 30.06.2009	yoy %
Revenues	€ million	177.3	139.2	+27.4
Total income	€ million	180.7	141.1	+28.1
Gross profit	€ million	51.4	38.5	+33.7
Gross profit margin[1]	%	28.4	27.3	+1.2
EBITDA	€ million	17.3	10.5	+64.4
EBIT	€ million	16.7	10.2	+64.2
EBIT margin[2]	%	9.4	7.3	+2.1
Net income	€ million	11.4	7.0	+62.1
Earnings per share[3]	€	0.96	0.59	+62.1
Employees[4]		96	85	+12.9
Revenues per employee	€ thousand	1,847	1,637	+12.8
Total assets	€ million	122.0	96.4	+26.6
Investments[5]	€ million	1.2	3.3	–62.9
Investment quota[6]	%	0.7	2.4	–1.7
Capital Employed[7]	€ million	50.6	45.9	+10.3
Return on Capital Employed[8]	%	33.0	22.2	+10.9
Equity	€ million	50.1	45.5	+10.1
Equity ratio	%	41.1	47.2	–6.1
Return on equity	%	22.7	15.4	+7.3
Liquidity position[9]	€ million	22.8	22.6	+1.0
Operating cash flow	€ million	3.5	–6.0	
Free cash flow[10]	€ million	2.3	–8.6	

(1) Gross profit to total income
(2) Consolidated earnings before interest and taxes (EBIT) to revenues
(3) Undiluted
(4) Average in reporting period
(5) Investments in tangible and intangible assets
(6) Ratio of investments to revenues
(7) Capital Employed = total assets – current liabilities
(8) ROCE = EBIT / Capital Employed
(9) Liquidity position = cash and cash equivalents + liquidity reserve
(10) Free cash flow = Operating cash flow – Capex

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Interim Management Report of Delticom AG

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Interim Management Report of Delticom AG

Economic Environment

The global economic recovery continued in the first half of the year. In most of the European countries the conditions improved, at least to a certain degree. Germany has experienced a strong rebound which has gained speed over the course of the past months.

Still, domestic demand has so far lagged behind the improved consumer sentiment. The late-cycle retail sector as a whole has not yet been able to benefit from the upturn to the same extent as other sectors of the economy. On the other hand, the Internet is steadily gaining significance as a sales channel. Thanks to strong E-Commerce growth, online traders such as Delticom have further expanded their business in the first half of the year.

First-quarter tyre sales were higher than expected, not only due to the continued snowfalls in January, but also thanks to the early start into the summer season in March. Easter fell into the first week of April this year, as opposed to late April 2009. Year-on-year, the Easter effect supported this year's first quarter growth, at the expense of second quarter growth.

Across Europe temperatures were rather low in the first two months of the second quarter – unfavourable weather conditions for tyre dealing, particularly for the business with motorcycle tyres. Furthermore, many European motorists took advantage of last year's scrappage schemes and bought a new car. Those cars will not need replacement summer tyres for the years to come.

Most of the tyre manufacturers were forced to raise prices in the first half of the year, due to higher raw materials costs. Price levels for end-customers, by contrast, registered weaker growth.

Business performance and earnings situation

Revenues

Delticom, Europe's leading online tyre retailer, generates the bulk of its revenues through sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. In H1 10 the company recognised revenues of € 177.3 million, a plus of 27.4% after € 139.2 million in the prior-year period.

The company's business is segmented along two divisions: E-Commerce and Wholesale. The table *Revenues by division* shows a multi-year comparison of the revenues in the two segments E-Commerce and Wholesale.

Revenues by division

in € thousand

	H1 10	%	+%	H1 09	%	+%	H1 08	%
Revenues	**177,317**	**100.0**	**27.4**	**139,156**	**100.0**	**14.5**	**121,533**	**100.0**
Primary Segments								
E-Commerce	169,686	95.7	29.7	130,794	94.0	15.8	112,936	92.9
Wholesale	7,631	4.3	–8.7	8,362	6.0	–2.7	8,597	7.1
Regions								
EU	141,828	80.0	23.9	114,479	82.3	9.5	104,534	86.0
Rest	35,489	20.0	43.8	24,677	17.7	45.2	16,998	14.0

E-Commerce

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 108 online shops to private and business customers. In H1 10 the company was able to acquire a total of 436 thousand new customers (H1 09: 377 thousand, +15.6%). During the same period 226 thousand existing customers (H1 09: 173 thousand, +31.1%) made repeat purchases at Delticom.

Revenues in the E-Commerce division were up year-on-year by 29.7%, from € 130.8 million to € 169.7 million. As in previous years, revenues from selling to business customers (B2B) accounted for considerably less than 20% of the segment revenues. The major focus continues to be on selling to private customers (B2C) which accounted for more than 80% of the segment revenues.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. Divisional revenues dropped by 8.7% to € 7.6 million, after prior-year revenues of € 8.4 million. In the wake of the recession the probability of receivables losses remains high and credit insurance is expensive. Despite of that, the decline in Wholesale segment revenues follows a long-term trend. Over the last years the share of Wholesale revenues in percent of Group revenues has decreased steadily. In the reporting period this E-Commerce share already amounted to 95.7%, compared to 94.0% in the previous year.

Regional split

The group offers its product range in 35 countries, whereof revenues totalling € 141.8 million were recognised in the EU countries (+23.9%). 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 the USA. Over all in H1 10 non-EU countries the revenues contribution was € 35.5 million (+43.8%).

Seasonality

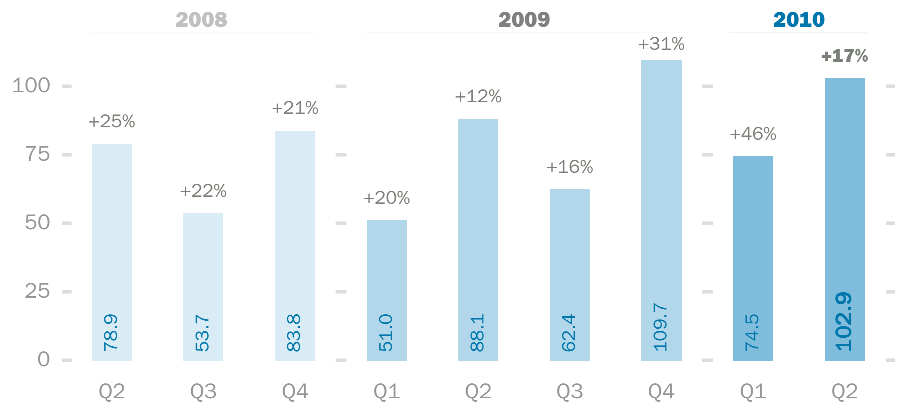
The chart *Revenues trend* summarises the development of the quarterly revenues.

Revenues growth in the first quarter came in strongly, with +45.9%. One of the reasons was the unusually snowy weather that lasted into February. This allowed for further selling opportunities for winter tyres. Furthermore, this year's summer tyre season started already in March. The fact that Easter 2010 fell in the first week of April may have helped in this respect, prompting many motorists to switch tyres before the holidays.

As expected, due to the volume shift between the quarters, the higher growth in Q1 10 was matched with a lower increase in revenues in Q2 10 of +16.7%. The second quarter was also burdened by cold weather in May. This resulted in a sluggish start into the motorcycle season, with correspondly lower than expected sales. Furthermore, it can be presumed that last year's scrappage schemes subtracted some demand from this years summer tyre sales.

Revenues trend

quarterly revenues in € million



Key expense positions

Cost of sales

The cost of sales is the largest expense item which increased by 26.0% from € 102.6 million in H1 09 to € 129.3 million in H1 10 (72.9% of revenues), primarily due to higher revenues. The cost of sales in the E-Commerce division rose by 28.2% from € 95.6 million to € 122.6 million (72.3% of divisional revenues). In the Wholesale division, the cost of sales fell by 4.8% to € 6.7 million (H1 09: € 7.0 million), corresponding to 87.6% of divisional revenues (H1 09: 84.0%).

Personnel expenses

The relatively low personnel expenses of € 3.2 million (H1 09: € 2.8 million, +12.8%) illustrate the low personnel intensity of Delticom's business model. Due to the strong topline growth in the reporting period, the personnel expenses ratio (staff expenditures as percentage of revenues) retracted to 1.8% (H1 09: 2.0%).

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers or fitting stations. As business volumes increases, so too do these transportation costs, from € 12.4 million by +28.1% to € 15.8 million.

Marketing

In the reporting period, costs for advertising totalled € 3.6 million, nearly unchanged from the € 3.7 million from the prior-year period. The marketing expense ratio (marketing expenses as a percentage of revenues) dropped from 2.6% in H1 09 to 2.0% in H1 10.

Earnings position

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

Abridged P+L statement

in € thousand

	H1 10	%	+%	H1 09	%	+%	H1 08	%
Revenues	**177,317**	100.0	27.4	**139,156**	100.0	14.5	**121,533**	100.0
Other operating income	3,377	1.9	74.4	1,936	1.4	43.9	1,346	1.1
Total operating income	**180,694**	101.9	28.1	**141,092**	101.4	14.8	**122,879**	101.1
Cost of goods sold	129,296	72.9	26.0	102,640	73.8	11.1	92,427	76.1
Gross profit	**51,399**	29.0	33.7	**38,452**	27.6	26.3	**30,452**	25.1
Personnel expenses	3,191	1.8	12.8	2,829	2.0	13.1	2,501	2.1
Other operating expenses	30,867	17.4	23.1	25,079	18.0	13.2	22,146	18.2
EBIT	**16,732**	9.4	64.2	**10,190**	7.3	82.9	**5,571**	4.6
Depreciation	609	0.3	71.7	354	0.3	51.4	234	0.2
EBITDA	**17,340**	9.8	64.4	**10,545**	7.6	81.6	**5,805**	4.8
Net financial result	43	0.0	–76.2	180	0.1	–62.9	485	0.4
EBT	**16,775**	9.5	61.8	**10,370**	7.5	71.2	**6,056**	5.0
Income taxes	5,410	3.1	61.1	3,358	2.4	71.8	1,954	1.6
Consolidated net income	**11,364**	6.4	62.1	**7,012**	5.0	70.9	**4,103**	3.4

Other operating income

Other operating income increased in H1 10 by 74.4% to € 3.4 million (H1 09: € 1.9 million), thereof gains from exchange rate differences to the order of € 2.7 million (H1 09: € 1.2 million) which are mainly influenced by fluctuations in the EUR/USD exchange rate.

Gross profit and gross profit margin up

In the reporting period, gross profit advanced by 33.7% year-on-year, from € 38.5 million to € 51.4 million. The gross profit margin (gross profit in relation to total income) improved from 27.3% to 28.4%.

The two divisions – E-Commerce and Wholesale – operate at different gross profit margins. As usual, E-Commerce was able to achieve a better margin (H1 10: 27.9%, H1 09: 27.1%) than Wholesale (H1 10: 13.1%, H1 09: 16.6%). This had an additional positive contribution to the gross margin of the group, even more so as the growth in revenues in the E-Commerce division came in significantly higher than in Wholesale.

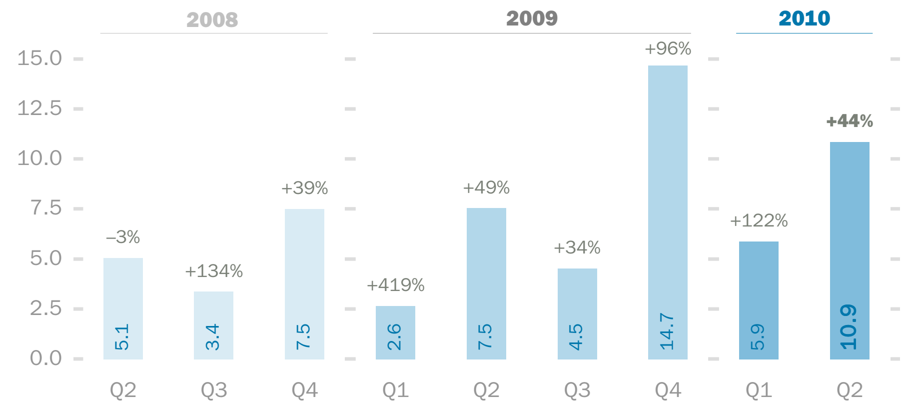
Profitability improved considerably

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved during the reporting period by 64.4% to € 17.3 million (H1 09: € 10.5 million). Earnings before interest and taxes (EBIT) grew as well, from € 10.2 million by 64.2% to € 16.7 million. This corresponds to an EBIT margin of 9.4% (H1 09: 7.3%).

The chart *EBIT* shows the preceding quarters:

EBIT

quarterly, in € million



Financial result nosedived

The low Euro money market rates continued to adversely affect the interest result. In the reporting period the financial result amounted to € 43 thousand (H1 09: € 180 thousand).

Income taxes

The expenditure for income taxes was € 5.4 million (H1 09: € 3.4 million). This equates to a tax rate of 32.3% (H1 09: 32.4%).

Net income

Consolidated net income grew from € 7.0 million to € 11.4 million. This corresponds to earnings per share (EPS) of € 0.96 (undiluted, H1 09: € 0.59), a step-up of 62.1%.

Dividend for fiscal year 2009

Delticom's Annual General Meeting on 11 May 2010 decided on a dividend for fiscal year 2009 of € 1.70 per share (2008: € 1.00). This corresponds to a dividend sum of € 20.1 million (2008: € 11.8 million).

Financial and assets position

Cash flow

Operating cash flow

The cash flow from ordinary business activities (operating cash flow) for the period under review was € 3.5 million. As opposed to last year it is positive (H1 09: € –6.0 million) because H1 10 a higher share of the inventories were financed with accounts payable.

Less investments

During the reporting period, investments into property, plant and equipment amounted to € 1.2 million, after € 3.3 million in the prior-year period. Taken together with the investments into intangibles, in H1 10 an amount of € 1.2 million of the investments (*capex*) resulted in a cash outflow (H1 09: € 2.6 million).

Financing activities

Apart from the dividend payment of € 20.1 million, Delticom did not recognise any cash flow from financing activities in the reporting period.

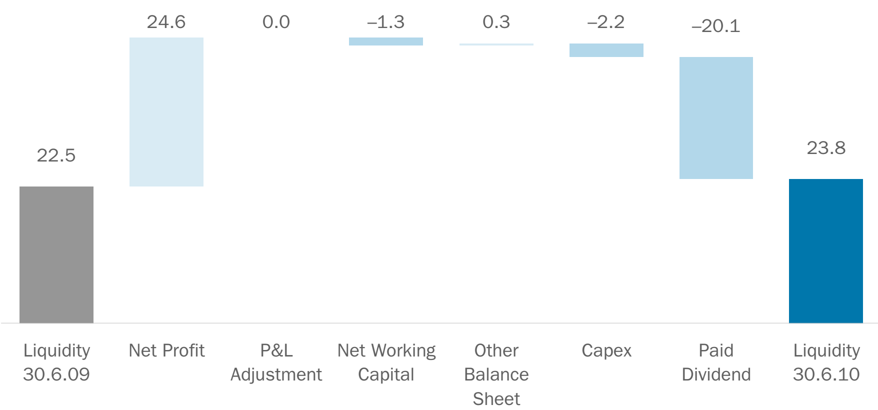
Strong liquidity position

Over the course of the last 12 months cash and cash equivalents registered net additions of € 2.2 million. On the other hand, short-term money market funds were reduced by € 2.0 million in total. Consequently, the total liquidity as shown on the balance sheet increased by € 0.2 million and totalled € 22.8 million on 30.06.2010 (H1 09: € 22.6 million).

Based on the cash flow, the chart *Liquidity Bridge* illustrates how the liquidity position changed in the trailing 12 months.

Liquidity Bridge

in € million



Balance sheet structure

As of 30.06.2010 the balance sheet total amounted to € 122.0 million (31.12.2009: € 106.8 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

Inventories up as planned

Among the current assets, inventories is the biggest line item. Since the beginning of the year Management was able to grow the stock by € 29.0 million or 67.6% to € 71.8 million (31.12.2009: € 42.9 million), due to expanded warehouse capacity.

Receivables

At the end of the quarter, the accounts receivable amounted to € 12.1 million, up 18.7% from end of last year's € 10.1 million.

Payables increased in parallel with inventories

The accounts payable were increased by € 23.4 million, in parallel with inventories. As part of the € 69.1 million in short-term liabilities as of 30.06.2010, € 60.1 million were recorded as accounts payable, corresponding to a share of 49.2% of balance sheet total.

Abridged balance sheet

in € thousand

	30.06.10	%	+%	2009	%	+%	2008	%
Assets								
Non-current assets	7,527	6.2	8.9	6,910	6.5	104.0	3,387	3.5
Fixed assets	7,245	5.9	9.4	6,621	6.2	100.5	3,302	3.5
Other non-current assets	282	0.2	–2.3	289	0.3	240.4	85	0.1
Current assets	114,465	93.8	14.5	99,938	93.5	8.3	92,250	96.5
Inventories	71,836	58.9	67.6	42,858	40.1	15.4	37,134	38.8
Receivables and other current assets	19,816	16.2	20.6	16,438	15.4	35.2	12,157	12.7
Liquidity	22,813	18.7	–43.9	40,642	38.0	–5.4	42,959	44.9
Securities	1,034	0.8	–66.0	3,039	2.8	–77.7	13,620	14.2
Cash and cash equivalents	21,779	17.9	–42.1	37,603	35.2	28.2	29,339	30.7
Assets	**121,992**	**100.0**	**14.2**	**106,848**	**100.0**	**11.7**	**95,637**	**100.0**
Equity and Liabilities								
Long-term funds	50,627	41.5	–14.6	59,276	55.5	16.9	50,701	53.0
Equity	50,108	41.1	–14.8	58,794	55.0	17.1	50,224	52.5
Long-term debt	519	0.4	7.8	482	0.5	0.9	478	0.5
Provisions	36	0.0	–15.6	42	0.0	23.0	34	0.0
Liabilities	484	0.4	10.1	440	0.4	–0.9	443	0.5
Short-term debt	71,364	58.5	50.0	47,573	44.5	5.9	44,936	47.0
Provisions	2,247	1.8	–36.6	3,542	3.3	70.2	2,080	2.2
Liabilities	69,117	56.7	57.0	44,031	41.2	2.7	42,856	44.8
Equity and Liabilities	**121,992**	**100.0**	**14.2**	**106,848**	**100.0**	**11.7**	**95,637**	**100.0**

Organisation

Legal structure

As of 30.06.2010, the Delticom group of companies comprised the following subsidiaries.

- Reifendirekt GmbH, Hanover (Germany)
- Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover (Germany)
- Delticom Tyres Ltd., Oxford (United Kingdom)
- NETIX S.R.L., Timisoara (Romania)
- Delticom North America Inc., Wilmington (Delaware, USA)

Delticom AG owns 100% of shares in each of the subsidiaries.

The business is run mainly from the Hanover head office.

105 employees

As of 30.06.2010 a total staff of 105 full-time equivalents were employed at Delticom (30.06.2009: 87, 31.12.2009: 92), thereof 11 apprentices and trainees.

Significant events after the reporting date

After the reporting date Delticom entered into an operating leasing agreement for a new warehousing facility. For the period between two and five years the financial obligations from this contract amount to € 9.694 thousand and total € 19.387 thousand for the time after more than five years.

Risk Report

As a company that operates internationally, Delticom is exposed to varying types of risk. In order to be able to identify, evaluate and respond to such risks in a timely fashion, Delticom put in place a risk management system early on. The system is based on corporate guidelines for the early risk detection and risk management. An outline of the risk management process is presented in the Annual Report for fiscal year 2009 on pages 41ff, together with a list of key individual risks.

Compared to the Annual Report 2009, the risk situation has not changed materially. Individual risks endangering the company do not exist, and considered together, the aggregate risk does not pose any danger to Delticom's going concern.

Outlook

Taking the multi-year replacement cycle for winter tyres as a starting point, the overall conditions for tyre dealers in the second half of 2010 should generally be quite positive. In 2004 and 2005 the winters across Europe were cold and snowy. Many motorists who bought tyres then will be forced to renew them in the coming season. In addition, Germany saw a one-off increase in winter tyre sales following the introduction of new winter tyre regulations in 2006. Those tyres are also prone to be replaced in any of the future winter seasons.

Base effects and shifts in volume

Nevertheless, short-term shifts between successive years frequently occur in the tyre business. Thanks to the snowy 2009/2010 winter, a strong negative base effect must be anticipated for Q4 10, as some car owners will have brought forward their winter tyre purchases to Q4 09 or Q1 10. This surge in winter tyre volumes will be mirrored by a corresponding drop in the coming winter business – a shift which is excerbated by the additional sales of winter tyres in the wake of the scrappage schemes of last year.

Most likely less snow than 2009/2010

There is reason to believe that the coming winter will be less snowy than the last. The less snow falls and the longer the mild weather persists in the upcoming winter, the sharper the decline of the demand for winter tyres will be. In such a trading environment not only sales but also prices and margins could come under pressure.

As Europe's largest online tyre dealer, Delticom is relatively resilient against effects relating to the replacement cycle or with regards to the weather. Thanks to the international orientation of Delticom’s business, weaker sales in individual countries can mostly be offset by continued growth in other markets.

Economic risks

Tyre sales are are always exposed to risks resulting from unfavourable weather conditions. This year, an additional factor has to be accounted for: The late-cycle retail business has hardly benefited from the upturn to date. Some economists fear that the fiscal discipline of European governments could translate into an even higher private saving rate. This might burden the consumer climate for the quarters to come. Especially in a winter with little snow, motorists might decide to use their old winter tyres for a further season and to postpone buying new tyres.

Delticom is not immune to such economic risks. Still, price-conscious customers are increasingly searching the Internet for low priced alternatives. Our online shops will benefit from this trend. Consequently, we continue to assume a revenue growth of more than 10% year-on-year for the 2010 financial year. Given the strong 2009 comparable, an EBIT margin of 9% is a realistic target for 2010.

Medium-term growth

At this point in time, sales over the Internet channel account only for a small share in the tyre trade. Still, E-Commerce is gaining momentum. In the medium-term we therefore continue to expect low double-digit annual growth rates, both for revenues and earnings.

Consolidated Interim Financial Statements of Delticom AG

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Consolidated Interim Financial Statements of Delticom AG

Consolidated Income Statement

in € thousand	01.01.2010 - 30.06.2010	01.01.2009 - 30.06.2009	01.04.2010 - 30.06.2010	01.04.2009 - 30.06.2009
Revenues	**177,317**	**139,156**	**102,863**	**88,141**
Other operating income	3,377	1,936	2,083	1,075
Total operating income	**180,694**	**141,092**	**104,947**	**89,215**
Cost of goods sold	–129,296	–102,640	–74,498	–64,871
Gross profit	**51,399**	**38,452**	**30,449**	**24,344**
Personnel expenses	–3,191	–2,829	–1,616	–1,458
Depreciation of intangible assets and property, plant and equipment	–609	–354	–314	–205
Other operating expenses	–30,867	–25,079	–17,660	–15,133
Earnings before interest and taxes (EBIT)	**16,732**	**10,190**	**10,859**	**7,548**
Financial expenses	–18	–12	–13	–11
Financial income	60	192	30	58
Net financial result	**43**	**180**	**17**	**48**
Earnings before taxes (EBT)	**16,775**	**10,370**	**10,875**	**7,595**
Income taxes	–5,410	–3,358	–3,516	–2,484
Consolidated net income	**11,364**	**7,012**	**7,360**	**5,111**
Thereof allocable to:				
Shareholders of Delticom AG	11,364	7,012		
Earnings per share (basic)	0.96	0.59		
Earnings per share (diluted)	0.95	0.59		

Statement of Recognised Income and Expenses

in € thousand	01.01.2010 - 30.06.2010	01.01.2009 - 30.06.2009	01.04.2010 - 30.06.2010	01.04.2009 - 30.06.2009
Consolidated Net Income	**11,364**	**7,012**	**7,360**	**5,111**
Changes in the financial year recorded directly in equity				
Changes in currency translation	25	20	13	15
Changes in value of financial assets in the “available-for-sale assets” category				
Changes in current value recorded directly in equity	2	29	0	18
Recognition of settled hedging transactions with effect on income	–22	–60	–22	–44
Deferred tax on current changes without effect on income	7	10	7	10
Other comprehensive income for the period	**11**	**–2**	**–2**	**–1**
Total comprehensive income for the period	**11,375**	**7,011**	**7,357**	**5,110**

Consolidated Balance Sheet

Assets

in € thousand	30.06.2010	31.12.2009
Non-current assets	**7,527**	**6,910**
Intangible assets	1,168	1,198
Property, plant and equipment	6,077	5,424
Deferred taxes	105	154
Other receivables	177	134
Current assets	**114,465**	**99,938**
Inventories	71,836	42,858
Accounts receivable	12,051	10,148
Other current assets	7,765	6,289
Securities	1,034	3,039
Cash and cash equivalents	21,779	37,603
Assets	**121,992**	**106,848**

Shareholders' Equity and Liabilities

in € thousand	30.06.2010	31.12.2009
Equity	**50,108**	**58,794**
Subscribed capital	11,839	11,839
Share premium	24,178	24,112
Other components of equity	–90	–101
Retained earnings	200	200
Net retained profits	13,981	22,744
Liabilities	**71,884**	**48,054**
Non-current liabilities	**519**	**482**
Non-current provisions	36	42
Deferred tax liabilities	484	440
Current liabilities	**71,364**	**47,573**
Provisions for taxes	1,573	2,915
Other current provisions	674	627
Accounts payable	60,052	36,645
Other current liabilities	9,065	7,386
Shareholders' equity and liabilities	**121,992**	**106,848**

Consolidated Cash Flow Statement

in € thousand	01.01.2010 - 30.06.2010	01.01.2009 - 30.06.2009
Earnings before interest and taxes (EBIT)	**16,732**	**10,190**
Depreciation of intangible assets and property, plant and equipment	609	354
Changes in other provisions	40	21
Net gain on the disposal of assets	–2	–1
Changes in inventories	–28,977	–11,867
Changes in receivables and other assets not allocated to investing or financing activity	–3,386	–7,030
Changes in payables and other liabilities not allocated to investing or financing activity	25,152	4,728
Interest received	60	192
Interest paid	–18	–12
Income tax paid	–6,708	–2,548
Cash flow from operating activities	**3,502**	**–5,973**
Proceeds from the disposal of property, plant and equipment	10	2
Payments for investments in property, plant and equipment	–1,170	–2,497
Payments for investments in intangible assets	–69	–82
Changes in liquidity reserve	2,005	10,585
Cash flow from investing activities	**776**	**8,008**
Dividends paid by Delticom AG	–20,127	–11,839
Cash flow from financing activities	**–20,127**	**–11,839**
Changes in cash and cash equivalents due to currency translation	25	20
Cash and cash equivalents at the start of the period	37,603	29,339
Changes in cash and cash equivalents	–15,824	–9,785
Cash and cash equivalents - end of period	**21,779**	**19,553**
For information only:		
Liquidity - start of period	**40,642**	**42,959**
Changes in cash and cash equivalents	–15,824	–9,785
Changes in liquidity reserve	–2,005	–10,585
Liquidity - end of period	**22,813**	**22,589**

Statement of Changes in Shareholders' Equity

in € thousand	Sub-scribed capital	Share premium	Reserve from currency translation	Revaluation Reserve	Accumulated profits / losses: Retained earnings	Accumulated profits / losses: Net retained profits	Accumulated profits / losses: total	Total equity
as of 1 January 2009	**3,946**	**31,809**	**–128**	**41**	**200**	**14,355**	**14,555**	**50,224**
Capital increase from company funds	7,893	–7,893						
Increase in share premium due to stock options		97						97
Dividends paid						–11,839	–11,839	–11,839
Total comprehensive income for the period			20	–22		7,012	7,012	7,011
as of 30 June 2009	**11,839**	**24,013**	**–108**	**20**	**200**	**9,528**	**9,728**	**45,492**
as of 1 January 2010	**11,839**	**24,112**	**–124**	**23**	**200**	**22,744**	**22,943**	**58,794**
Increase in share premium due to stock options		66						66
Dividends paid						–20,127	–20,127	–20,127
Total comprehensive income for the period			25	–14		11,364	11,364	11,375
as of 30 June 2010	**11,839**	**24,178**	**–99**	**9**	**200**	**13,981**	**14,181**	**50,108**

Notes to the Consolidated Interim Financial Statements of Delticom AG

Segment results

H1 09

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**130,794**	**8,362**	**0**	**139,156**
Other operating income	431	62	1,443	1,936
Cost of goods sold	–95,618	–7,022	0	–102,640
Gross profit	**35,606**	**1,403**	**1,443**	**38,452**
Personnel expenses	–1,119	–225	–1,485	–2,829
Depreciation and amortization	–259	0	–95	–354
thereof property, plant and equipment	–209	0	–75	–284
thereof intangible assets	–50	0	–21	–71
Other operating expenses	–21,922	–508	–2,649	–25,079
thereof bad debt losses and one-off loan provisions	–787	–44	0	–831
Segment result	**12,306**	**670**	**–2,786**	**10,190**
Net financial result				180
Income taxes				–3,358
Consolidated net income				**7,012**

H1 10

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**169,686**	**7,631**	**0**	**177,317**
Other operating income	411	64	2,903	3,377
Cost of goods sold	–122,612	–6,684	0	–129,296
Gross profit	**47,485**	**1,012**	**2,903**	**51,399**
Personnel expenses	–1,328	–193	–1,669	–3,191
Depreciation and amortization	–529	0	–79	–609
thereof property, plant and equipment	–462	0	–55	–517
thereof intangible assets	–67	0	–24	–92
Other operating expenses	–27,449	–464	–2,954	–30,867
thereof bad debt losses and one-off loan provisions	–719	–91	0	–811
Segment result	**18,178**	**354**	**–1,800**	**16,732**
Net financial result				43
Income taxes				–5,410
Consolidated net income				**11,364**

Reporting companies

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 108 online shops in 35 countries, the company offers its private and business customers a broad assortment of car tyres, motorcycle tyres, truck tyres, bus tyres, special tyres, bicycle tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. Further information about the reporting company can be found in the chapter *Business Operations* and in the chapter *Organisation* of the interim management report.

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

Delticom's consolidated interim financial statements as of 30.06.2010 were prepared according to the *International Financial Reporting Standards* (IFRS), as prescribed by the International Accounting Standards Board (IASB), that were mandatory according to the European Union (EU) Directive. All applicable and mandatory IFRS standards on the balance sheet date were applied, especially IAS 34 (Interim Financial Reporting).

To the extent that there were no changes to standards requiring first-time application, the accounting, valuation and calculation methods explained in the 2009 Consolidated Financial Statements have also been applied in this set of interim financial statements, and apply correspondingly. These interim financial statements contain all clarifications and information required for annual financial statements, and can therefore be read in conjunction with the annual financial statements as of 31.12.2009.

The Annual Report 2009 is made available on the Delticom website in the section *Investor Relations* or can be downloaded directly using the following link:

www.delti.com/Investor_Relations/Delticom_AnnualReport_2009.pdf

Group of consolidated companies

The group of consolidated companies comprises Delticom AG as controlling company, two domestic and three foreign subsidiaries, all fully consolidated in the interim financial accounts. Compared with the Annual Report for fiscal year 2009 there were no changes in the group of consolidated companies.

Seasonal effects

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

The third quarter is a transitional quarter between the summer and winter business, with unit sales again being somewhat weaker. In most European countries, the last quarter generates the highest sales as car drivers face difficult road conditions and become aware of the fact that they need new tyres.

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

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

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

in € thousand	H1 10	H1 09
Transportation costs	15,843	12,368
Warehousing costs	1,939	1,345
Credit card fees	1,267	965
Bad debt losses and one-off loan provisions	811	831
Marketing costs	3,571	3,653
Operations centre costs	1,844	1,791
Rents and overheads	1,615	774
Financial and legal costs	1,115	972
IT and telecommunications	346	264
Expenses from exchange rate differences	1,913	1,548
Other	604	568
Total	**30,867**	**25,079**

Unusual items

No significant matters have arisen that affect the assets, liabilities, equity, result for the period, or cash flows, and which are unusual for Delticom AG's business due to their type, extent or frequency. Business trends are explained in the interim management report.

Earnings per share

Basic earnings per share totalled € 0.96 (H1 09: € 0.59). The diluted earnings per share totalled € 0.95 (H1 09: € 0.59).

Calculation of earnings per share

Earnings per share are calculated according to IAS 33. During the year under review, there were 15,810 potential shares (financial instruments and other agreements which entitle their holders to subscribe to ordinary shares) from the tranche dated 22.11.2007, 37,500 potential shares from the tranche dated 08.05.2008, 37,500 potential shares from the tranche dated 25.11.2008 and 15,000 potential shares from the tranche dated 30.03.2009.

As the exercise price for the tranche dated 22.11.2007 was higher than the average share price since the option were on, this tranche was not included in the diluted earnings per share. The exercise prices for the tranches 08.05.2008, 25.11.2008 and 30.03.2009 were below the average share prices since the options were issued. As a result these tranches are included in the diluted earnings per share.

The calculation of the earnings per share was based on net income after taxes totalling € 11,364,224.23 (H1 09: € 7,012,407.86) and the weighted average number of shares outstanding during the fiscal year. The calculation of the diluted earnings per share was based on the weighted average number of shares outstanding during the fiscal period, plus the number of potential shares from options, in total 11,929,440 shares (H1 09: 11,922,107 shares).

Dividends

On 12 May 2010 Delticom has paid a dividend of € 1.70 for fiscal year 2009.

Related parties disclosure

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

In the reporting period, goods and services worth € 690 thousand (H1 09: € 1,023 thousand) were purchased from related companies, and goods and services worth € 1,531 thousand (H1 09: € 822 thousand) were sold to related companies. Accounts receivable from business with related companies amounted to € 1,304 thousand (H1 09: € 888 thousand) and accounts payable totalled € 194 thousand (H1 09: € 283 thousand).

Contingent liabilities and other financial commitments

As compared to 31.12.2009, the situation with regards to other financial commitments has changed significantly:

Commitments arising from order commitments for goods of € 9,441 thousand (31.12.2009: € 2,777 thousand) are due within one year. Commitments arising from operating leases as well as miscellaneous financial commitment are due in subsequent periods to an amount totalling € 25,695 thousand (31.12.2009: € 40,022 thousand), of which € 5,844 thousand (31.12.2009: € 7,086 thousand) are due within one year, € 11,834 thousand (31.12.2009: € 16,446 thousand) are due between two and five years, and € 8,017 thousand (31.12.2009: € 16,490 thousand) are due in over five years.

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

Employees

From 01.01.2010 to 30.06.2010 Delticom had an average of 96 employees (thereof 9 apprentices and interns). The calculation is based on full-time equivalents, thus taking into account the actual work hours.

Key events after the reporting date

After the reporting date, Delticom entered into an operating leasing agreement for a warehouse. The financial commitments arising from this operate leases agreement amount to € 9,694 thousand due between two and five years and € 19,387 thousand due in more than five years.

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

The interim financial statements and the interim management report has been reviewed by our auditors.

German Corporate Governance Codex

The website www.delti.com/entsprechungserklaerung.html shows the current statements made by the Managing and Supervisory boards of Delticom AG pursuant to Section 161 of the German Public Limited Companies Act (AktG).

Responsibility Statement

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

Hanover, 09 August 2010

(The Management Board)

Auditors' Report

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

We have reviewed the condensed consolidated interim financial statements – comprising the condensed income statement, condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Delticom AG, Hanover, for the period from January 1, 2010 to June 30, 2010 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the re-view so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

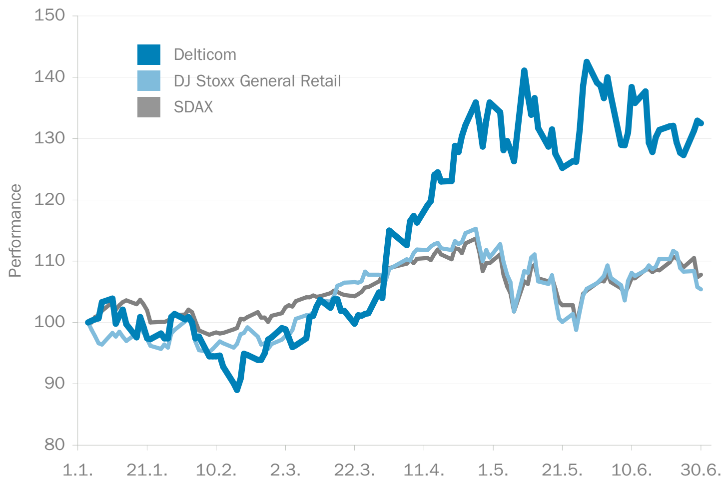
Hanover, 09 August 2010

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer
German Public Auditor

ppa. Thomas Monecke
German Public Auditor

The Delticom Share



WKN	514680
ISIN	DE0005146807
Reuters / Bloomberg	DEXGn.DE / DEX GR
Index membership	SDAX, CXPR, GEX, NISAX
Type of shares	No-par value, registered
Transparency level	Prime Standard

19 October 2010	provisional 9M revenues
09 November 2010	full 9-monthly report
22 November 2010	German Equity Forum

		01.01.2010 - 30.06.2010	2009
Number of shares	shares	11,839,440	11,839,440
Share capital	€	11,839,440	11,839,440
Share price on first trading day[1]	€	28.75	13.00
Share price on last trading day of the period[1]	€	38.10	27.61
Share performance[1]	%	+32.5	+112.4
Share price high/low[1]	€	40.98 / 25.60	27,61 / 11,92
Market capitalisation[2]	€ million	451.1	326.9
Average trading volume per day (XETRA)	shares	24,910	9,163
EPS (undiluted)	€	0.96	1.71
EPS (diluted)	€	0.95	1.70
Operating cash flow per share	€	0.30	1.11
Free cash flow per share[3]	€	0.19	0.80

(1) based on closing prices
(2) based on official closing price at end of quarter
(3) Free cash flow = Operating cash flow – capex

Broker	Analyst	Recommendation	Target price	Estimates for 2010 Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Estimates for 2011 Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Buy	43.00	354.0	30.4	8.6	1.78	398.0	32.9	8.3	1.90
Metzler	Jürgen Pieper	Buy	50.00	355.0	32.8	9.2	1.92	408.0	40.4	9.9	2.38
Exane	Andreas Inderst	Outperform	49.00	354.6	32.2	9.1	1.84	412.8	38.8	9.4	2.24
Berenberg	Lars Dannenberg	Buy	42.50	364.0	33.0	9.1	1.94	428.0	39.0	9.1	2.31
BHF	Aleksej Wunrau	Strong Buy	52.00	366.0	37.0	10.1	2.17	406.0	39.0	9.6	2.31
Deutsche Bank	Tim Rokossa	Hold	45.00	356.0	33.0	9.3	1.95	412.0	39.0	9.5	2.30
Macquarie	Marcus Sander	Outperform	39.00	351.5	29.7	8.4	1.72	395.0	35.1	8.9	2.02
		Average	45.79	357.3	32.6	9.1	1.90	408.5	37.7	9.2	2.21

as of 4 August 2010

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