

9-months report 2007

Highlights from the first nine months of 2007

- Revenues up + 34.1% compared to the previous year's first nine months from € 108.9 million to € 146.0 million
- + 38.6% revenue growth in eCommerce segment (compared to previous year)
- EBIT increased to € 6.9 million (same period in previous year: € 4.1 million)
- EBIT Margin up to 4.7% (from 3.7% in prior year period)
- 438 thousand new eCommerce customers, more than 126 thousand repeat customers
- Broad product range with more than 100 tyre brands and 25,000 tyre types
- Number of service partners up to more than 20,000
- 81 Online-Shops, established domains with high awareness
- Delticom's presence grows to 30 countries as of 30 September 2007

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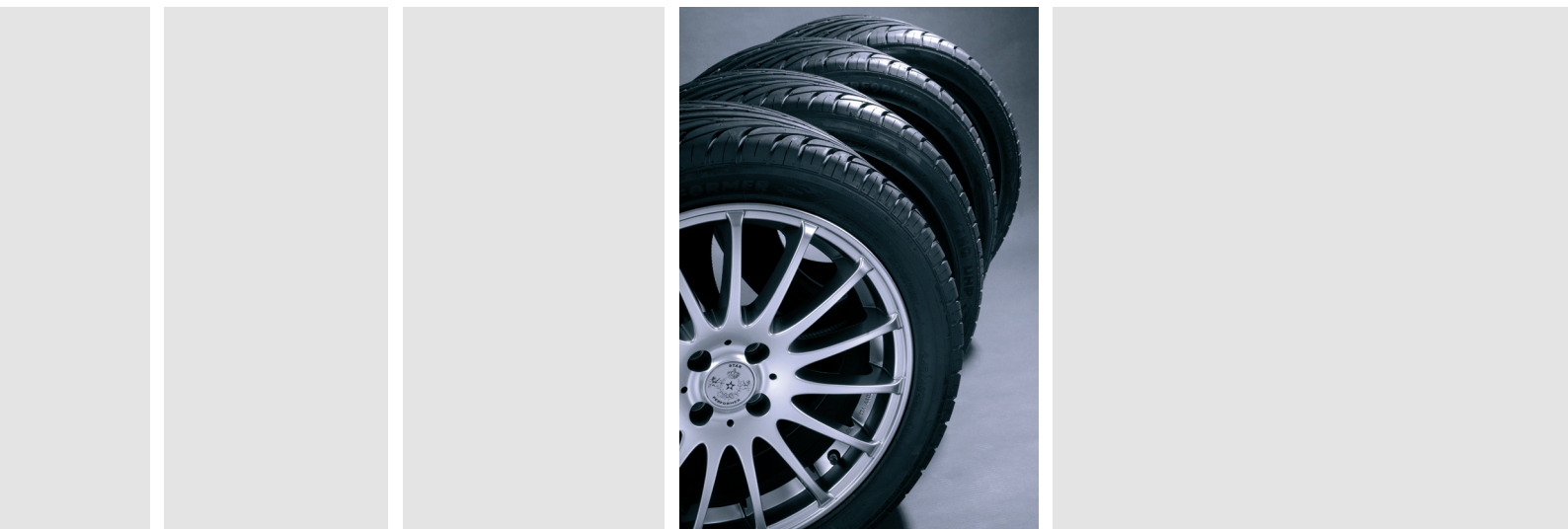
The share

Delticom AG's shares have been traded on Frankfurt Stock Exchange's Prime Standard since 26 October 2006. The issuing price for the shares offered during Delticom AG's IPO was 36.00 €. Proceeds of € 30.6 million (less costs) accrued to Delticom AG from the IPO. According to Deutsche Börse's definition, on 30 September 2007 the free float totalled 47.90% (in relation to the total number of shares of 3,946,480). The lock-up period for the Co-CEOs Rainer Binder (via Binder GmbH) and Andreas Prüfer (via Prüfer GmbH) has expired on 26 October 2007.

The company went public to support its forecast further growth and to provide new equity to continuously improve its operating business. The new equity allows the company to prepare for its continued sales growth and increase the attractiveness of its business model for its customers:

- Delticom is investing in warehousing and logistics as well as its IT infrastructure.
- Its excellent capitalization allows it to manage its working capital to optimize margins.
- The awareness of the new online-shops (i.e. websites for individual countries and goods) can be heightened via increased advertising.

After an interim high of 68.50 € in May 2007, Delticom shares closed at 64.40 € on 28 September 2007, the last trading day in the reporting period.



Group interim management report

1 Business and underlying conditions

1.1 The company

Delticom was founded in Hanover in 1999 and has grown to become Europe's leading Internet tyre retailer. The company operates in the two segments, eCommerce and Wholesale.

In its **eCommerce** segment, Delticom operates 81 online shops in 30 countries, and this division will continue to make a strong contribution to the company's growth in the coming years. The company offers its private and business customers a wide range of products in its online shops, including car tyres, motorcycle tyres, truck tyres, bus tyres, their respective rims, complete wheels (pre-mounted tyres on rims), select replacement car parts and accessories, engine oils and batteries. Delticom has well-established Internet domains that already enjoy a high level of awareness within the target group. Delticom's customers receive information on product characteristics and alternatives; they benefit from a comprehensive range of goods with more than 100 tyre brands and more than 25,000 tyre types. Almost all revenues in the eCommerce segment are recorded from the sale of tyres and complete wheels. Tyres can be delivered to any of more than 20,000 service partners worldwide (4,900 of which are located in Germany), who then mount the tyres on the customers' vehicles.

The Delticom group's **Wholesale segment** sells tyres to wholesalers and large retailers in Germany and abroad. This business division is not expected to grow significantly in the coming years but continues to be strategically important for the group. Wholesale provides Delticom with key market information, including information on current price structures and existing inventories in the sector. Delticom's wholesale business also enables the group to shift larger volumes at short notice and to quickly gain a foothold in new countries using drop-ship logistics.

1.2 Market environment

Internet tyre sales are determined by two key factors: Internet users' basic buying behaviour as well as developments on the tyre market.

1.2.1 Internet and eCommerce

The rise of the Internet as a global tool for communication, research and trade is reflected in the strong growth in the number of Internet users in recent years. In 2006 this figure surpassed one billion users for the first time. According to estimates by the *Bundesverband Informationswirtschaft, Telekommunikation und neue Medien* (BITKOM - German association

for IT, telecommunications and new media), one in five people on earth now have access to the Internet - either at home or at work. According to Eurostat, the number of adult Internet users has also grown constantly over the past few years, with the result that 49% of all EU households are now online. According to a study by the independent technology and market research company Forrester Research, the number of European Internet users aged 16 or older will increase from around 171 million in 2005 to around 217 million by 2008.

Purchases are increasingly made via the Internet, and the medium is providing companies in this segment with new opportunities to optimize traditional sales channels. According to the *Bundesverband des Deutschen Versandhandels* (BVH – German Mail Order Association), German consumers alone spent € 10 billion on shopping via the Internet last year; this figure is estimated at € 11 billion for 2007. Forrester Research estimates that eCommerce revenues will total € 250 billion in Europe in 2011, of which German users alone contribute € 62 billion. This growth is driven by the increasing popularity of the Internet as a sales channel and the ease of access to the Internet. The increase in online shopping is often put down to the lower prices compared to bricks and mortar retailers. The effortlessness of ordering from home also plays a key role, as does the larger selection and better availability of product information to help comparisons.

In comparison to other products, buying tyres online is still unusual. Last year, according to a study by the Bonn-based market and opinion research company EuPD Research, the proportion of online retailers active in Germany in the „car and accessories“ segment totalled just 2.8%. Although the Internet is still a developing sales channel, a trend toward buying tyres online can be identified in all key markets in Europe and also in the USA. This is also confirmed by a recent study by the Allgemeiner Deutscher Automobil-Club (ADAC – German Automobile Association, „Reifenmonitor 2007“). Car drivers were asked: „Where did you last buy car tyres?“ 2.5% of respondents said the „Internet“, compared with just 1.8% last year. This figure even totalled 4.8% among the younger target group of 18 to 39-year olds (previous year 3.3%). This growth should become even stronger in the future.

1.2.2 The tyre market

The **global tyre market** can be broken down into initial sets of tyres (pre-mounted on new cars) and replacement tyres. The entire annual tyre market for all vehicle types is estimated at around 1 billion tyres. Of this total, around three quarters are replacement tyres for the **replacement tyre market** on which the Delticom group's companies operate. According to the Bundesverband Reifenhandel und Vulkaniseur-Handwerk (BRV – German Tyre Retail and Vulcanization Trade Association), last year 47.40 million car tyres (retail and consumer, replacement tyre business) were sold in Germany, of which 24.70 million were winter tyres. Associations and experts are forecasting that growth in the underlying figures for the replacement car business will be in line with past growth: The number of cars is increasing constantly (3.47 million new registrations in 2006, number of cars up 1.0% to 46.57 million), the amount driven will remain stable and tyre mileage will remain practically unchanged.

The tyre retail business in the northern parts of Europe and especially in the German, Austrian and Swiss markets is significantly impacted by the seasons as a result of greatly varying **weather and road conditions**. As a result, trading in Germany – Delticom's biggest single geographical market – shows a seasonal pattern with two peaks: Summer tyre business in spring and winter tyre business in autumn and winter.

2 Financial position and results of operations

In total, the company has been able to significantly lift its revenues and earnings. During the first nine months of the current fiscal year, Delticom was able to improve its revenues by around 34.1% to € 146.0 million compared to the same period in 2006 (€ 108.9 million). Earnings before interest and taxes (EBIT) increased by 69.1% from € 4.1 million in the first nine month 2006 to € 6.9 million. Net income for the period increased year-on-year by 91.5% from € 2.5 million to € 4.8 million. Earnings per share were up by 45.6% from € 0.81 to € 1.22.

2.1 Revenues

Revenues in the key **eCommerce segment** were up + 38.6% in the first nine months of 2007 to € 132.2 million from € 95.3 million for the same period in the previous year. The percentage of total revenues contributed by the eCommerce segment has grown constantly over the past months: In the reporting period eCommerce already accounted for 90.5% of total revenues, compared to 87.5% in the previous year.

Revenues in the first quarter were up significantly compared to the corresponding period of the previous year: On the one hand, as result of the sudden cold snap in January after the previous mild winter quarter, it was possible to sell tyres at excellent margins in January. March was then unseasonably warm, and many summer tyres were sold at the end of the first quarter. As a result, the increase in revenues from Q1 2006 to Q1 2007 totalled 69.4%, much higher than the 28.9% increase from Q2 2006 to Q2 2007. It was only possible to sell a relatively small number of winter tyres in Q3 2007 compared to the previous year as a result of the mild weather. In spite of this, however, revenues in the eCommerce segment were up 31.5% on Q3 2006 from € 28.9 million to € 38.0 million.

This division's positive growth is mainly due to the significant growth in the **customer base**. The number of registered customers in the eCommerce segment, meaning the customers who have purchased at least once from Delticom in the past (including the current fiscal year) increased from 1,069 thousand at the end of Q3 06 to 1,686 thousand one year later. In the nine months of 2007 Delticom acquired more than 438 thousand new eCommerce customers. It is equally pleasing that more than 126 thousand customers bought tyres at Delticom in the period under review who had already registered as customers in prior periods (repeat customers).

In the **Wholesale segment**, revenue growth is practically flat on a year-on-year basis. Wholesale primarily provides the group with an opportunity to gain ground in new countries and to build up a business network in diverse tyre markets. In the period under review, revenues in the Wholesale segment totalled € 13.9 million (+ 2.3% compared to prior year period).

Revenues in **Germany** continue to enjoy strong growth, but have been excelled by the growth abroad. As a direct result of Delticom AG's internationalization, the ratio of foreign revenues to total revenues continues to rise. With its total of 81 online shops, Delticom is able to post an increase in revenues and has improved market penetration in all 30 countries. In total, the eCommerce division registered sales in Germany of € 56.3 million (+ 18.1% compared to same period in the previous year), € 71.7 million in other EU countries (+ 52.1%) and € 18.0 million in other countries (+ 28.0%).

2.2 Changes in key expense items

2.2.1 Cost of sales

Delticom's largest expense item is its cost of sales: the tyres bought in as merchandise. The increase in the cost of materials from € 85.1 million in the first nine months of last fiscal year by 30.9% to € 111.3 million in the current fiscal year (76.2% of revenues) is mostly due to the higher revenues. The cost of materials in the eCommerce division increased by 35.9% from € 72.9 million to € 99.0 million (74.9% of segment revenues). In the Wholesale division, the cost of materials increased as a result of the slight increase in segment sales during the period under review by 0.9% to € 12.3 million (previous year: € 12.2 million), corresponding to a cost of materials ratio to segment revenues of 88.7% (previous year: 89.9%).

2.2.2 Personnel expenses

One of the key factors for Delticom's successful growth is that its workflows are mostly automated; only an increasingly small proportion of transactions requires manual supplementary processing. Thanks to these highly efficient operating workflows, the company has been able to keep staff levels low despite increasing transaction volumes. During the period under review, Delticom had an average of 74 employees, and had 85 employees on September 30, 2007 (September 30, 2006: 73). The company can cap its own personnel expenses at a low level by outsourcing to external service providers, some of whom are located in Eastern Europe. Due to hires in the logistics, marketing and finance departments the ratio of personnel expenses to revenues has increased slightly in the reporting period, 2.1% from 1.9% for the same period in the previous year.

2.2.3 Other expenses

In total, **other operating expenses** increased by + € 7.6 million compared to the prior-year period from € 17.9 million to € 25.5 million. Key items:

- Delticom has tyres collected from its delivery points by logistics companies who transport the tyres to the customers. As a result of the increased volume of business, **transport costs** increased by € 3.0 million (+35.3%), in line with the growth in revenues in the eCommerce segment. Transport costs accounted for 7.8% of revenues (previous year: 7.8%).
- **Costs of stocking tyres** increased substantially by € 0.9 million (+92.4%), or 1.3% of revenues (previous year: 0.9%). This is due to the fact that the proportion of warehoused goods sold during the period under review increased slightly compared to drop shipments. In addition, preparations for the winter tyre business include increasing tyre stocks, the bulk of which are only sold in the last quarter of the fiscal year.
- Delticom primarily uses **online marketing** to acquire new customers. In addition, Delticom increases awareness of its online shops via public and press relations. Advertising costs totalled € 3.2 million in the first nine months of the current fiscal year. This corresponds to a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.2%, compared to 1.6% in the first nine month of 2006. This increase is in line with the situation on the market, and is needed to be able to achieve the growth targets for the current fiscal year.
- The hotline and select sections of the customer and supplier workflows have been outsourced to external service providers. The costs for these **operations centers** increased during the period under review by 50.6% from € 1.4 million to € 2.1 million. This is due not only to the increase in the number of operations centers, but also the fact that these took over activities that had not yet been outsourced in the previous year. In terms of revenues, operation center costs thus increased by 1.5% (compared to 1.3% in the first nine month of 2006).

2.3 Earnings growth

Delticom AG's **gross profits** increased during the first nine months of the current fiscal year to € 35.7 million (up 47.2%) compared to € 24.2 million in the same period last year. This corresponds to an increase in the gross profit margin from 22.2% to 24.3%, which is due to a further improvement in purchasing conditions and optimized end customer prices. In addition, gross margin is also higher due to higher direct costs, because Delticom adds those costs to the purchase price to arrive at the gross retail price. During the period under review, more tyres (in relation to the total number) continued to be delivered from Delticom's own warehouses to end customers than in the previous year, which led to a further improvement in the gross profit margin. On a quarterly basis, the gross profit margin increased to 24.7% (Q3 2006: 21.3%).

EBIT improved during the period under review to € 6.9 million (previous year: € 4.1 million). The return on sales, based on EBIT, increased to 4.7% compared to 3.7% last year. This

substantial improvement was due to factors including the increased contribution margin after direct costs (such as transport and warehousing costs) and the fact that there were no more IPO costs (Q3 2006: IPO costs totalling € 0.6 million and cure costs of € 0.5 million). In Q3 2007 the EBIT margin totalled 3.3% (Q3 2006: 1.2%).

As a result of the higher amount of cash and cash equivalents (mostly resulting from the capital accruing to the company from the IPO) and the resulting interest income, the **financial result** in the period under review totalled € 0.8 million (previous year: € 0.1 million).

Net income for the first nine months of the fiscal year totalled € 4.8 million or € 1.22 per share (basic, up 45.6% compared to € 0.81 in the first nine months of the previous year).

2.4 Assets

The company's **non-current assets** totalled € 3.0 million on 30 September 2007, thus just 3.4% (30 September 2006: 5.6%) of total assets. During the first nine months of the year, Delticom's capital expenditure totalled € 1,282 thousand. Of this total, € 579 thousand was invested in property, plant and equipment and € 703 thousand was invested in intangible assets. The key items related to the acquisition of domains (including discontpneus.com, banden.nl) and office and operating equipment.

Of the **current assets**, inventories account for € 43.1 million or approx. 48.0% of total assets (30 September 2006: € 20.7 million/57.1%, 31 December 2006: € 20.8 million/30.5%). The increase in inventories (+ 107.6% compare to previous year) results from higher goods and warehouse stocks in order to be able to cover the seasonal demand for the remainder of the year. In order to constantly improve warehousing efficiency, Delticom invests in equipment in close agreement with logistics service providers. This will be continued within the next months.

On 30 September 2007, **receivables** totalled € 16.9 million, of which € 12.7 million were trade receivables and € 4.2 million were other receivables. The + 52.1% increase in trade receivables (30 September 2006: € 8.3 million) is due to the expansion of eCommerce business. Delticom collects its receivables efficiently. The average payment target for customers on 30 September 2007 for the first nine months of 2007 was 19 days. The year-on-year increase (September 30, 2006: 17 days) is due to the slight increase in Wholesale revenues. In addition, the proportion of orders for which customers pay in advance fell slightly.

Defaults on receivables increased during the period under review compared to the previous year by 27.2% from € 0.7 million to € 0.8 million. The default rate (proportion of receivables losses and individual write-downs to revenues) continues to be low at 0.6% (previous year: 0.6%).

2.5 Financing

Delticom AG had an **equity ratio** of 47.8% at the end of the first nine months of 2007 (31 December 2006: 62.7%). As a result of the IPO on 26 October 2006 net proceeds of € 30.6 million accrued to the group. On 30 September 2007, the company's **cash and cash equivalents** totalled € 26.7 million (after € 34.7 million on 31 December 2006 and € 34.9 million on 30 June 2007).

Liabilities totalled € 46.9 million, of which 99.2% were current. Trade payables account for the bulk of this amount (€ 33.3 million). As intended, these were up + 47.9% (30 September 2006: € 22.5 million), due to the group's strong growth and the corresponding increase in purchase volumes. Days' payables outstanding increased with the build-up in inventories from 52 (30 September 2006) to 64 (30 September 2007) days.

Working capital (current assets less cash and cash equivalents and current, non-interest bearing liabilities) totalled € 26.7 million (compared to € 8.1 million on 30 September 2006).

The cash flow from operating activities, € -1.9 million at the end of the period under review, was substantially lower than at the end of the corresponding period of the previous year (September 30, 2006: € 5.3 million). This is due to the fact that Delticom only partially used supplier credit to finance its stocks in Q3 2007. Manufacturers' price discounts for early payment improved gross profits and the consolidated result, as the discounts granted were higher than the interest rates offered on the money market for short-term deposits of liquid funds. The cash flow from operating activities at the end of the previous quarter (June 30, 2007: € 5.8 million) was higher than at the end of the period under review, as it was possible to sell a large proportion of the stocks of summer tyres during the second quarter (as is the case each year). This pattern then repeats again with a second seasonal high: Some of the stocks of winter tyres have already been paid for and will be sold in Q4. As a result, the management is forecasting a positive cash flow from operating activities at the end of the year.

3 Outlook for the current fiscal year

The focus for activities during the remainder of the fiscal year is to efficiently process the winter tyre business.

Although Delticom has enjoyed excellent growth in the first nine months of the year, it is not yet possible to draw reliable conclusions about sales and earnings growth for the year as a whole from the first nine months alone: The winter tyre business in Q4 is just too important.

4 Opportunities and risks

The weather in the last quarter of the year brings with it major opportunities and risks:

- There is the risk that (as was the case last year) the coming winter will be mild and the number of customers fitting winter tyres will be lower. Management believes that, in this case, revenues will lag the forecast, however margin targets will be reached – as was the case in 2006.
- In the event that the winter is normal in the countries where winter tyres are used (Germany, Switzerland, Austria, France), Delticom is well prepared with its stocks of tyres.
- If the weather develops favourably for Delticom in the fourth quarter, there is the opportunity that the price level will remain high throughout the season, or that it will even increase. Delticom would be able to sell tyres from its own warehouses at higher margins through to the end of the season.

Irrespective of the weather, management believes that it will be possible to sell the bulk of the company's own stocks.

These seasonal effects will continue to lessen as a result of Delticom's continued internationalization, as more summer or all-season tyres are used during the winter months in many countries instead of winter tyres.



Consolidated nine-month financial statements

Consolidated Balance Sheet

of Delticom AG, Hanover, as of September 30, 2007

Assets

in € thousand	30.09.2007	31.12.2006
Non-current assets		
Intangible assets	1,122	463
Property, plant and equipment	845	439
Financial assets	1,000	1,000
Other receivables	56	90
Total non-current assets	3,022	1,992
Current assets		
Securities	10	0
Inventories	43,077	20,791
Trade accounts receivables	12,664	7,544
Other receivables	4,199	3,223
Cash and cash equivalents	26,739	34,661
Total current assets	86,689	66,219
Total assets	89,711	68,211

Shareholders' equity and liabilities

in € thousand	30.09.2007	31.12.2006
Equity		
Subscribed capital	3,946	3,946
Share premium	31,701	31,701
Adjustment item for currency conversion	-7	5
Retained earnings	200	200
Net retained profits	7,002	6,905
Total equity	42,842	42,758
Non-current liabilities		
Non-current provisions	27	19
Deferred tax liabilities	358	227
Total non-current liabilities	385	246
Current liabilities		
Provisions for taxes	1,569	2,055
Current short-term liabilities	0	0
Other provisions	14	22
Trade accounts payable	33,255	18,815
Other current liabilities	11,646	4,316
Total current liabilities	46,484	25,208
Total liabilities	46,869	25,454
Total shareholders' equity and liabilities	89,711	68,211

Consolidated Income Statement

Delticom AG, Hanover, as of September 30, 2007

in € thousand	01.01.2007 – 30.09.2007	01.01.2006 – 30.09.2006	01.07.2007 – 30.09.2007	01.07.2006 – 30.09.2006
Revenues	146,029	108,907	44,044	33,492
Other operating income	968	369	399	122
Total operating revenue	146,998	109,275	44,444	33,614
Cost of goods sold	-111,328	-85,051	-33,457	-26,453
Gross profit	35,670	24,224	10,986	7,161
Personnel expenses	-3,108	-2,104	-1,020	-727
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	-218	-154	-88	-55
Other operating expenses	-25,454	-17,892	-8,438	-5,963
Earnings before interest and taxes (EBIT)	6,889	4,074	1,440	416
Financial expenses	-87	-127	-33	-17
Financial income	913	184	267	139
Net financial result	826	58	234	122
Earnings before and taxes (EBT)	7,715	4,132	1,674	539
Income taxes	-2,883	-1,608	-584	-194
Consolidated net income	4,832	2,523	1,090	345

Consolidated Cash Flow Statement

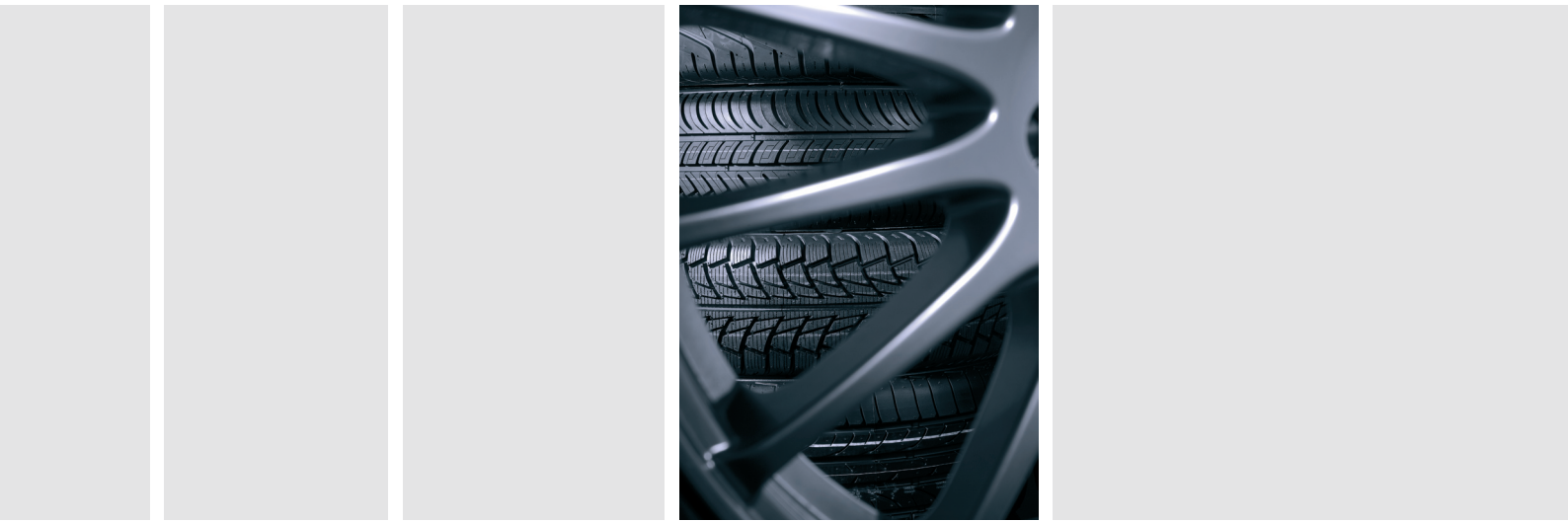
Delticom AG, Hanover, as of September 30, 2007

in € thousand	30.09.2007	30.09.2006
Earnings before interest and taxes (EBIT)	6,889	4,074
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	-218	-154
Increase in other provisions	1	-9
Balance of gains and losses from disposal of assets	0	1
Change in inventories	-22,287	-8,816
Change in trade receivables and other assets that are not to be allocated to investing or financing activities	-5,277	-2,356
Change in trade payables and other liabilities that are not to be allocated to investing or financing activities	21,771	13,896
Interest received	119	184
Interest paid	-87	-127
Income tax paid	-3,239	-1,703
Cash flow from operating activities	-1,892	5,299
Investing activities		
Proceeds from the disposal of property, plant and equipment	0	0
Payments for investments in property, plant and equipment	-579	-207
Proceeds from the disposal of intangible assets	0	0
Payments for investments in intangible assets	-703	-21
Proceeds from the disposal of financial assets	0	0
Payments for investments in financial assets	0	0
Cash flow from investing activities	-1,282	-229
Financing activities		
Dividends paid by Delticom AG	-4,736	-3,096
Decrease of share premium due to IPO costs	0	-385
Proceeds from capital increases	0	0
Loans granted to to the company	0	0
Cash flow from financing activities	-4,736	-3,482
Changes in cash and cash equivalents due to currency translation	-13	-2
Cash and cash equivalents - start of period	34,661	2,105
Net change in cash and cash equivalents	-7,922	1,588
Cash and cash equivalents - end of period	26,739	3,693

Statement of Changes in Shareholders' Equity

Delticom AG, Hanover, as of September 30, 2007

	Subscribed capital	Share premium	Adjustment item for currency conversion	Accumulated profits/ losses			Total Equity
				Retained earnings	Net retained profits	Total	
<i>in € thousand</i>							
Balance at Jan. 1, 2006	3,000	100	2	200	4,051	4,251	7,352
Conversion of convertible bond	97	2,903					3,000
Reduction in share premium from IPO costs		-385					-385
Currency translation differences			0				0
Dividends paid					-3,096	-3,096	-3,096
Offset interim dividend 2003					-330	-330	-330
Consolidated net income					2,523	2,523	2,523
Balance at Sep. 30, 2006	3,096	2,618	1	200	3,148	3,348	9,064
Balance at Jan. 1, 2007	3,946	31,701	5	200	6,905	7,105	42,758
Currency translation differences			-13				-13
Dividends paid					-4,736	-4,736	-4,736
Consolidated net income					4,832	4,832	4,832
Balance at Sep. 30, 2007	3,946	31,701	-7	200	7,002	7,201	42,842



Notes and information on the financial statements

1 Reporting companies

The Delticom group primarily sells tyres via the Internet. It has two divisions: Wholesale and eCommerce. In the Wholesale segment, manufacturers' tyres are sold to wholesalers and procured for the eCommerce segment, including own-name brands. In the eCommerce segment, tyres are sold to retailers, workshops and end consumers via more than 81 online shops in 30 countries in Europe, the USA, Canada and Japan (currently a test shop).

2 Basis of presentation

This half-yearly report as of 30 September 2007 has been prepared according to International Financial Reporting Standards. The accounting and valuation methods for the half-yearly financial statements are in line with IAS 34, GAS 6 and Section 63 of the *Börsenordnung der Frankfurter Wertpapierbörse* (Frankfurt Stock Exchange Rules). During preparation of the interim financial statements and the identification of comparable figures for the previous year, as a rule the same principles of consolidation and accounting and valuation methods were applied as in the 2006 consolidated financial statements. A detailed description of these methods has been published in the notes to the consolidated financial statements in the 2006 annual report, also available online at www.delti.com. According to the provisions of Section 37x(3) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), the Delticom Group's half-yearly report comprises consolidated interim financial statements and a group interim management report. The group interim management report was prepared in accordance with the relevant provisions of the WpHG.

3 Group of consolidated companies

The Delticom group comprises Delticom AG, domiciled in Hanover, as well as three wholly-owned subsidiaries. In addition to Delticom Tyres Ltd. in Oxford, Delticom also holds a 100% interests in the Romanian company Netix SRL and Reifendirekt GmbH in Hanover. The Romanian company provides services, for example call center services, to third-party companies. Hanover-based Reifendirekt GmbH is an advertising agency and purchases advertising for the Delticom group, in part at agency prices.

4 Notes to the consolidated income statement

4.1 Calculation of earnings per share

Earnings per share are calculated in line with IAS 33. As of 30 September 2007 there are no potential shares (financial instruments and other agreements that authorize the bearer to acquire ordinary shares), therefore no diluted earnings per share have been calculated. In order to calculate the earnings per share, earnings for the period after taxes were divided by the number of issued shares (3,946,480).

4.2 Primary segment reporting

January 1 to September 30, 2006

€ thousand	eCommerce	Wholesale	Not allocated	Group
Revenues	95,343	13,564	0	108,907
Other operating income	191	0	178	369
Cost of goods sold	-72,859	-12,192	0	-85,051
Gross profit	22,675	1,372	178	24,224
Personnel expenses	-863	-282	-960	-2,104
Depreciation and amortisation	-66	-44	-44	-154
thereof property, plant and equipment	-44	-44	-44	-132
thereof intangible assets	-22	0	0	-22
Other operating expenses	-15,592	-489	-1,810	-17,892
thereof receivable losses and individual write-downs	-661	0	0	-661
Earnings before interest and taxes (EBIT)	6,154	557	-2,636	4,074
Net financial result				58
Income taxes				-1,608
Consolidated net income				2,523

January 1 to September 30, 2007

€ thousand	eCommerce	Wholesale	Not allocated	Group
Revenues	132,154	13,876	0	146,029
Other operating income	560	42	367	968
Cost of goods sold	-99,023	-12,305	0	-111,328
Gross profit	33,690	1,612	367	35,670
Personnel expenses	-1,159	-286	-1,663	-3,108
Depreciation and amortisation	-90	-54	-74	-218
thereof property, plant and equipment	-58	-51	-64	-173
thereof intangible assets	-33	-3	-9	-45
Other operating expenses	-22,611	-472	-2,372	-25,454
thereof receivable losses and individual write-downs	-836	-6	0	-841
Earnings before interest and taxes (EBIT)	9,831	801	-3,742	6,889
Net financial result				826
Income taxes				-2,883
Consolidated net income				4,832

4.3 Secondary segment reporting

€ thousand	January 1, 2007 – Sept. 30, 2007	January 1, 2006 – Sept. 30, 2006
Germany	56,289	47,663
Other EU countries	71,720	47,163
USA and other	18,020	14,080
Total	146,029	108,907

4.4 Additional disclosures**4.4.1 Number of employees**

The company had an average of 74 employees during the period under review. This calculation is based on the number of employees taking into account the number of hours worked.

4.4.2 Seasonal effects

Delticom AG's business is significantly impacted by the seasons as a result of greatly varying weather and road conditions in northern Europe and above all on the German, Austrian and Swiss markets. As a result, the fiscal year in Germany is marked by two main periods: consumers buy summer tyres in the spring and winter tyres in the fall. The first quarter is traditionally weak, as the bulk of winter tyres are already purchased and mounted in autumn, when the weather generally becomes colder and snow starts to fall. The second quarter is

strong, as the weather is sometimes very warm in April, May and June, and car drivers buy their new summer tyres. The third quarter is a transitional period between the summer and winter tyre business, and the sales volume and revenue again fall significantly while stocks of winter tyres are bought in. The last three months of the year are traditionally the strongest quarter in Germany, as many consumers become aware of the need to have new tyres when driving conditions become difficult. Delticom uses periods with lower sales to expand and set up new divisions. Management believes that the seasonal effects will lessen in line with further international expansion, as winter tyres are not used in particular in southern Europe and the UK.

4.4.3 German Corporate Governance Code

The current declarations made by Delticom AG's Managing and Supervisory Boards within the meaning of Section 161 of the Aktiengesetz (AktG - German Public Limited Companies Act) on the German Corporate Governance Code are available at www.delti.com.

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