Semi-Annual Report 2011

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 40 countries, among others the *ReifenDirekt* domains in Germany, Switzerland and Austria, mytyres.co.uk in UK and 123pneus.fr 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 (7,900 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key Figures

		01.01.2011 – 30.06.2011	01.01.2010 – 30.06.2010 *	–/+ (%, %p)
Revenues	€ million	198.3	177.3	+11.8
Total income	€ million	201.4	180.7	+11.5
Gross profit	€ million	56.5	51.3	+10.2
Gross profit margin[1]	%	28.0	28.4	–0.3
EBIT	€ million	18.7	16.6	+12.6
EBIT margin[2]	%	9.4	9.4	+0.1
Net income	€ million	12.7	11.3	+13.0
Earnings per share[3]	€	1.08	0.95	+13.0
Total assets	€ million	143.5	121.9	+17.8
Inventories	€ million	103.3	71.7	+44.1
Investments[4]	€ million	4.5	1.2	+265.5
Capital Employed[5]	€ million	52.1	50.5	+3.2
Return on Capital Employed[6]	%	35.9	32.9	+3.0
Equity	€ million	51.9	50.0	+3.7
Equity ratio	%	36.2	41.0	–4.9
Return on equity	%	24.6	22.5	+2.0
Liquidity position[7]	€ million	6.2	22.8	–72.9
Operating cash flow	€ million	–30.2	3.5	
Free cash flow[8]	€ million	–34.7	2.3	

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

(1) Gross profit to total income
(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

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Interim Management Report of Delticom AG

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Economic Environment

Macroeconomic developments

The global economy continued to grow in the first half of 2011, only to slow down slightly in the second quarter. The reasons were the faltering US economy as well as rising prices for raw materials, which continued to drive global inflation.

Europe

The European economy as a whole is still doing well. The core nations left the peripheral countries further behind in recent months, though. Rising cost of living, the dramatic debt crisis in some European countries and the resulting financial burden as well as worries about further setbacks are slowing down consumer spending.

Tyre markets

The situation in the global crude oil and natural rubber markets remains tense on account of high, volatile prices. Some tyre manufacturers increased their prices again in the second quarter and announced that more hikes are to come in the next few months, to compensate for at least some of these rising costs. Despite all this, tyre manufacturers sold a substantially higher number of summer tyres to retailers than last year. The year-on-year growth in volumes was not only a result of a weak prior-year base but was also helped by tyre retailers' high expectations for this year's summer tyre season. European motorists, however, have been surprisingly slow so far when it comes to buying tyres. In some countries, business seems to have been downright disappointing. Reliable market data on sales and summer tyre stock levels in the various parts of the distribution chain has not yet been published, though.

Business performance and earnings situation

Change of inventory valuation method

The inventory valuation method was changed from a simple weighted average to a floating weighted average in the second quarter. This change in method allows the net assets, financing position and results of operations to be presented more precisely. 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.

The method was applied retrospectively as from 1 January 2010 in accordance with IAS 8. The original values for 2010 were therefore adjusted and replaced by the new figures in this management report, enabling a direct comparison with the current reporting period.

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 H111 the company recognised revenues of € 198.3 million, a plus of 11.8% after € 177.3 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

	H111	%	+%	H110	%	+%	H109	%
Revenues	**198,293**	**100.0**	**11.8**	**177,317**	**100.0**	**27.4**	**139,156**	**100.0**
Primary Segments								
E-Commerce	190,108	95.9	12.0	169,686	95.7	29.7	130,794	94.0
Wholesale	8,185	4.1	7.3	7,631	4.3	–8.7	8,362	6.0
Regions								
EU	151,386	76.3	6.7	141,828	80.0	23.9	114,479	82.3
Rest	46,906	23.7	32.2	35,489	20.0	43.8	24,677	17.7

E-Commerce

Revenues in the E-Commerce division with its 122 online shops were up year-on-year by 12.0%, from € 169.7 million to € 190.1 million. In H111 the company was able to acquire a total of 411 thousand new customers (H110: 436 thousand, –5.8%). During the same period 258 thousand existing customers (H110: 226 thousand, +13.9%) made repeat purchases at Delticom.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. Divisional revenues rose by 7.3% to € 8.2 million, after prior-year revenues of € 7.6 million. In the reporting period the E-Commerce share amounted to 95.9%, compared to 95.7% in the previous year.

Regional split

The group offers its product range in 40 countries. Revenues in EU countries totalled € 151.4 million (+6.7%). 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. Across all non-EU countries the revenue contribution for H111 was € 46.9 million (+32.2%).

Due 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 has lagged behind expectations as well. At Delticom, positive figures in May barely managed to offset a comparatively weak April. However, tyre sales have gone up again noticeably year-on-year since June.

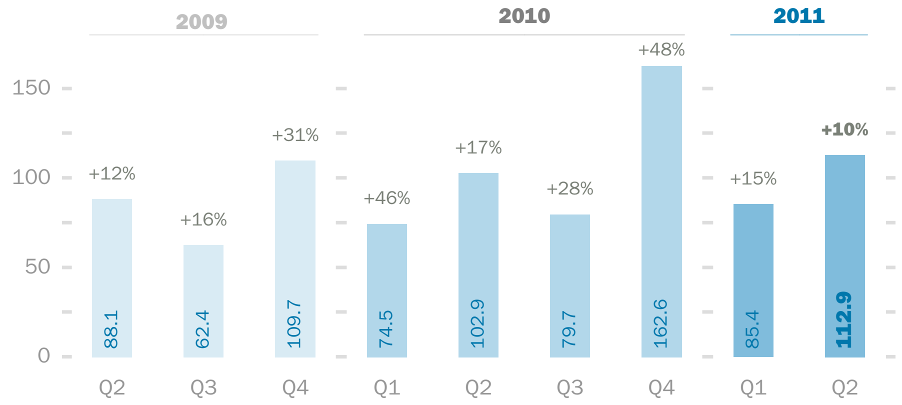
In the second quarter, Delticom was able to generate revenues of € 112.9 million (Q210: € 102.9 million) – a plus of 9.8%, in spite of the previous year's strong base.

Seasonality

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

Revenues trend

quarterly revenues in € million



Key expense positions

Cost of sales

The cost of sales is the largest expense item and considers the purchase price of tyres sold. The costs of sales increased by 12.0% from € 129.4 million in H110 to € 144.9 million in H111 (73.1% of revenues), primarily due to higher revenues. The cost of sales in the E-Commerce division rose by 12.2% from € 122.7 million to € 137.7 million. In the Wholesale division, the cost of sales rose by 8.1% to € 7.2 million (H110: € 6.7 million).

Personnel expenses

In the reporting period on average 108 staff members were employed at Delticom (H110: 96). Personnel expenses amounted to € 3.5 million (H110: € 3.2 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) remained almost unchanged (1.8%, H110: 1.8%).

Marketing

Marketing expenses amounted to € 3.9 million, after € 3.6 million in H110. Although this represents an increase of 10.2%, the relationship to revenues remained on a level with last year, with a share of 2.0% (H110: 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 volume increases, so too do these transportation costs, from € 15.8 million by 2.2% to € 16.2 million. The share of transportation costs against revenues decreased from 8.9% in H110 to 8.2% in H111, partly driven by relatively stronger revenue growth coming from higher selling prices.

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

	H111	%	+%	H110	%	+%	H109	%
Revenues	**198,293**	100.0	11.8	**177,317**	100.0	27.4	**139,156**	100.0
Other operating income	3,118	1.6	–7.7	3,377	1.9	74.4	1,936	1.4
Total operating income	**201,411**	101.6	11.5	**180,694**	101.9	28.1	**141,092**	101.4
Cost of goods sold	144,922	73.1	12.0	129,427	73.0	26.1	102,640	73.8
Gross profit	**56,488**	28.5	10.2	**51,267**	28.9	33.3	**38,452**	27.6
Personnel expenses	3,489	1.8	9.3	3,191	1.8	12.8	2,829	2.0
Other operating expenses	33,486	16.9	8.5	30,867	17.4	23.1	25,079	18.0
EBIT	**18,700**	9.4	12.6	**16,600**	9.4	62.9	**10,190**	7.3
Depreciation	814	0.4	33.7	609	0.3	71.7	354	0.3
EBITDA	**19,514**	9.8	13.4	**17,209**	9.7	63.2	**10,545**	7.6
Net financial result	79	0.0	83.9	43	0.0	–76.2	180	0.1
EBT	**18,779**	9.5	12.8	**16,643**	9.4	60.5	**10,370**	7.5
Income taxes	6,033	3.0	12.4	5,368	3.0	59.9	3,358	2.4
Consolidated net income	**12,746**	6.4	13.0	**11,275**	6.4	60.8	**7,012**	5.0

Other operating income

Other operating income decreased in H111 by –7.7% to € 3.1 million (H110: € 3.4 million), thereof gains from exchange rate differences to the order of € 2.3 million (H110: € 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. As a result, the FX income is usually balanced with FX losses. FX losses from trade payables and hedges have to be accounted for as line item in the other operating expenses (H111: € 2.7 million, H110: € 1.9 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 Q211, FX income and losses totalled € 0.3 million (Q210: € 0.3 million); in H111 they came to € –0.4 million (H110: € 0.8 million).

Gross profit up at slightly lower margin

In an environment of rising purchasing prices and further supply bottlenecks, Delticom was to a good extent able to cushion the hikes by purchasing early and by passing on price increases to the customers. As a result, the gross profit advanced in the reporting period by 10.2% year-on-year, from € 51.3 million to € 56.5 million. The gross profit margin (gross profit in relation to total income) slightly decreased from 28.4% to 28.0%.

Profitability improved

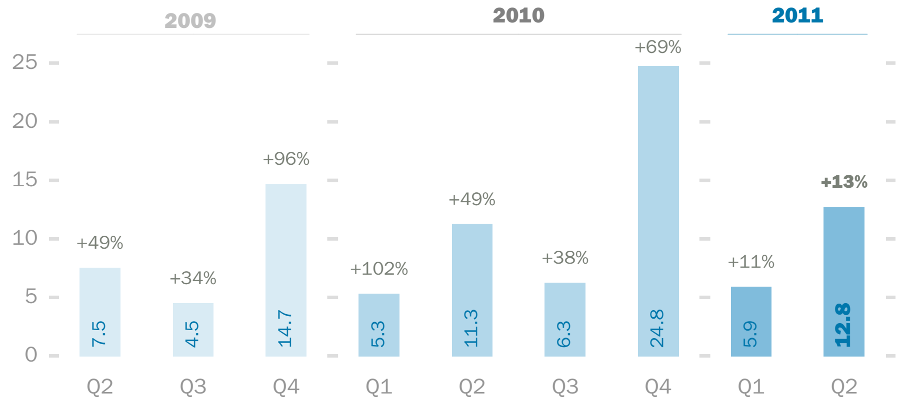
Last year's second quarter earnings before interest and taxes (EBIT) had shown a steep rise by +43.9% to € 11.3 million. Nevertheless, EBIT for this year's Q2 saw a year-on-year increase once again, by +13.2% to € 12.8 million. This translated to a quarterly EBIT margin of 11.3% (Q210: 11.0%).

The EBIT for the total H111 came in at € 18.7 million (H110: € 16.6 million), a plus of 12.6% and an EBIT margin of 9.4% (H110: 9.4%).

The chart *EBIT* shows the preceding quarters.

EBIT

quarterly, in € million



Financial result remains low

The continually low Euro money market rates led to a poor financial result of € 79 thousand (H110: € 43 thousand).

Income taxes

The expenditure for income taxes was € 6.0 million (H110: € 5.4 million). This equates to a tax rate of 32.1% (H110: 32.3%).

Net income H111

Consolidated net income grew from € 11.3 million to € 12.7 million. This corresponds to earnings per share (EPS) of € 1.08 (undiluted, H110: € 0.95), a step-up of 13.0%.

Dividend for fiscal year 2010

On 04.05.2011 Delticom has paid a dividend of € 2.72 for fiscal year 2010 (previous year: € 1.70). This corresponds to a dividend sum of € 32.2 million (previous year: € 20.1 million).

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 € 103.3 million (31.12.2010: € 52.2 million), net working capital increased to € 44.5 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 € –30.2 million (H110: € 3.5 million).

More investments

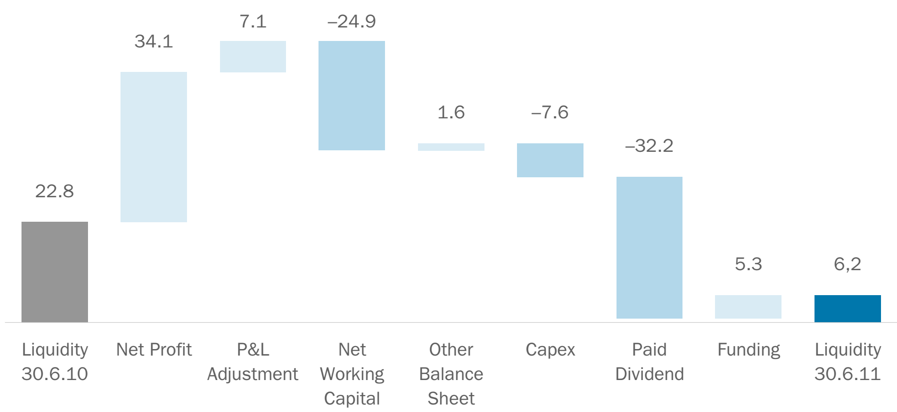
In line with our warehouse capacity expansion investments into property, plant and equipment amounted to € 4.4 million, significantly more than last year (H110: € 1.2 million). Taken together with the investments into intangible assets amounting to € 93 thousand, in H111 a total of € 4.5 million of the investments (*capex*) resulted in a cash outflow (H110: € 1.2 million).

Financing activities

In the reporting period, Delticom recorded cash flow from financing activities due to the dividend distribution (€ –32.2 million), payments arising from the use of credit lines (€ 5.2 million) and a payment on account of stock options being exercised (€ 0.1 million).

Liquidity Bridge

in € million



Liquidity position

Taking the cash dividend of € 32.2 million for 2010 into account, liquidity (cash and cash equivalents plus liquidity reserve) as of 30.06.2011 totalled € 6.2 million (30.06.2010: € 22.8 million, 31.12.2010: € 67.8 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € 0.9 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 30.06.2011 the balance sheet total amounted to € 143.5 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

	30.06.11	%	+%	31.12.10	%	+%	31.12.09	%
Assets								
Non-current assets	13,960	9.7	37.3	10,169	6.8	47.2	6,910	6.5
Fixed assets	13,363	9.3	38.4	9,654	6.5	45.8	6,621	6.2
Other non-current assets	596	0.4	15.7	516	0.3	78.6	289	0.3
Current assets	129,534	90.3	–6.9	139,178	93.2	39.3	99,938	93.5
Inventories	103,308	72.0	97.8	52,227	35.0	21.9	42,858	40.1
Receivables	20,052	14.0	4.9	19,117	12.8	16.3	16,438	15.4
Liquidity	6,174	4.3	–90.9	67,834	45.4	66.9	40,642	38.0
Securities	43	0.0	–95.8	1,036	0.7	–65.9	3,039	2.8
Cash and cash equivalents	6,131	4.3	–90.8	66,798	44.7	77.6	37,603	35.2
Assets	**143,494**	**100.0**	**–3.9**	**149,348**	**100.0**	**39.8**	**106,848**	**100.0**
Equity and Liabilities								
Long-term funds	52,120	36.3	–27.0	71,387	47.8	20.4	59,276	55.5
Equity	51,891	36.2	–27.3	71,341	47.8	21.3	58,794	55.0
Long-term debt	229	0.2	404.6	45	0.0	–90.6	482	0.5
Provisions	36	0.0	–21.1	45	0.0	7.8	42	0.0
Liabilities	194	0.1		0	0.0	–100.0	440	0.4
Short-term debt	91,374	63.7	17.2	77,961	52.2	63.9	47,573	44.5
Provisions	9,308	6.5	11.1	8,379	5.6	136.6	3,542	3.3
Liabilities	82,066	57.2	17.9	69,582	46.6	58.0	44,031	41.2
Equity and Liabilities	**143,494**	**100.0**	**–3.9**	**149,348**	**100.0**	**39.8**	**106,848**	**100.0**

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 € 51.1 million or 97.8% to € 103.3 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 € 11.9 million, up 8.5% (31.12.2010: € 10.9 million).

Payables increased in parallel with inventories

The accounts payable were increased from € 53.6 million by € 12.3 million or 22.9% to € 65.9 million, in parallel with inventories. As part of the € 82.1 million in short-term liabilities as of 30.06.2011, € 65.9 million were recorded as accounts payable, corresponding to a share of 45.9% of balance sheet total.

Organisation

Legal structure

As of 30.06.2011, 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.

108 employees

In the reporting period an average of 108 persons were employed at Delticom (H110: 96), thereof 9 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

Economists expect a slowdown of the growth of the European economy in the second half of the year, as the cyclical upswing in the core countries is gradually coming to an end. In addition, the worsening debt crisis in the Euro zone and the USA as well as the foundering US economy are increasingly jeopardising the global economy. Last but not least, fiscal burdens will probably leave a dent in consumer spending in the next quarters.

Tyres remain expensive

Tyres will remain expensive in the upcoming winter season as raw materials prices are still high. Some tyre manufacturers have already reported that they will be compelled to increase their prices further in the coming months. Assuming a normal course of business, we should be able to pass on most of the rising purchasing costs to our end customers.

Supply bottlenecks cannot be ruled out

The European tyre markets have seen several snowy winters in a row and a change in German legislation last year, all working to the industry's advantage. For a scenario of an average winter weather, this year the limited production capacities could yet again fall short of rising winter tyre demand. Although the industry is expected to take further production facilities into operation in the months ahead, product availability will probably not improve until next year. Consequently, experts cannot rule out bottlenecks in the coming winter season. However, we do not expect prices to spike as they did last winter on account of shortages.

Additional warehouse capacities

In the second quarter we opened our largest warehouse to date. It is supposed to strengthen Delticom's delivery capability not only in the coming winter season but also for future seasonal peaks. Due to the additional capacity we have managed to increase Delticom's inventories to a higher level than originally expected. Unlike last year, we will now be able to supply our customers with attractively-priced tyres throughout the entire winter season.

Investments

We will continue to invest in expanding the new large warehouse's information, conveyor and packaging technology in the second half of the year. The warehouse was fitted and stocked according to schedule within the first six months. We expect investments in the full financial year to total € 6.5 million.

Liquidity

At this point in time, we can not yet offer more than a rough estimate as to liquidity as of 31.12.2011. In particular, we cannot generally rule out reporting-date effects like those relating to the end of 2010. Due to the expansion of working capital however, we expect that liquidity at the end of the year will be back at levels more comparable to the years following our IPO in 2006.

Forecast remains unchanged

Despite strong prior-year figures, Delticom should nevertheless be able to increase volumes and revenues in the fourth quarter, assuming normal winter weather. 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 30.06.2010, 31.12.2010, and 30.06.2011, 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 30.06.2011 include only the adjustments arising from Q111. Q211 contains no adjustments.

Consolidated Income Statement

in € thousand	01.01.2011 – 30.06.2011	01.01.2010 – 30.06.2010	01.04.2011 – 30.06.2011	01.04.2010 – 30.06.2010
Revenues	**198,293**	**177,317**	**112,939**	**102,863**
Other operating income	3,118	3,377	1,784	2,083
Total operating income	**201,411**	**180,694**	**114,723**	**104,947**
Cost of goods sold	–144,922	–129,427	–81,698	–74,087
Gross profit	**56,488**	**51,267**	**33,024**	**30,860**
Personnel expenses	–3,489	–3,191	–1,745	–1,616
Depreciation of intangible assets and property, plant and equipment	–814	–609	–447	–314
Other operating expenses	–33,486	–30,867	–18,072	–17,660
Earnings before interest and taxes (EBIT)	**18,700**	**16,600**	**12,761**	**11,270**
Financial expenses	–13	–18	–10	–13
Financial income	92	60	50	30
Net financial result	**79**	**43**	**39**	**17**
Earnings before taxes (EBT)	**18,779**	**16,643**	**12,800**	**11,286**
Income taxes	–6,033	–5,368	–4,110	–3,647
Consolidated net income	**12,746**	**11,275**	**8,690**	**7,639**
Thereof allocable to:				
Shareholders of Delticom AG	12,746	11,275		
Earnings per share (basic)	1.08	0.95		
Earnings per share (diluted)	1.07	0.95		

Statement of Recognised Income and Expenses

in € thousand	01.01.2011 – 30.06.2011	01.01.2010 – 30.06.2010	01.04.2011 – 30.06.2011	01.04.2010 – 30.06.2010
Consolidated Net Income	**12,746**	**11,275**	**8,690**	**7,639**
Changes in the financial year recorded directly in equity				
Changes in currency translation	–88	25	–65	13
Changes in value of financial assets in the “available-for-sale assets” category				
Changes in current value recorded directly in equity	3	2	2	0
Recognition of settled hedging transactions with effect on income	–17	–22	–17	–22
Deferred tax on current changes without effect on income	4	7	5	7
Other comprehensive income for the period	**–97**	**11**	**–76**	**–2**
Total comprehensive income for the period	**12,649**	**11,286**	**8,614**	**7,637**

Consolidated Balance Sheet

Assets

in € thousand	30.06.2011	31.12.2010
Non-current assets	**13,960**	**10,169**
Intangible assets	1,106	1,112
Property, plant and equipment	11,439	7,724
Financial assets	818	818
Deferred taxes	255	169
Other receivables	341	347
Current assets	**129,534**	**139,178**
Inventories	103,308	52,227
Accounts receivable	11,857	10,928
Other current assets	8,195	8,189
Securities	43	1,036
Cash and cash equivalents	6,131	66,798
Assets	**143,494**	**149,348**

Shareholders' Equity and Liabilities

in € thousand	30.06.2011	31.12.2010
Equity	**51,891**	**71,341**
Subscribed capital	11,847	11,839
Share premium	24,311	24,216
Other components of equity	–256	–159
Retained earnings	200	200
Net retained profits	15,788	35,246
Liabilities	**91,604**	**78,006**
Non-current liabilities	**229**	**45**
Non-current provisions	36	45
Deferred tax liabilities	194	0
Current liabilities	**91,374**	**77,961**
Provisions for taxes	7,381	6,179
Other current provisions	1,927	2,200
Accounts payable	65,875	53,615
Short-term borrowings	5,232	0
Other current liabilities	10,959	15,967
Shareholders' equity and liabilities	**143,494**	**149,348**

Consolidated Cash Flow Statement

in € thousand	01.01.2011 – 30.06.2011	01.01.2010 – 30.06.2010
Earnings before interest and taxes (EBIT)	**18,700**	**16,600**
Depreciation of intangible assets and property, plant and equipment	814	609
Changes in other provisions	–282	40
Net gain on the disposal of assets	2	–2
Changes in inventories	–51,081	–28,846
Changes in receivables and other assets not allocated to investing or financing activity	–1,025	–3,386
Changes in payables and other liabilities not allocated to investing or financing activity	7,258	25,152
Interest received	92	60
Interest paid	–13	–18
Income tax paid	–4,638	–6,708
Cash flow from operating activities	**–30,173**	**3,502**
Proceeds from the disposal of property, plant and equipment	2	10
Payments for investments in property, plant and equipment	–4,436	–1,170
Proceeds from the disposal of intangible assets	1	0
Payments for investments in intangible assets	–93	–69
Changes in liquidity reserve	993	2,005
Cash flow from investing activities	**–3,532**	**776**
Dividends paid by Delticom AG	–32,203	–20,127
Payments from additions to capital	98	0
Cash inflow / outflow of short-term borrowings	5,232	0
Cash flow from financing activities	**–26,874**	**–20,127**
Changes in cash and cash equivalents due to currency translation	–88	25
Cash and cash equivalents at the start of the period	66,798	37,603
Changes in cash and cash equivalents	–60,667	–15,824
Cash and cash equivalents - end of period	**6,131**	**21,779**
For information only:		
Liquidity – start of period	**67,834**	**40,642**
Changes in cash and cash equivalents	–60,667	–15,824
Changes in liquidity reserve	–993	–2,005
Liquidity – end of period	**6,174**	**22,813**
Short-term borrowings	5,232	0
Net Cash – end of period	**942**	**0**

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 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		11,275	11,275	11,286
as of 30 June 2010	**11,839**	**24,178**	**–99**	**9**	**200**	**13,891**	**14,091**	**50,019**
as of 1 January 2011	**11,839**	**24,216**	**–169**	**10**	**200**	**35,246**	**35,446**	**71,341**
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			–88	–9		12,746	12,746	12,649
as of 30 June 2011	**11,847**	**24,311**	**–257**	**0**	**200**	**15,788**	**15,988**	**51,891**

Notes to the Interim Consolidated Financial Statements of Delticom AG

Segment results

H110

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	–122,744	–6,684	0	–129,427
Gross profit	**47,353**	**1,012**	**2,903**	**51,267**
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	**18,046**	**354**	**–1,800**	**16,600**
Net financial result				43
Income taxes				–5,368
Consolidated net income				**11,275**

H111

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**190,108**	**8,185**	**0**	**198,293**
Other operating income	2,904	114	100	3,118
Cost of goods sold	–137,695	–7,228	0	–144,922
Gross profit	**55,317**	**1,071**	**100**	**56,488**
Personnel expenses	–1,711	–226	–1,551	–3,489
Depreciation and amortization	–743	0	–70	–814
thereof property, plant and equipment	–671	0	–45	–717
thereof intangible assets	–72	0	–25	–97
Other operating expenses	–31,997	–321	–1,168	–33,486
thereof bad debt losses and one-off loan provisions	–615	0	0	–615
Segment result	**20,866**	**524**	**–2,689**	**18,700**
Net financial result				79
Income taxes				–6,033
Consolidated net income				**12,746**

Change of inventory valuation method

In the period under review, 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.

Since the new valuation method was not applied until the second quarter of the current year, the following adjustments arise in the balance sheet for Q111:

in € thousand	31.03.2011 reported	31.03.2011 –/+ (IAS 8)	31.03.2011 restated
Assets			
Deferred taxes	438	–112	327
Inventories	83,271	349	83,621
Shareholders' equity and liabilities			
Net retained profits	39,064	238	39,301

The balance sheet effects arising from the retrospective application of the new valuation method as of 31.12.2010 are as follows:

in € thousand	31.12.2010 reported	31.12.2010 –/+ (IAS 8)	31.12.2010 restated
Assets			
Deferred taxes	346	–178	169
Inventories	51,671	556	52,227
Shareholders' equity and liabilities			
Net retained profits	34,867	379	35,246

The following table shows the items in the Q111 income statement that are affected by the change in method:

in € thousand	01.01.2011 – 31.03.2011 reported	01.01.2011 – 31.03.2011 –/+ (IAS 8)	01.01.2011 – 31.03.2011 restated
Cost of goods sold	–63,017	–207	–63,224
Income taxes	–1,989	66	–1,923
Consolidated net income	**4,196**	**–141**	**4,055**
Earnings per share (basic)	0.35	–0.01	0.34
Earnings per share (diluted)	0.35	–0.01	0.34

The effects of the retrospective application of the new valuation method for 2010 on the income statements for Q110 and the comparable H110 period of the current reporting period are as follows:

in € thousand	01.01.2010 – 31.03.2010 reported	01.01.2010 – 31.03.2010 –/+ (IAS 8)	01.01.2010 – 31.03.2010 restated
Cost of goods sold	–54,798	–543	–55,340
Income taxes	–1,895	173	–1,721
Consolidated net income	**4,005**	**–369**	**3,635**
Earnings per share (basic)	0.34	–0.03	0.31
Earnings per share (diluted)	0.34	–0.03	0.30

in € thousand	01.01.2010 – 30.06.2010 reported	01.01.2010 – 30.06.2010 –/+ (IAS 8)	01.01.2010 – 30.06.2010 restated
Cost of goods sold	–129,296	–132	–129,427
Income taxes	–5,410	42	–5,368
Consolidated net income	**11,364**	**–90**	**11,275**
Earnings per share (basic)	0.96	–0.01	0.95
Earnings per share (diluted)	0.95	–0.01	0.95

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 30.06.2010 by € –90 thousand, and the amount carried forward as of 01.01.2011 was adjusted by € 379 thousand.

Reporting companies

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 122 online shops in 40 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.

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 30.06.2011 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

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 April 15th 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 € 103.3 million as of 30.06.2011. 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 credit lines for the first time in an amount of € 5.2 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	H111	H110
Transportation costs	16,198	15,843
Warehousing costs	2,164	1,939
Credit card fees	1,633	1,267
Bad debt losses and one-off loan provisions	615	811
Marketing costs	3,936	3,571
Operations centre costs	2,334	1,844
Rents and overheads	1,855	1,615
Financial and legal costs	995	1,115
IT and telecommunications	372	346
Expenses from exchange rate differences	2,667	1,913
Other	716	604
Total	**33,486**	**30,867**

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 € 1.08 (H110: € 0.95). The diluted earnings per share totalled € 1.07 (H110: € 0.95).

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 € 12,745,543.59 (H110: € 11,274,703.02) and the weighted average number of shares outstanding during the fiscal year, in total 11,840,890 shares (H110: 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 (H110: 11,929,440 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 cosolidated subsidiaries (category *not cosolidated subsidiaries*). 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.

Related companies and persons (Category *persons in key positions*): In the reporting period, goods and services worth € 840 thousand (H110: € 690 thousand) were purchased from related companies and persons, and goods and services worth € 620 thousand (H110: € 1,531 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 129 thousand (H110: € 1,304 thousand) and accounts payable totalled € 362 thousand (H110: € 194 thousand).

Related companies and personds (category *not cosolidated subsidiaries*): In the reporting period, goods and services worth € 106 thousand (H110: € 0 thousand) were purchased from related companies and persons, and goods and services worth € 408 thousand (H110: € 0 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 408 thousand (H110: € 0 thousand) and accounts payable totalled € 106 thousand (H110: € 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.

Employees

From 01.01.2011 to 30.06.2011 Delticom had an average of 108 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

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 been reviewed by our auditors.

German Corporate Governance Codex

The website 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, 09.08.2011

(The Management Board)

Review report by the auditors to Delticom AG

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, 2011 to June 30, 2011 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 review 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.

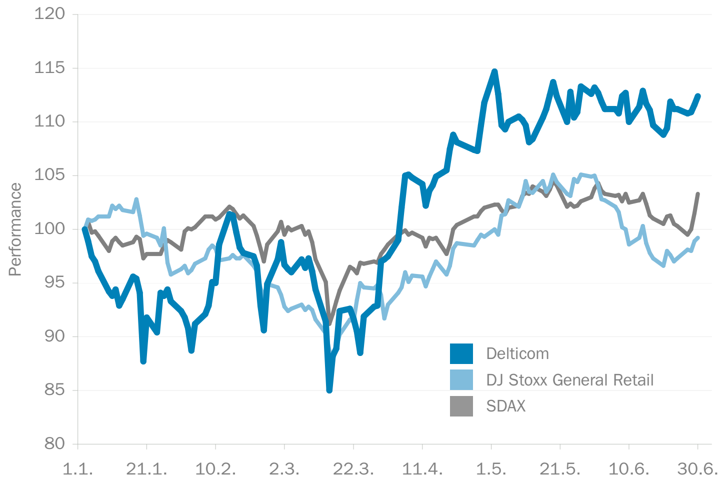
Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim 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, 09.08.2011

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer	ppa. Thomas Monecke
German Public Auditor	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

18 October 2011	preliminary Q3 figures
08 November 2011	full Q3 report
22 November 2011	German Equity Forum

		01.01.2011 – 30.06.2011	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[1]	€	65.66	28.75
Share price on last trading day of the period[1]	€	73.80	66.50
Share performance[1]	%	+12.4	+131.3
Share price high/low[1]	€	75.31 / 55.82	68,4 / 25,6
Market capitalisation[2]	€ million	874.3	787.3
Average trading volume per day (XETRA)	shares	21,966	23,870
EPS (undiluted)	€	1.08	2.76
EPS (diluted)	€	1.07	2.73
Equity per share	€	4.38	6.03

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

				Estimates for 2011				Estimates for 2012			
Broker	Analyst	Recommendation	Target price	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Hold	79.00	470.4	48.6	10.3	2.84	508.1	53.3	10.5	3.07
Metzler	Jürgen Pieper	Buy	73.00	475.0	52.4	11.0	3.05	532.0	60.3	11.3	3.55
Exane	Andreas Inderst	Outperform	86.00	471.0	49.9	10.6	2.86	558.1	61.9	11.1	3.52
Berenberg	Lars Dannenberg	Hold	76.00	457.0	46.0	10.1	2.69	521.0	52.0	10.0	3.05
BHF	Aleksej Wunrau	Market Weight	64.00	452.0	50.5	11.2	2.94	510.0	57.0	11.2	3.37
Deutsche Bank	Tim Rokossa	Hold	60.00	469.0	50.0	10.7	2.87	519.0	49.0	9.4	2.86
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	465.9	48.9	10.5	2.86	533.5	55.9	10.5	3.26
Commerzbank	Dennis Schmitt	Add	82.00	446.0	46.8	10.5	2.65	502.0	54.1	10.8	3.05
HSBC	Tobias Britsch	Neutral	65.00	451.0	46.3	10.3	2.69	494.0	52.0	10.5	3.02
		Average	74.70	462.4	48.9	10.6	2.83	523.6	55.8	10.6	3.23

as of 5 August 2011

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