



# 9-Monthly Report 2011

## Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 100 online shops in 41 countries, among others the *ReifenDirekt* domains in [Germany](#), [Switzerland](#) and [Austria](#), [mytyres.co.uk](#) in UK and in France. 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 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 29,000 service partners (8,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

## Key Figures

		01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010 *	–/+ (%, %p)
Revenues	€ million	297.7	257.0	+15.8
Total income	€ million	303.6	260.8	+16.4
Gross margin <sup>1</sup>	%	26.6	27.1	–0.6
Gross profit	€ million	85.0	73.5	+15.6
EBIT	€ million	28.2	22.9	+23.3
EBIT margin <sup>2</sup>	%	9.5	8.9	+0.6
Net income	€ million	19.0	15.3	+23.9
Earnings per share <sup>3</sup>	€	1.60	1.30	+23.9
Total assets	€ million	179.1	127.3	+40.7
Inventories	€ million	122.9	76.5	+60.7
Investments <sup>4</sup>	€ million	8.0	1.9	+330.7
Capital Employed <sup>5</sup>	€ million	62.2	54.3	+14.6
Return on Capital Employed <sup>6</sup>	%	45.3	42.1	+3.2
Equity	€ million	58.3	54.0	+8.0
Equity ratio	%	32.6	42.4	–9.9
Return on equity	%	32.6	28.4	+4.2
Liquidity position <sup>7</sup>	€ million	11.7	24.3	–51.9
Operating cash flow	€ million	–26.0	5.7	
Free cash flow <sup>8</sup>	€ million	–34.0	3.9	

\* restated according to IAS 8, due to changes in inventory valuation method, see Statements and Notes

(1) Gross profit ex other operating income in % of revenues

(2) Consolidated earnings before interest and taxes (EBIT) to revenues

(3) Undiluted

(4) Investments in tangible and intangible assets

(5) Capital Employed = total assets – current liabilities

(6) ROCE = EBIT / Capital Employed

(7) Liquidity position = cash and cash equivalents + liquidity reserve

(8) Free cash flow = Operating cash flow – Capex

## **Table of contents**

2	Interim Management Report of Delticom AG
12	Consolidated Interim Financial Statements of Delticom AG
16	Notes to the Interim Consolidated Financial Statements of Delticom AG
24	Responsibility Statement
25	The Delticom Share

## Interim Management Report of Delticom AG

### Economic Environment

**Macroeconomic developments** Europe's economic decline continued to accelerate in recent months. While the debt crisis is increasingly weighting on the economy in Germany and other core countries, some peripheral countries remain locked in a deep recession.

The ongoing tensions on the financial markets and the uncertain outlook are also burdening demand. As a result, the consumer climate deteriorated perceptibly in the third quarter.

**Tyre markets** Prices for natural rubber, a key input factor for the tyre industry, have fallen slightly since reaching a historic high in February. Tyre manufacturers were nevertheless forced to increase prices in recent months to compensate for at least some of their higher purchasing costs.

This year's winter tyre season started relatively early at the end of the last quarter, despite the mild weather. Tyre retailers have increased their stock levels year-on-year, which has helped to hold off market-wide shortages so far. The rest of the season will largely depend on when and to what extent winter comes to Europe.

### Business performance and earnings situation

For the reporting date of 30.06.2011 the inventory valuation method was changed from a simple weighted average to a floating weighted average. In accordance with IAS 8, the new method was applied retrospectively as of 01.01.2010; for motivation and resulting effects see notes *Change of inventory valuation method*.

#### Revenues

**Group** 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 9M11 the company recognised revenues of € 297.7 million, a plus of 15.8% after € 257.0 million in the prior-year period.

**E-Commerce** Revenues in the E-Commerce division with its 125 online shops were up year-on-year by 14.0%, from € 244.9 million to € 279.2 million. The share of divisional revenues amounted to 93.8%, compared to 95.3% in the previous year. In 9M11 the company was able to acquire a total of 594 thousand new customers (9M10: 625 thousand, -5.0%). During the same period 335 thousand existing customers (9M10: 294 thousand, +13.8%) made repeat purchases at Delticom.

**Wholesale** Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. In the reporting period divisional revenues rose by 53.2% to € 18.5 million, after prior-year revenues of € 12.1 million.

**Revenues by division and region**

in € thousand

	9M11	%	+%	9M10	%	+%	9M09	%
<b>Revenues</b>	<b>297,695</b>	<b>100.0</b>	<b>15.8</b>	<b>257,014</b>	<b>100.0</b>	<b>27.5</b>	<b>201,597</b>	<b>100.0</b>
<b>Primary Segments</b>								
E-Commerce	279,184	93.8	14.0	244,934	95.3	29.1	189,776	94.1
Wholesale	18,511	6.2	53.2	12,079	4.7	2.2	11,822	5.9
<b>Regions</b>								
EU	227,112	76.3	11.7	203,260	79.1	22.6	165,817	82.3
Rest	70,582	23.7	31.3	53,754	20.9	50.2	35,780	17.7

**Regional split**

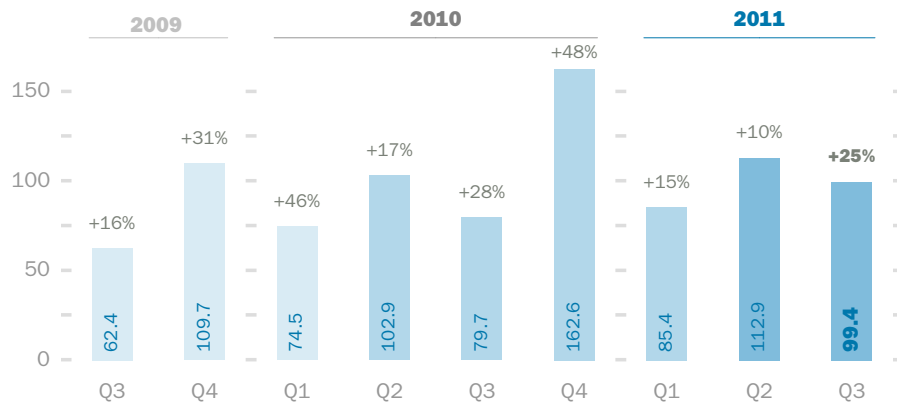
The group offers its product range in 41 countries. Revenues in EU countries totalled € 227.1 million (+11.7%). Operations in Europe are not restricted to EU member states but also includes countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, especially in the USA. Across all non-EU countries the revenue contribution for 9M11 was € 70.6 million (+31.3%).

**Seasonality**

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

**Revenues trend**

quarterly revenues in € million



Due to this year's lack of snow across Europe, winter tyre sales at the beginning of 2011 were weaker than in the previous year. The European summer tyre trade in Q2 lagged behind expectations, too.

Good summer tyre sales and an early start into the winter tyre season helped third quarter revenues to grow substantially year-on-year. It shows that winter tyres are increasingly in demand, not only in the countries where car drivers traditionally change over from summer to winter tyres but also elsewhere in Europe. In the third quarter, Delticom was able to generate revenues of € 99.4 million (Q310: € 79.7 million) – a plus of 24.7%, in spite of the previous year's strong base.

**Key expense positions**

<b>Cost of goods sold</b>	The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold tyres. Group COGS increased by 16.7% from € 187.3 million in 9M10 to € 218.6 million in 9M11 (73.4% of revenues), primarily due to higher revenues. COGS in the E-Commerce division rose by 14.7% from € 176.6 million to € 202.5 million. In the Wholesale division, COGS rose by 51.1% to € 16.2 million (9M10: € 10.7 million).
<b>Personnel expenses</b>	In the reporting period Delticom employed an average of 111 staff members (9M10: 99). Personnel expenses amounted to € 5.2 million (9M10: € 4.7 million). Compared to the prior-year period, the personnel expenses ratio stood almost unchanged at 1.7% (staff expenditures as percentage of revenues, 9M10: 1.8%).
<b>Marketing</b>	Marketing expenses amounted to € 5.8 million in 9M11, after € 5.3 million in 9M10. Although this represents an increase of 9.9%, the ratio of marketing expenses to revenues was basically flat year-on-year, with a ratio of 2.0% (9M10: 2.1%).
<b>Transportation costs</b>	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. Transportation costs increased in the reporting period from € 22.4 million by 8.2% to € 24.2 million. The share of transportation costs against revenues decreased from 8.7% in 9M10 to 8.1% in 9M11, partly driven by relatively stronger revenue growth resulting from higher selling prices.

**Earnings position**

<b>Gross margin lower</b>	Initially, the summer tyre business had lagged behind expectations until Q2. Starting from August, though, market-wide demand for summer tyre sales has strengthened. Furthermore, winter tyre sales stepped up noticeably in the course of the third quarter. This presented Delticom with the opportunity to grow volume with more attractive prices. As a result, gross margin (trade margin ex other operating expenses) was taken down from 27.7% in Q2 to 25.8% in Q3. Compared with the prior-year period Q311 gross margin thus came in lower (Q310: 27.4%, -1.6%p).  The gross margin for the complete reporting period was 26.6% after 27.1% in the prior-year period. The main reason for this development has been the strong ramp-up of inventories. This year Delticom has enough stock to offer more tyres at better prices, to win more customers.
<b>Other operating income</b>	Other operating for 9M11 increased by 56.0% to € 5.9 million (9M10: € 3.8 million), thereof gains from exchange rate differences to the order of

€ 4.5 million (9M10: € 2.7 million) which are mainly driven by fluctuations in the EUR/USD exchange rate.

#### FX differences

A large share of the tyre purchases is made in foreign currencies. The FX exposure is hedged with forward contracts. FX losses from trade payables and hedges have to be accounted for as line item in the other operating expenses (9M11: € 3.9 million, 9M10: € 3.5 million).

FX gains and losses often accrue differently to different quarters due to the long duration of the underlying transaction and the corresponding hedge. In Q311, the balance of FX income and losses totalled € 1.1 million (Q310: € –1.5 million); in 9M11 they came to € 0.7 million (9M10: € –0.7 million).

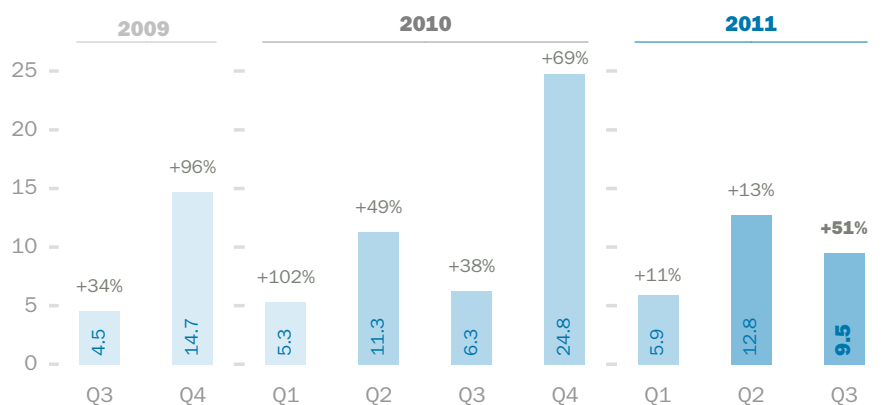
#### Gross profit

Altogether, the gross profit advanced in the reporting period by 15.6% year-on-year, from € 73.5 million to € 85.0 million. Gross profit in relation to total income (€ 303.6 million, 9M10: € 260.8 million) remained more or less unchanged at 28.0% (9M10: 28.2%).

The chart *EBIT* shows the preceding quarters.

#### EBIT

quarterly, in € million



#### EBIT improved

Q311 Earnings before interest and taxes (EBIT) improved by +51.5% to € 9.5 million (Q310: € 6.3 million). This translates into an EBIT margin (EBIT in percent of revenues) of 9.5% (Q310: 7.9%). The EBIT for the total 9M11 came in at € 28.2 million (9M10: € 22.9 million), a plus of 23.3% and an EBIT margin of 9.5% (9M10: 8.9%).

In line with the softer gross margin, however, the Q311 EBIT margin adjusted for FX income and losses (8.5%) would have been lower than in the prior-year

period (Q310 adjusted: 9.7%). For the full nine months the adjusted EBIT margin would have been 9.2% flat year-on-year.

**Financial result remains low** The persistently low Euro money market rates led to a poor financial income of € 96 thousand (9M10: € 80 thousand). In Q3 the company made use of credit lines to help funding inventories. As a result, financial expenses in 9M11 increased to € 90 thousand (9M10: € 25 thousand). The financial result totalled € 6 thousand (9M10: € 54 thousand).

**Income taxes** In 9M11 the expenditure for income taxes was € 9.2 million (9M10: € 7.6 million). This equates to a tax rate of 32.6% (9M10: 33.1%).

**Net income 9M11** Consolidated net income grew from € 15.3 million to € 19.0 million. This corresponds to earnings per share (EPS) of € 1.60 (undiluted, 9M10: € 1.30), a step-up of 23.9%.

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

	9M11	%	+%	9M10	%	+%	9M09	%
<b>Revenues</b>	<b>297,695</b>	100.0	15.8	<b>257,014</b>	100.0	27.5	<b>201,597</b>	100.0
Other operating income	5,939	2.0	56.0	3,807	1.5	49.8	2,541	1.3
<b>Total operating income</b>	<b>303,633</b>	102.0	16.4	<b>260,821</b>	101.5	27.8	<b>204,139</b>	101.3
Cost of goods sold	218,638	73.4	16.7	187,275	72.9	26.8	147,724	73.3
<b>Gross profit</b>	<b>84,995</b>	28.6	15.6	<b>73,546</b>	28.6	30.4	<b>56,415</b>	28.0
Personnel expenses	5,204	1.7	9.8	4,741	1.8	14.3	4,149	2.1
Other operating expenses	50,169	16.9	11.5	44,991	17.5	21.7	36,968	18.3
<b>EBIT</b>	<b>28,188</b>	9.5	23.3	<b>22,865</b>	8.9	55.4	<b>14,718</b>	7.3
Depreciation	1,434	0.5	51.1	949	0.4	63.5	580	0.3
<b>EBITDA</b>	<b>29,622</b>	10.0	24.4	<b>23,814</b>	9.3	55.7	<b>15,298</b>	7.6
Net financial result	6	0.0	-88.7	54	0.0	-70.7	185	0.1
<b>EBT</b>	<b>28,194</b>	9.5	23.0	<b>22,919</b>	8.9	53.8	<b>14,903</b>	7.4
Income taxes	9,189	3.1	21.2	7,582	3.0	55.9	4,862	2.4
<b>Consolidated net income</b>	<b>19,005</b>	6.4	23.9	<b>15,337</b>	6.0	52.7	<b>10,041</b>	5.0

## Financial and assets position

### Cash flow

**Operating cash flow** Delticom opened a new large-scale warehouse in the second quarter. Following the accelerated buildup of stock levels to € 122.9 million (31.12.2010: € 52.2 million), net working capital increased to € 42.5 million (31.12.2010: € 1.8 million). Consequently, cash flow from ordinary business activities (operating cash flow) for the period under review came in significantly lower than last year, at € -26.0 million (9M10: € 5.7 million).



**More investments**

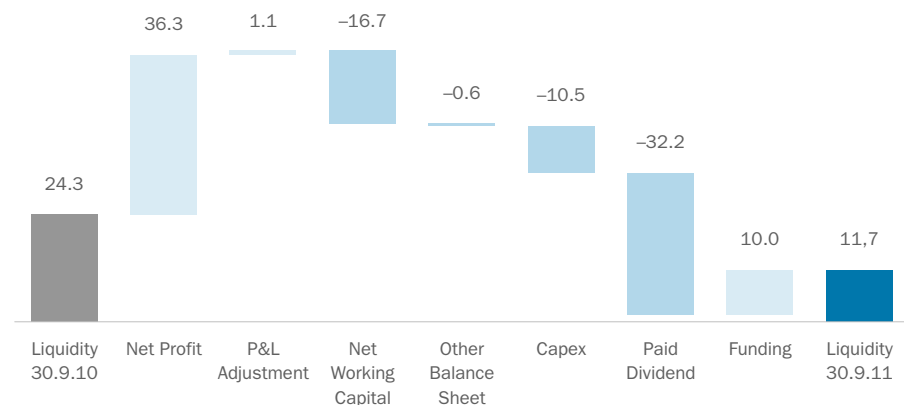
In line with the expansion of the warehouse capacity the investments into property, plant and equipment for the nine months grew to € 7.9 million, significantly more than last year (9M10: € 1.8 million). Taken together with the investments into intangible assets amounting to € 96 thousand, in 9M11 a total of € 8.0 million of the investments (*capex*) resulted in a cash outflow (9M10: € 1.9 million).

**Financing activities**

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –22.2 million. The disbursements due to redemption of loans (€ –0.5 million) and the payout of the 2010 cash dividend (€ –32.2 million) were accompanied by payments coming from the utilisation of credit lines and raising of loans (€ 10.4 million), as well as a payment on account of stock options being exercised (€ 0.1 million).

**Liquidity Bridge**

in € million

**Liquidity position**

Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.09.2011 totalled € 11.7 million (30.09.2010: € 24.3 million, 31.12.2010: € 67.8 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € 1.8 million.

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

**Balance sheet structure**

As of 30.09.2011 the balance sheet total amounted to € 179.1 million (31.12.2010: € 149.3 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

**Abridged balance sheet**

in € thousand

	30.09.11	%	±%	31.12.10	%	±%	31.12.09	%
<b>Assets</b>								
Non-current assets	16,725	9.3	64.5	10,169	6.8	47.2	6,910	6.5
Fixed assets	16,259	9.1	68.4	9,654	6.5	45.8	6,621	6.2
Other non-current assets	466	0.3	-9.6	516	0.3	78.6	289	0.3
Current assets	162,354	90.7	16.7	139,178	93.2	39.3	99,938	93.5
Inventories	122,938	68.7	135.4	52,227	35.0	21.9	42,858	40.1
Receivables	27,717	15.5	45.0	19,117	12.8	16.3	16,438	15.4
Liquidity	11,699	6.5	-82.8	67,834	45.4	66.9	40,642	38.0
Securities	0	0.0	-100.0	1,036	0.7	-65.9	3,039	2.8
Cash and cash equivalents	11,699	6.5	-82.5	66,798	44.7	77.6	37,603	35.2
<b>Assets</b>	<b>179,078</b>	<b>100.0</b>	<b>19.9</b>	<b>149,348</b>	<b>100.0</b>	<b>39.8</b>	<b>106,848</b>	<b>100.0</b>
<b>Equity and Liabilities</b>								
Long-term funds	62,245	34.8	-12.8	71,387	47.8	20.4	59,276	55.5
Equity	58,318	32.6	-18.3	71,341	47.8	21.3	58,794	55.0
Long-term debt	3,927	2.2	8538.1	45	0.0	-90.6	482	0.5
Provisions	36	0.0	-21.1	45	0.0	7.8	42	0.0
Liabilities	3,891	2.2		0	0.0	-100.0	440	0.4
Short-term debt	116,833	65.2	49.9	77,961	52.2	63.9	47,573	44.5
Provisions	2,451	1.4	-70.8	8,379	5.6	136.6	3,542	3.3
Liabilities	114,382	63.9	64.4	69,582	46.6	58.0	44,031	41.2
<b>Equity and Liabilities</b>	<b>179,078</b>	<b>100.0</b>	<b>19.9</b>	<b>149,348</b>	<b>100.0</b>	<b>39.8</b>	<b>106,848</b>	<b>100.0</b>

**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 € 70.7 million or 135.4% to € 122.9 million (31.12.2010: € 52.2 million), due to expanded warehouse capacity.

**Receivables**

Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the end of the quarter, the accounts receivable amounted to € 20.4 million, up 87.1% (31.12.2010: € 10.9 million).

**Payables increased in parallel with inventories**

The accounts payable were increased from € 53.6 million by € 38.9 million or 72.5% to € 92.5 million, in parallel with inventories. As part of the € 114.4 million in short-term liabilities as of 30.09.2011, € 92.5 million were recorded as accounts payable, corresponding to a share of 51.6% of balance sheet total.

**Organisation****Legal structure**

As of 30.09.2011, the Delticom Group 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)
- Tyrepac Pte. Ltd., Singapur
- Hongkong Tyrepac Ltd., Hongkong

Delticom AG holds a majority interest amounting to 50.9% in Tyrepac and (indirectly) its subsidiary. Of the other subsidiaries, Delticom AG owns 100% of the outstanding shares.

#### 111 employees

In the reporting period an average of 111 persons were employed at Delticom (9M10: 99), thereof 10 apprentices and trainees. The business is run mainly from the Hanover head office.

### **Significant events after the reporting date**

There were no events of particular importance after the end of the period under review.

### **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 2010 on pages 42ff, together with a list of key individual risks.

Compared to the Annual Report 2010, 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**

#### Economic environment

Key leading indicators for Germany and Europe as whole point towards a downturn in economic output for the end of the year. Economists are split on whether the economy is heading towards stagnation or if current developments only mean a small dip. Regardless of the scenario, consumer uncertainty will probably intensify. The trend will reverse only after both financial and economic conditions register a sustainable improvement.

#### Tyre retail

Despite unusually mild temperatures the tyre trade has reported on a favourable winter tyre business so far. It shows that winter tyres are increasingly in demand,

not only in the countries where car drivers traditionally change over from summer to winter tyres but also elsewhere in Europe.

Sales in the coming weeks will largely depend on the weather. The run on winter tyres will fail to materialise if the snow largely stays away. Prices jumped towards the end of the season last year on account of shortages. We do not expect to see similar price increases even in the event of extensive snowfall, although the media is already reporting about bottlenecks for certain dimensions and markets.

Current trading in the fourth quarter

Current trading has been satisfactory in the fourth quarter to date. Despite a strong prior-year base we expect to increase revenues in the fourth quarter yet again. Our new warehouse was taken into operation in the second quarter. Since then we have succeeded better than expected in increasing winter stock levels. As a result and contrasting with last winter, we have sufficient stock this year. This helps to win new customers with more attractive prices. After an exceptional high-margin business in Q410 (30.6%) we expect the gross margin in the coming months to be at a level similar to the final quarter 2009 (28.8%).

Investments

The strong buildup of inventories led us to bringing forward necessary investments into warehouse infrastructure. As a result, total investments should total around € 10 million for 2011, thus more than the previously expected € 6.5 million.

Liquidity

We can only give a rather uncertain estimate as to liquidity trends. Given the higher level of capital tied up in working capital, liquidity as of the end of 2011 should come in starkly lower than in the previous year. On the back of a favourable course of business, we expect cash and cash equivalents of at least € 35 million. We cannot rule out positive or negative effects relating to the balance sheet date, though.

Forecast remains unchanged

For the full year we continue to expect revenues to grow by around 10%, at an EBIT margin of about one percentage point lower than in 2010.

For the medium term we expect to stay on a double-digit growth path, both for revenues and earnings. We are confident that Delticom will continue to grow at a rate above the market trend.



## Consolidated Interim Financial Statements of Delticom AG

All figures as of 30.09.2010, 31.12.2010, and 30.09.2011, were adjusted on the basis of the change in method pursuant to IAS 8 (please refer to the notes *Change in inventory measurement method*). Since the inventory measurement was adjusted as of 01.04.2011, the figures as of 30.09.2011 include only the adjustments arising from Q111.

### Consolidated Income Statement

in € thousand	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010	01.07.2011 – 30.09.2011	01.07.2010 – 30.09.2010
<b>Revenues</b>	<b>297,695</b>	<b>257,014</b>	<b>99,402</b>	<b>79,696</b>
Other operating income	5,939	3,807	2,821	430
<b>Total operating income</b>	<b>303,633</b>	<b>260,821</b>	<b>102,223</b>	<b>80,127</b>
Cost of goods sold	–218,638	–187,275	–73,716	–57,848
<b>Gross profit</b>	<b>84,995</b>	<b>73,546</b>	<b>28,507</b>	<b>22,279</b>
Personnel expenses	–5,204	–4,741	–1,716	–1,550
Depreciation of intangible assets and property, plant and equipment	–1,434	–949	–620	–340
Other operating expenses	–50,169	–44,991	–16,683	–14,124
<b>Earnings before interest and taxes (EBIT)</b>	<b>28,188</b>	<b>22,865</b>	<b>9,488</b>	<b>6,265</b>
Financial expenses	–90	–25	–77	–8
Financial income	96	80	4	19
<b>Net financial result</b>	<b>6</b>	<b>54</b>	<b>–73</b>	<b>11</b>
<b>Earnings before taxes (EBT)</b>	<b>28,194</b>	<b>22,919</b>	<b>9,415</b>	<b>6,276</b>
Income taxes	–9,189	–7,582	–3,156	–2,214
<b>Consolidated net income</b>	<b>19,005</b>	<b>15,337</b>	<b>6,259</b>	<b>4,062</b>
Thereof allocable to:				
Shareholders of Delticom AG	19,005	15,337		
Earnings per share (basic)	1.60	1.30		
Earnings per share (diluted)	1.59	1.28		

### Statement of Recognised Income and Expenses

in € thousand	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010	01.07.2011 – 30.09.2011	01.07.2010 – 30.09.2010
<b>Consolidated Net Income</b>	<b>19,005</b>	<b>15,337</b>	<b>6,259</b>	<b>4,062</b>
Changes in the financial year recorded directly in equity				
Changes in currency translation	81	–66	169	–91
Changes in value of financial assets in the “available-for-sale assets” category				
Changes in current value recorded directly in equity	3	3	0	1
Recognition of settled hedging transactions with effect on income	–18	–22	–1	0
Deferred tax on current changes without effect on income	5	6	0	0
<b>Other comprehensive income for the period</b>	<b>71</b>	<b>–80</b>	<b>168</b>	<b>–91</b>
<b>Total comprehensive income for the period</b>	<b>19,076</b>	<b>15,257</b>	<b>6,428</b>	<b>3,972</b>

## Consolidated Balance Sheet

### Assets

in € thousand	30.09.2011	31.12.2010	30.09.2010
<b>Non-current assets</b>	<b>16,725</b>	<b>10,169</b>	<b>7,837</b>
Intangible assets	1,064	1,112	1,150
Property, plant and equipment	14,370	7,724	6,380
Financial assets	825	818	0
Deferred taxes	124	169	135
Other receivables	341	347	172
<b>Current assets</b>	<b>162,354</b>	<b>139,178</b>	<b>119,425</b>
Inventories	122,938	52,227	76,486
Accounts receivable	20,447	10,928	14,193
Other current assets	7,270	8,189	4,430
Securities	0	1,036	1,035
Cash and cash equivalents	11,699	66,798	23,281
<b>Assets</b>	<b>179,078</b>	<b>149,348</b>	<b>127,263</b>

### Shareholders' Equity and Liabilities

in € thousand	30.09.2011	31.12.2010	30.09.2010
<b>Equity</b>	<b>58,318</b>	<b>71,341</b>	<b>54,011</b>
Subscribed capital	11,847	11,839	11,839
Share premium	24,311	24,216	24,199
Other components of equity	-88	-159	-181
Retained earnings	200	200	200
Net retained profits	22,048	35,246	17,954
<b>Liabilities</b>	<b>120,760</b>	<b>78,006</b>	<b>73,251</b>
<b>Non-current liabilities</b>	<b>3,927</b>	<b>45</b>	<b>282</b>
Long-term borrowings	3,150	0	0
Non-current provisions	36	45	36
Deferred tax liabilities	741	0	247
<b>Current liabilities</b>	<b>116,833</b>	<b>77,961</b>	<b>72,969</b>
Provisions for taxes	20	6,179	1,214
Other current provisions	2,430	2,200	730
Accounts payable	92,482	53,615	59,179
Short-term borrowings	6,757	0	0
Other current liabilities	15,144	15,967	11,846
<b>Shareholders' equity and liabilities</b>	<b>179,078</b>	<b>149,348</b>	<b>127,263</b>

**Consolidated Cash Flow Statement**

in € thousand	01.01.2011 – 30.09.2011	01.01.2010 – 30.09.2010
<b>Earnings before interest and taxes (EBIT)</b>	<b>28,188</b>	<b>22,865</b>
Depreciation of intangible assets and property, plant and equipment	1,434	949
Changes in other provisions	221	97
Net gain on the disposal of assets	4	0
Changes in inventories	-70,711	-33,628
Changes in receivables and other assets not allocated to investing or financing activity	-8,604	-2,218
Changes in payables and other liabilities not allocated to investing or financing activity	38,049	27,081
Interest received	96	80
Interest paid	-90	-25
Income tax paid	-14,563	-9,476
<b>Cash flow from operating activities</b>	<b>-25,975</b>	<b>5,724</b>
Proceeds from the disposal of property, plant and equipment	2	10
Payments for investments in property, plant and equipment	-7,943	-1,761
Proceeds from the disposal of intangible assets	1	0
Payments for investments in intangible assets	-96	-105
Payments for investments in financial assets	-7	0
Changes in liquidity reserve	1,036	2,004
<b>Cash flow from investing activities</b>	<b>-7,007</b>	<b>147</b>
Dividends paid by Delticom AG	-32,203	-20,127
Payments from additions to capital	98	0
Cash inflow of financial liabilities	10,357	0
Cash outflow of financial liabilities	-450	0
<b>Cash flow from financing activities</b>	<b>-22,198</b>	<b>-20,127</b>
Changes in cash and cash equivalents due to currency translation	81	-66
Cash and cash equivalents at the start of the period	66,798	37,603
Changes in cash and cash equivalents	-55,099	-14,322
<b>Cash and cash equivalents - end of period</b>	<b>11,699</b>	<b>23,281</b>
For information only:		
<b>Liquidity – start of period</b>	<b>67,834</b>	<b>40,642</b>
Changes in cash and cash equivalents	-55,099	-14,322
Changes in liquidity reserve	-1,036	-2,004
<b>Liquidity – end of period</b>	<b>11,699</b>	<b>24,316</b>
Changes in short-term borrowings	-9,907	0
<b>Net Cash – end of period</b>	<b>1,792</b>	<b>24,316</b>



**Statement of Changes in Shareholders' Equity**

in € thousand	Sub- scribed capital	Share premium	Reserve from currency translation	Revaluation Reserve	Accumulated profits / losses Net			Total equity
					Retained earnings	retained profits	total	
<b>as of 1 January 2010</b>	<b>11,839</b>	<b>24,112</b>	<b>-124</b>	<b>23</b>	<b>200</b>	<b>22,744</b>	<b>22,943</b>	<b>58,794</b>
Increase in share premium due to stock options		87						87
Dividends paid						-20,127	-20,127	-20,127
Total comprehensive income for the period			-66	-13		15,337	15,337	15,257
<b>as of 30 September 2010</b>	<b>11,839</b>	<b>24,199</b>	<b>-190</b>	<b>9</b>	<b>200</b>	<b>17,954</b>	<b>18,153</b>	<b>54,011</b>
<b>as of 1 January 2011</b>	<b>11,839</b>	<b>24,216</b>	<b>-169</b>	<b>10</b>	<b>200</b>	<b>35,246</b>	<b>35,446</b>	<b>71,341</b>
Shares of capital increase	8							8
Capital increase of issue new shares		90						90
Increase in share premium due to stock options		6						6
Dividends paid						-32,203	-32,203	-32,203
Total comprehensive income for the period			81	-10		19,005	19,005	19,076
<b>as of 30 September 2011</b>	<b>11,847</b>	<b>24,311</b>	<b>-88</b>	<b>0</b>	<b>200</b>	<b>22,048</b>	<b>22,247</b>	<b>58,318</b>

## Notes to the Interim Consolidated Financial Statements of Delticom AG

### Segment results

#### 9M10

in € thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>244,934</b>	<b>12,079</b>	<b>0</b>	<b>257,014</b>
Other operating income	654	66	3,087	3,807
Cost of goods sold	-176,579	-10,696	0	-187,275
<b>Gross profit</b>	<b>69,010</b>	<b>1,449</b>	<b>3,087</b>	<b>73,546</b>
Personnel expenses	-1,998	-281	-2,462	-4,741
Depreciation and amortization	-828	-1	-120	-949
thereof property, plant and equipment	-723	-1	-79	-802
thereof intangible assets	-106	0	-41	-147
Other operating expenses	-39,539	-584	-4,868	-44,991
thereof bad debt losses and one-off loan provisions	-1,142	0	0	-1,142
<b>Segment result</b>	<b>26,644</b>	<b>583</b>	<b>-4,362</b>	<b>22,865</b>
Net financial result				54
Income taxes				-7,582
<b>Consolidated net income</b>				<b>15,337</b>

#### 9M11

in € thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>279,184</b>	<b>18,511</b>	<b>0</b>	<b>297,695</b>
Other operating income	5,217	136	586	5,939
Cost of goods sold	-202,478	-16,161	0	-218,638
<b>Gross profit</b>	<b>81,923</b>	<b>2,486</b>	<b>586</b>	<b>84,995</b>
Personnel expenses	-2,531	-343	-2,330	-5,204
Depreciation and amortization	-1,330	-1	-104	-1,434
thereof property, plant and equipment	-1,227	-1	-66	-1,293
thereof intangible assets	-103	0	-37	-140
Other operating expenses	-47,751	-666	-1,752	-50,169
thereof bad debt losses and one-off loan provisions	-755	0	0	-755
<b>Segment result</b>	<b>30,312</b>	<b>1,476</b>	<b>-3,600</b>	<b>28,188</b>
Net financial result				6
Income taxes				-9,189
<b>Consolidated net income</b>				<b>19,005</b>

## Change of inventory valuation method

For the reporting date of 30.06.2011 the inventory valuation method was changed from a simple weighted average to a floating weighted average, allowing a more precise accounting of the net assets, financing position and results of operations. In the case of the floating weighted average, inventories are measured more closely to actual purchasing prices, since this valuation method allows both additions and disposals to be taken into account, while the simple weighted average takes only additions into consideration.

This change in method has been applied retrospectively, as required by IAS 8. Nevertheless, no earnings-neutral change to the prior-year starting balance sheet was applied, since the calculation of the floating weighted average on a retrospective basis was deemed infeasible with respect to the data available for 2009. The retrospective calculation starts on 01.01.2010. All resultant changes to inventories were recognized in the comparable period through the income statement under the cost of goods sold item. Deferred taxes were formed for the resulting changes in earnings.

In the following tables, the *published* column contains the figures published in the previous year. The *-/+ (IAS 8)* column shows the changes in Euro arising from the application of the new method, compared to the reported values. The *adjusted* column restates the period values as the result of the aforementioned changes. In other words, it shows those figures that would have arisen if Delticom had already applied the new valuation method in the past periods.

The effects of the retrospective application of the new valuation method for 2010 on the income statements for Q310 and the comparable 9M10 period of the current reporting period are as follows:

	01.07.2010 – 30.09.2010 reported	01.07.2010 – 30.09.2010 –/+ (IAS 8)	01.07.2010 – 30.09.2010 restated
in € thousand			
Other operating income	430		430
Cost of goods sold	–58,108	261	–57,848
Income taxes	–2,131	–83	–2,214
<b>Consolidated net income</b>	<b>3,885</b>	<b>177</b>	<b>4,062</b>
Earnings per share (basic)	0.33	0.01	0.34
Earnings per share (diluted)	0.32	0.01	0.34

	01.01.2010 – 30.09.2010 reported	01.01.2010 – 30.09.2010 –/+ (IAS 8)	01.01.2010 – 30.09.2010 restated
in € thousand			
Cost of goods sold	–187,404	129	–187,275
Income taxes	–7,541	–41	–7,582
<b>Consolidated net income</b>	<b>15,249</b>	<b>88</b>	<b>15,337</b>
Earnings per share (basic)	1.29	0.01	1.30
Earnings per share (diluted)	1.28	0.01	1.28

The adjustments to the costs of goods sold presented in the previous tables were allocated exclusively to the E-Commerce segment within the segment results. In the *Group* column of the segment reporting, the earnings before interest and taxes item were adjusted correspondingly.

Apart from the changes to the consolidated results presented above, the change in the valuation method had no impact on the statements of total comprehensive income for the relevant periods.

In the consolidated cash flow statement, the earnings before interest and taxes and the changes in inventories items were adjusted in the individual periods. In each case, the changes of inventory value correspond to the changes in the cost of goods sold, by definition. As a consequence, cash flow from operating activities is not affected by the change in method.

In the statement of changes in shareholders' equity, the net retained profits, and consequently also the total equity, were adjusted as of 30.09.2010 by € 88 thousand.

### **Reporting companies**

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 125 online shops in 41 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 annual report 2010.

### **Employees**

From 01.01.2011 to 30.09.2011 Delticom had an average of 111 employees (thereof 10 apprentices and interns). The calculation is based on full-time equivalents, thus taking into account the actual work hours.

### **Seasonal effects**

In many countries, business with car replacement tyres depends to a large extent on the seasons with their different weather and road conditions. For example, the business in the northern parts of Europe and in 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.

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

Delticom's consolidated interim financial statements as of 30.09.2011 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 2010 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 31.12.2010.

The Annual Report 2010 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\\_2010.pdf](http://www.delti.com/Investor_Relations/Delticom_AnnualReport_2010.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. Due to its negligible impact on Delticom's net assets, financial position and results of operations, the subsidiary company Tyrepac Pte. Ltd. Singapur is not consolidated, but instead recognized as a financial instrument pursuant to IAS 39. The same is true for the company Hongkong Tyrepac Ltd., Hong Kong, a fully-owned subsidiary company of Tyrepac Pte. Ltd. Singapore founded on 15.04.2011.

Compared with the Annual Report for fiscal year 2010 there were no changes in the group of consolidated companies.

## **Unusual items**

In connection with the opening of a new large-scale warehouse, Delticom has significantly built up inventories in the period under review: from € 52.2 million as of 31.12.2010 to € 122.9 million as of 30.09.2011. The company needs to stock goods in order to strengthen delivery capabilities in peak periods. In order to finance part of these stocks, Delticom has utilized loans and credit lines for the first time in an amount of € 10.4 million.

Apart from these item, no other 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.

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

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

### Other operating expenses

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

in € thousand	9M11	9M10
Transportation costs	24,199	22,365
Warehousing costs	3,284	2,778
Credit card fees	2,350	1,826
Bad debt losses and one-off loan provisions	755	1,142
Marketing costs	5,844	5,318
Operations centre costs	3,600	2,756
Rents and overheads	3,127	2,516
Financial and legal costs	1,570	1,442
IT and telecommunications	543	498
Expenses from exchange rate differences	3,892	3,451
Other	1,006	901
<b>Total</b>	<b>50,169</b>	<b>44,991</b>

### Equity

As part of a stock option program, Delticom has granted to Frank Schuhardt (CFO) option rights that are settled with equity instruments. This commitment is based on the option terms of 09.08.2007. On 05.05.2011, Mr. Schuhardt exercised 8,000 options from the 25.11.2008 tranche. The exercise price amounted to € 12.23 per ordinary share. This transaction increased the subscribed capital by € 8,000.00 to € 11,847,440.00. The capital reserves increased by € 89,840.00 to € 24,311,378.69.

### Earnings per share

Basic earnings per share totalled € 1.60 (9M10: € 1.30). The diluted earnings per share totalled € 1.59 (9M10: € 1.28).

### 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, 29,500 potential shares from the tranche dated 25.11.2008 and 15,000 potential shares from the tranche dated 30.03.2009.

The exercise prices for the tranches 22.11.2007, 08.05.2008, 25.11.2008 and 30.03.2009 were below the average share prices since the options were issued. As a result all tranches are included in the diluted earnings per share.

The calculation of the earnings per share was based on net income after taxes totalling € 19,005,007.92 (9M10: € 15,336,975.19) and the weighted average number of shares outstanding during the fiscal year, in total 11,843,839 shares (9M10: 11,839,440 shares). 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 11,945,250 shares (9M10: 11,945,250 shares).

### **Dividends**

On 04.05.2011 Delticom has paid a dividend of € 2.72 for fiscal year 2010 (previous year: € 1.70)

### **Related parties disclosure**

Related companies and persons in the meaning of IAS 24 include the Managing and Supervisory boards of Delticom AG (category *persons in key positions*), the majority shareholders Binder GmbH and Prüfer GmbH (category *companies with a significant influence on the Group*), as well as not consolidated subsidiaries (category *not consolidated subsidiaries*).

All transactions with related parties are agreed contractually, and conducted on terms as would also be usual with third parties. Transactions which occurred during the interim reporting period did not have any significant effects on the earnings, financial and asset positions.

Related companies and persons (Category *persons in key positions*): In the reporting period, goods and services worth € 1,046 thousand (9M10: € 798 thousand) were purchased from related companies and persons, and goods and services worth € 620 thousand (9M10: € 1,866 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 35 thousand (9M10: € 678 thousand) and accounts payable totalled € 1 thousand (9M10: € 0 thousand).

Related companies and persons (category *not consolidated subsidiaries*): In the reporting period, goods and services worth € 106 thousand (9M10: € 0 thousand) were purchased from related companies and persons, and goods and services worth € 481 thousand (9M10: € 0 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 14 thousand (9M10: € 0 thousand) and accounts payable totalled € 0 thousand (9M10: € 0 thousand).

### **Contingent liabilities and other financial commitments**

As compared to 31.12.2010, the situation with regards to other financial commitments has not changed significantly:

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

### **Key events after the reporting date**

There were no key events that occurred after the reporting date.

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

The interim financial statements and the interim management report has not been reviewed by our auditors.

**German Corporate Governance Codex**

The website [www.delti.com/Investor\\_Relations/Entsprechungserklaerung.html](http://www.delti.com/Investor_Relations/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).





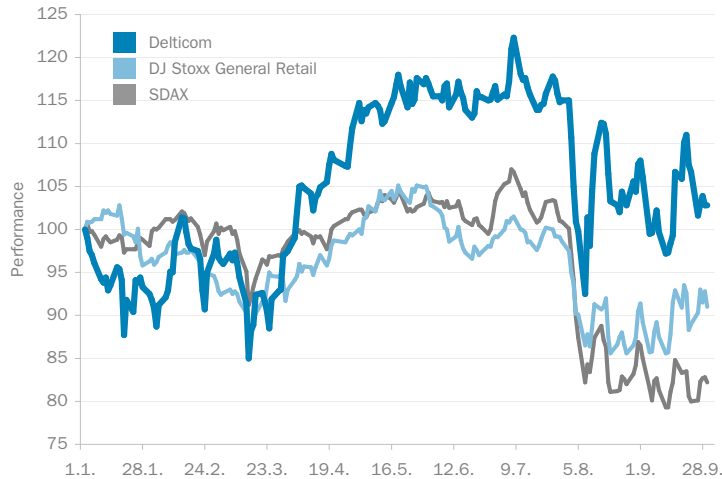
## **Responsibility Statement**

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, 08.11.2011

(The Management Board)

# The Delticom Share



WKN  
ISIN  
Reuters / Bloomberg  
Index membership  
Type of shares  
Transparency level

514680  
DE0005146807  
DEXGn.DE / DEX GR  
SDAX, CXPR, GEX, NISAX  
No-par value, registered  
Prime Standard

22 November 2011

German Equity Forum

		01.01.2011 – 30.09.2011	2010
Number of shares	shares	11,847,440	11,839,440
Share capital	€	11,847,440	11,839,440
Share price on first trading day <sup>1</sup>	€	65.66	28.75
Share price on last trading day of the period <sup>1</sup>	€	65.00	66.50
Share performance <sup>1</sup>	%	-1.0	+131.3
Share price high/low <sup>1</sup>	€	77.35 / 55.82	68,4 / 25,6
Market capitalisation <sup>2</sup>	€ million	770.1	787.3
Average trading volume per day (XETRA)	shares	20,635	23,870
EPS (undiluted)	€	1.60	2.76
EPS (diluted)	€	1.59	2.73
Equity per share	€	4.92	6.03

(1) based on closing prices

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

Broker	Analyst	Recommendation	Target price	Estimates for 2011				Estimates for 2012			
				Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwöpe	Hold	69.00	470.4	48.6	10.3	2.84	508.1	53.3	10.5	3.07
Metzler	Jürgen Pieper	Buy	86.00	480.0	54.0	11.3	3.15	552.0	63.7	11.5	3.77
Exane	Andreas Inderst	Outperform	90.00	485.0	51.6	10.6	2.96	558.1	61.8	11.1	3.54
Berenberg	Lars Dannenberg	Buy	88.00	474.0	49.0	10.3	2.90	550.0	59.0	10.7	3.44
Deutsche Bank	Tim Rokossa	Hold	60.00	478.0	51.0	10.7	2.92	529.0	50.0	9.5	2.91
Macquarie	Marcus Sander	Neutral	75.00	466.9	49.5	10.6	2.84	558.4	62.0	11.1	3.57
BH Lampe	Christian Ludwig	Buy	87.00	465.7	48.9	10.5	2.86	530.3	55.5	10.5	3.24
Commerzbank	Dennis Schmitt	Add	82.00	471.2	48.5	10.3	2.77	561.8	60.2	10.7	3.46
HSBC	Christopher Johnen	Neutral	80.00	470.6	49.3	10.5	2.84	542.1	57.8	10.7	3.33
Cheuvreux	Jennifer Gaussmann	Outperform	79.00	463.8	49.2	10.6	2.84	531.0	58.0	10.9	3.34
		Average	79.60	472.6	50.0	10.6	2.89	542.1	58.1	10.7	3.37

as of 7 November 2011

## **Imprint**

### **Publisher**

Delticom AG  
Brühlstraße 11  
30169 Hanover  
Germany

### **Contact Investor Relations**

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