



## 3-Monthly Report 2010.

## Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has more than 100 online shops in 35 countries, among others the *ReifenDirekt* domains in [Germany](#), [Switzerland](#) and [Austria](#), [mytyres.co.uk](#) and [123pneus.fr](#). Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

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

## Selected Key Figures

		01.01.2010 - 31.03.2010	01.01.2009 - 31.03.2009	yoy %
Revenues	€ million	74.5	51.0	+45.9
New customers	thousand	188	146	+28.8
Repeat customers	thousand	114	79	+44.8
Customer base	thousand	3,619	2,772	+30.6
Total income	€ million	75.7	51.9	+46.0
Gross profit	€ million	21.0	14.1	+48.5
Gross profit margin <sup>1</sup>	%	27.7	27.2	+0.5
EBIT	€ million	5.9	2.6	+122.3
EBIT margin <sup>2</sup>	%	7.9	5.2	+2.7
Net income	€ million	4.0	1.9	+110.6
Earnings per share <sup>3</sup>	€	0.34	0.16	+110.6
Employees <sup>4</sup>		94	84	+11.9
Revenues per employee	€ thousand	792	607	+30.4
Total assets	€ million	131.6	96.4	+36.5
Investments <sup>5</sup>	€ million	0.3	1.5	-81.9
Investment quota <sup>6</sup>	%	0.0	2.9	-2.9
Equity	€ million	62.9	52.2	+20.5
Equity ratio	%	47.8	54.1	-6.4
Return on equity	%	6.4	3.6	+2.7
Liquidity position <sup>7</sup>	€ million	45.0	30.9	+45.5
Operating cash flow	€ million	4.7	-10.5	-144.4
Free cash flow <sup>8</sup>	€ million	4.4	-12.0	-136.6

(1) Gross profit to total income

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

(3) Undiluted

(4) Average in reporting period

(5) Investments in tangible and intangible assets

(6) Ratio of investments to revenues

(7) 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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## Interim Management Report of Delticom AG

### Economic Environment

#### Macroeconomic developments

Despite the first signs of an uptrend in the European economies, it is unclear how sustainable the growth is. While the German labor market has come out of the recession relatively unscathed so far (mainly thanks to short-time working), other labour markets in Europe still fail to point towards any tangible recovery.

In the first quarter, European consumer climate was less depressed than expected. Consumers, however, have become more careful and have spent less. European general retail sales failed expectations in the first quarter.

#### Tyre markets

Thanks to exceptional snowfalls, European tyre dealers did well in the final quarter of 2009. The unusually snowy weather lasted into February and allowed for further selling opportunities for winter tyres. The 2010 summer tyre season started in March, thus earlier than last year.

Due to higher raw materials costs, many manufacturers found themselves forced to announce price increases. Independent of this, European tyre retail reported a recovery in sales in Q1 10, with good year-on-year growth rates.

## Business performance and earnings situation

### Revenues

Delticom, Europe's leading online tyre retailer, generates the bulk of its revenues through sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. In the past quarter Q1 10 the company recognised revenues of € 74.5 million, a plus of 45.9% after € 51.0 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

	Q1 10	%	+%	Q1 09	%	+%	Q1 08	%
<b>Revenues</b>	<b>74,454</b>	<b>100.0</b>	<b>45.9</b>	<b>51,015</b>	<b>100.0</b>	<b>19.8</b>	<b>42,589</b>	<b>100.0</b>
<b>Primary Segments</b>								
E-Commerce	70,706	95.0	51.3	46,747	91.6	21.4	38,509	90.4
Wholesale	3,748	5.0	-12.2	4,269	8.4	4.6	4,080	9.6
<b>Regions</b>								
EU	62,169	83.5	42.8	43,547	85.4	14.8	37,930	89.1
Rest	12,285	16.5	64.5	7,469	14.6	60.3	4,660	10.9

#### E-Commerce

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 106 online shops to private and business customers.

Revenues in the E-Commerce division were up year-on-year by 51.3%, from € 46.7 million to € 70.7 million. In Q1 10 the company was able to acquire a total of 188 thousand new customers (Q1 09: 146 thousand, +28.8%). During the same period 114 thousand existing customers (Q1 09: 79 thousand, +44.8%) made repeat purchases at Delticom.

**Wholesale**

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. Due to recession effects, divisional revenues dropped by 12.2% to € 3.7 million, after prior-year revenues of € 4.3 million. The decline in Wholesale followed a long-term trend. Over the last years the share of E-Commerce revenues in percent of Group revenues has increased steadily. In the reporting period this share already amounted to 95.0%, compared to 91.6% in the previous year.

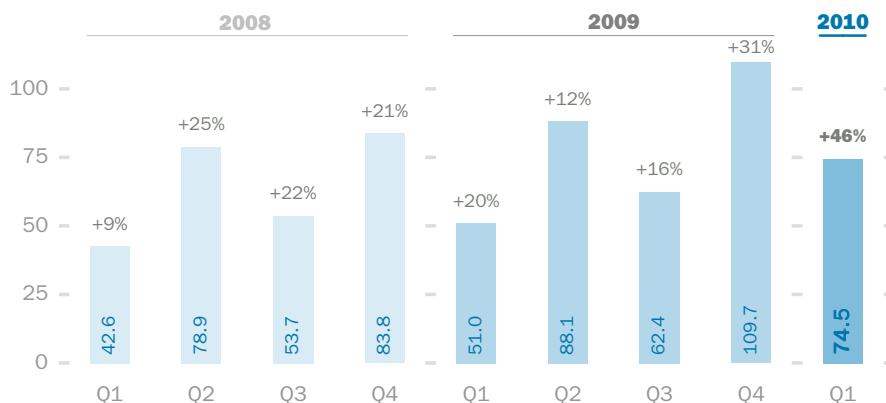
The group offers its product range in 35 countries, whereof revenues totalling € 62.2 million were recognised in the EU countries (+42.8%). Operations in Europe are not restricted to EU member states but also include countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, especially in the USA. Over all non-EU countries first quarter revenues totalled € 12.3 million (+64.5%).

**Seasonality**

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

**Revenues trend**

quarterly revenues in € million



One of the reasons for the marked sales increase was the unusually snowy weather that lasted into February. This allowed for further selling opportunities for winter tyres. More important, however, was the good start into the summer tyre season in March. The fact that Easter fell in the first week of April this year may have helped in this respect, prompting many motorists to switch tyres before the holidays.

## Key expense positions

### Cost of sales

The cost of sales is the largest expense item which increased by 45.1% from € 37.8 million in Q1 09 to € 54.8 million in Q1 10 (73.6% of revenues), primarily due to higher revenues. The cost of sales in the E-Commerce division increased by 50.8% from € 34.2 million to € 51.6 million (72.9% of divisional revenues). In the Wholesale division, the cost of sales fell by 9.7% to € 3.2 million (Q1 09: € 3.6 million), corresponding to 85.9% of divisional revenues (Q1 09: 83.5%).

### Personnel expenses

The relatively low personnel expenses of € 1.6 million (Q1 09: € 1.4 million, +15.0%) illustrate the low personnel intensity of Delticom's business model. Due to the strong topline growth in the reporting period, the personnel expenses ratio (staff expenditures as percentage of revenues) retracted to 2.1% (Q1 09: 2.7%).

### Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers or fitting stations. As business volumes increases, so too do these transportation costs, from € 4.8 million by +34.5% to € 6.4 million.

### Marketing

In the reporting period, costs for advertising totalled € 1.7 million, flat year-on-year. One of the reasons for this favourable development was the continued snowfall in January. This led to strong winter tyre sales, without the need for additional marketing budgets. Consequently, the marketing expense ratio (marketing expenses as a percentage of revenues) dropped from 3.4% in Q1 09 to 2.3% in Q1 10.

## Earnings position

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

### Abridged P+L statement

in € thousand

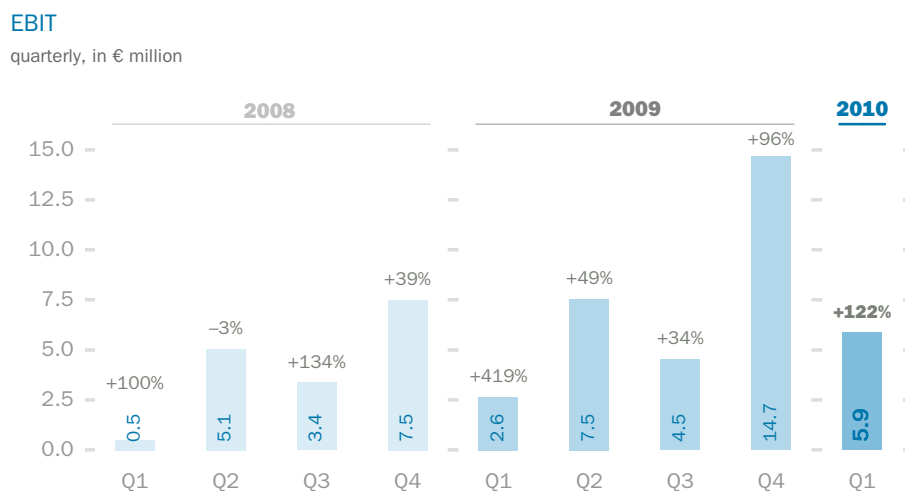
	Q1 10	%	+%	Q1 09	%	+%	Q1 08	%
<b>Revenues</b>	<b>74,454</b>	100.0	45.9	<b>51,015</b>	100.0	19.8	<b>42,589</b>	100.0
Other operating income	1,294	1.7	50.2	862	1.7	10.5	779	1.8
<b>Total operating revenue</b>	<b>75,748</b>	101.7	46.0	<b>51,877</b>	101.7	19.6	<b>43,368</b>	101.8
Cost of goods sold	54,798	73.6	45.1	37,769	74.0	16.5	32,427	76.1
<b>Gross profit</b>	<b>20,950</b>	28.1	48.5	<b>14,108</b>	27.7	28.9	<b>10,942</b>	25.7
Personnel expenses	1,575	2.1	15.0	1,370	2.7	17.9	1,162	2.7
Other operating expenses	13,207	17.7	32.8	9,947	19.5	8.6	9,157	21.5
<b>EBIT</b>	<b>5,873</b>	7.9	122.3	<b>2,642</b>	5.2	419.4	<b>509</b>	1.2
Depreciation	295	0.4	97.5	149	0.3	30.8	114	0.3
<b>EBITDA</b>	<b>6,168</b>	8.3	120.9	<b>2,792</b>	5.5	348.3	<b>623</b>	1.5
Net financial result	26	0.0	-80.2	132	0.3	-30.5	190	0.4
<b>EBT</b>	<b>5,899</b>	7.9	112.6	<b>2,775</b>	5.4	296.9	<b>699</b>	1.6
Income taxes	1,895	2.5	116.9	873	1.7	307.7	214	0.5
<b>Consolidated net income</b>	<b>4,005</b>	5.4	110.6	<b>1,901</b>	3.7	292.1	<b>485</b>	1.1

**Other operating income** Other operating income increased in Q1 10 by 50.2% to € 1.3 million (Q1 09: € 0.9 million), thereof gains from FX hedges to the order of € 0.9 million (Q1 09: € 0.6 million)

**Gross profit and gross profit margin up** In the reporting period, gross profit advanced by 48.5% year-on-year, from € 14.1 million to € 21.0 million. The gross profit margin (gross profit in relation to total income) improved from 27.2% to 27.7%.

The two divisions – E-Commerce and Wholesale – operate at different gross profit margins. As usual, E-Commerce was able to achieve a better margin (Q1 10: 27.3%, Q1 09: 27.2%) than Wholesale (Q1 10: 14.1%, Q1 09: 16.5%). This had an additional positive contribution to the gross margin of the group, even more so as the growth in revenues in the E-Commerce division came in significantly higher than in Wholesale.

**EBIT and profitability improved considerably** Earnings before interest and taxes (EBIT) improved during the reporting period by 122.3% to € 5.9 million (Q1 09: € 2.6 million). This corresponds to an EBIT margin of 7.9% (Q1 09: 5.2%). The chart *EBIT* shows the preceding quarters:



**Financial result nosedived** As expected, the sharp decline in Euro money market rates resulted in a significantly lower financial result of € 26 thousand (Q1 09: € 132 thousand).

**Income taxes** The expenditure for income taxes was € 1.9 million (Q1 09: € 0.9 million). This equates to a tax rate of 32.1% (Q1 09: 31.5%).

**Net income** Consolidated net income for the first quarter grew from € 1.9 million to € 4.0 million. This corresponds to earnings per share (EPS) of € 0.34 (undiluted, Q1 09: € 0.16), a step-up of 110.6%.

**Dividend for fiscal year 2009** At Delticom's Annual General Meeting on 11 May 2010, the firm's Management Board and the Supervisory Board will propose a dividend of € 1.70 per share (2008: € 1.00).



## Financial and assets position

### Cash flow

#### Operating cash flow

The cash flow from ordinary business activities (operating cash flow) for the period under review was € 4.7 million. As opposed to last year it is positive (Q1 09: € –10.5 million) because Q1 10 a higher share of the inventories were financed with accounts payable.

#### Investing activities

During the reporting period, investments into property, plant and equipment amounted to € 0.2 million. Taken together with the investments into intangibles, an amount of € 0.3 million of the investments resulted in cash outflow ("capex").

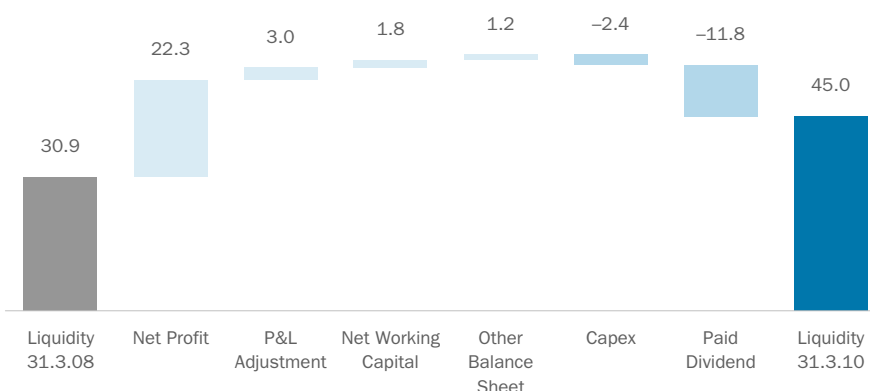
#### Financing activities

In the first quarter, Delticom did not recognise any cash flow from financing activities.

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

#### Liquidity Bridge

in Mio. €



### Balance sheet structure

As of 31.03.10 the balance sheet total amounted to € 131.6 million (31.12.09: € 96.4 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

#### Inventories up as planned

Among the current assets, the inventories are the biggest line item. They increased by € 17.1 million or 39.9% to € 60.0 million (31.12.09: € 42.9 million).

#### Receivables

At the end of the quarter, the accounts receivable amounted to € 14.7 million, up 15.9% from end of last year's € 10.1 million. Good sales in the last weeks of March resulted in a build-up of receivables, most of them being balanced in the meantime.

## Payables increased in parallel with inventories

In the first quarter the accounts payable increased by € 17.8 million, in parallel with inventories. As part of the € 64.2 million in short-term liabilities as of 31 March 2010, € 54.5 million were recorded as accounts payable, corresponding to a share of 41.4% of balance sheet total.

## Abridged balance sheet

in € thousand

	Q1 10	%	+%	2009	%	+%	2008	%
<b>Assets</b>								
Non-current assets	6,874	5.2	-0.5	6,910	6.5	104.0	3,387	3.5
Fixed assets	6,595	5.0	-0.4	6,621	6.2	100.5	3,302	3.5
Other non-current assets	279	0.2	-3.4	289	0.3	240.4	85	0.1
Current assets	124,741	94.8	24.8	99,938	93.5	8.3	92,250	96.5
Inventories	59,980	45.6	39.9	42,858	40.1	15.4	37,134	38.8
Receivables and other current assets	19,714	15.0	19.9	16,438	15.4	35.2	12,157	12.7
Liquidity	45,048	34.2	10.8	40,642	38.0	-5.4	42,959	44.9
Securities	3,041	2.3	0.1	3,039	2.8	-77.7	13,620	14.2
Cash and cash equivalents	42,007	31.9	11.7	37,603	35.2	28.2	29,339	30.7
<b>Assets</b>	<b>131,615</b>	<b>100.0</b>	<b>23.2</b>	<b>106,848</b>	<b>100.0</b>	<b>11.7</b>	<b>95,637</b>	<b>100.0</b>
<b>Equity and Liabilities</b>								
Long-term funds	63,180	48.0	6.6	59,276	55.5	16.9	50,701	53.0
Equity	62,851	47.8	6.9	58,794	55.0	17.1	50,224	52.5
Long-term debt	329	0.3	-31.6	482	0.5	0.9	478	0.5
Provisions	33	0.0	-22.2	42	0.0	23.0	34	0.0
Liabilities	297	0.2	-32.5	440	0.4	-0.9	443	0.5
Short-term debt	68,435	52.0	43.9	47,573	44.5	5.9	44,936	47.0
Provisions	4,219	3.2	19.1	3,542	3.3	70.2	2,080	2.2
Liabilities	64,216	48.8	45.8	44,031	41.2	2.7	42,856	44.8
<b>Equity and Liabilities</b>	<b>131,615</b>	<b>100.0</b>	<b>23.2</b>	<b>106,848</b>	<b>100.0</b>	<b>11.7</b>	<b>95,637</b>	<b>100.0</b>

**Organisation**

## Legal structure

The group structure did not change in the first quarter. As of 31 March 2010, the Delticom group of companies comprised the following subsidiaries.

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

Delticom AG owns 100% of shares in each of the subsidiaries. The business is run mainly from the Hanover head office.

## 104 employees

As of 31.03.10 a total staff of 104 full-time equivalents were employed at Delticom (31.03.09: 84, 31.12.09: 92).

## Significant events after the reporting date

There were no events of particular significance after the reporting date of 31.03.10.

## Risk Report

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

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

## Outlook

### Price increases

Many tyre manufacturers have already announced price increases, due to the sharp rise in raw material prices. There is still great uncertainty as to whether, and to what extent, European end customers will reduce their demand for tyres in the coming quarters. It might become more difficult to pass on price increases along the supply chain to end-consumers.

### EBIT margin unchanged at 8%

It is too early in the year to revise the margin outlook. We reiterate our EBIT margin guidance of 8% for the full year 2010, assuming a supportive course of business.

### New revenues guidance: at least +10%

The aggregate tyre demand for the second half of the year remains uncertain. Given the strong revenue growth in H2 09 we aim for H2 10 revenues flat year-on-year. Following a very good first quarter and a satisfactory course of the summer tyre business so far, we expect Delticom to grow its 2010 revenues by at least 10% year-on-year (previously: up to 10%).

## **Consolidated Interim Financial Statements of Delticom AG**

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## Consolidated Interim Financial Statements of Delticom AG

### Consolidated Income Statement

in € thousand	01.01.2010 - 31.03.2010	01.01.2009 - 31.03.2009
<b>Revenues</b>	<b>74,454</b>	<b>51,015</b>
Other operating income	1,294	862
<b>Total operating revenue</b>	<b>75,748</b>	<b>51,877</b>
Cost of goods sold	-54,798	-37,769
<b>Gross profit</b>	<b>20,950</b>	<b>14,108</b>
Personnel expenses	-1,575	-1,370
Depreciation of intangible assets and property, plant and equipment	-295	-149
Other operating expenses	-13,207	-9,947
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,873</b>	<b>2,642</b>
Financial expenses	-4	-2
Financial income	31	134
<b>Net financial result</b>	<b>26</b>	<b>132</b>
<b>Earnings before taxes (EBT)</b>	<b>5,899</b>	<b>2,775</b>
Income taxes	-1,895	-873
<b>Consolidated net income</b>	<b>4,005</b>	<b>1,901</b>
Thereof allocable to:		
Shareholders of Delticom AG	4,005	1,901
Earnings per share (basic)	0.34	0.16
Earnings per share (diluted)	0.34	0.16

### Statement of Recognised Income and Expenses

€ thousand	01.01.2010 - 31.03.2010	01.01.2009 - 31.03.2009
<b>Consolidated Net Income</b>	<b>4,005</b>	<b>1,901</b>
Changes in the financial year recorded directly in equity		
Changes in currency translation	12	4
Changes in value of financial assets in the "available-for-sale assets" category		
Changes in current value recorded directly in equity	2	11
Recognition of settled hedging transactions with effect on income	0	-16
Deferred tax on current changes without effect on income	-1	0
<b>Other comprehensive income for the period</b>	<b>13</b>	<b>-1</b>
<b>Total comprehensive income for the period</b>	<b>4,018</b>	<b>1,900</b>

## Consolidated Balance Sheet

### Assets

in € thousand

	31.03.2010	31.12.2009
<b>Non-current assets</b>	<b>6,874</b>	<b>6,910</b>
Intangible assets	1,196	1,198
Property, plant and equipment	5,399	5,424
Deferred taxes	135	154
Other receivables	144	134
<b>Current assets</b>	<b>124,741</b>	<b>99,938</b>
Inventories	59,980	42,858
Accounts receivable	14,715	10,148
Other current assets	4,999	6,289
Securities	3,041	3,039
Cash and cash equivalents	42,007	37,603
<b>Assets</b>	<b>131,615</b>	<b>106,848</b>

### Shareholders' Equity and Liabilities

€ thousand

	31.03.2010	31.12.2009
<b>Equity</b>	<b>62,851</b>	<b>58,794</b>
Subscribed capital	11,839	11,839
Share premium	24,151	24,112
Other components of equity	-88	-101
Retained earnings	200	200
Net retained profits	26,748	22,744
<b>Liabilities</b>	<b>68,764</b>	<b>48,054</b>
<b>Non-current liabilities</b>	<b>329</b>	<b>482</b>
Non-current provisions	33	42
Deferred tax liabilities	297	440
<b>Current liabilities</b>	<b>68,435</b>	<b>47,573</b>
Provisions for taxes	3,364	2,915
Other current provisions	855	627
Accounts payable	54,494	36,645
Other current liabilities	9,722	7,386
<b>Shareholders' equity and liabilities</b>	<b>131,615</b>	<b>106,848</b>

## Consolidated Cash Flow Statement

	01.01.2010 - 31.03.2010	01.01.2009 - 31.03.2009
in € thousand		
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,873</b>	<b>2,642</b>
Depreciation of intangible assets and property, plant and equipment	295	149
Changes in other provisions	219	-17
Net gain on the disposal of assets	0	-1
Changes in inventories	-17,122	-5,366
Changes in receivables and other assets not allocated to investing or financing activity	-3,265	-6,049
Changes in payables and other liabilities not allocated to investing or financing activity	20,224	-493
Interest received	31	134
Interest paid	-4	-2
Income tax paid	-1,589	-1,504
<b>Cash flow from operating activities</b>	<b>4,661</b>	<b>-10,506</b>
Proceeds from the disposal of property, plant and equipment	1	2
Payments for investments in property, plant and equipment	-226	-1,454
Payments for investments in intangible assets	-43	-37
Changes in liquidity reserve	-2	1,976
<b>Cash flow from investing activities</b>	<b>-270</b>	<b>487</b>
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
Changes in cash and cash equivalents due to currency translation	12	4
Cash and cash equivalents at the start of the period	37,603	29,339
Changes in cash and cash equivalents	4,404	-10,015
<b>Cash and cash equivalents - end of period</b>	<b>42,007</b>	<b>19,324</b>
For information only:		
<b>Liquidity - start of period</b>	<b>40,601</b>	<b>42,918</b>
Changes in cash and cash equivalents	4,404	-10,015
Changes in liquidity reserve	2	-1,976
<b>Liquidity - end of period</b>	<b>45,006</b>	<b>30,927</b>

## Statement of Changes in Shareholders' Equity

€ thousand	Sub- scribed capital	Share premium	Reserve from currency translation	Revaluation Reserve	Accumulated profits / losses			Total equity
					Retained earnings	Net retained profits	losses total	
<b>as of 1 January 2009</b>	<b>3,946</b>	<b>31,809</b>	<b>-128</b>	<b>41</b>	<b>200</b>	<b>14,355</b>	<b>14,555</b>	<b>50,224</b>
Increase in share premium due to stock options		46						46
Total comprehensive income for the period			4	-5		1,901	1,901	1,900
<b>as of 31 March 2009</b>	<b>3,946</b>	<b>31,854</b>	<b>-123</b>	<b>36</b>	<b>200</b>	<b>16,256</b>	<b>16,456</b>	<b>52,170</b>
<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		39						39
Total comprehensive income for the period			12	1		4,005	4,005	4,018
<b>as of 31 March 2010</b>	<b>11,839</b>	<b>24,151</b>	<b>-111</b>	<b>24</b>	<b>200</b>	<b>26,748</b>	<b>26,948</b>	<b>62,851</b>



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

### Segment results

#### Q1 09

€ thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>46,747</b>	<b>4,269</b>	<b>0</b>	<b>51,015</b>
Other operating income	217	0	645	862
Cost of goods sold	-34,203	-3,565	0	-37,769
<b>Gross profit</b>	<b>12,760</b>	<b>703</b>	<b>645</b>	<b>14,108</b>
Personnel expenses	-530	-137	-703	-1,370
Depreciation and amortization	-100	0	-49	-149
thereof property, plant and equipment	-77	0	-39	-116
thereof intangible assets	-23	0	-10	-33
Other operating expenses	-8,634	-343	-970	-9,947
thereof bad debt losses and one-off loan provisions	-236	-73	0	-309
<b>Segment result</b>	<b>3,496</b>	<b>223</b>	<b>-1,077</b>	<b>2,642</b>
Net financial result				132
Income taxes				-873
<b>Consolidated net income</b>				<b>1,901</b>

#### Q1 10

€ thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>70,706</b>	<b>3,748</b>	<b>0</b>	<b>74,454</b>
Other operating income	269	0	1,024	1,294
Cost of goods sold	-51,579	-3,218	0	-54,798
<b>Gross profit</b>	<b>19,396</b>	<b>529</b>	<b>1,024</b>	<b>20,950</b>
Personnel expenses	-630	-86	-859	-1,575
Depreciation and amortization	-252	0	-42	-295
thereof property, plant and equipment	-220	0	-30	-250
thereof intangible assets	-33	0	-12	-45
Other operating expenses	-11,932	-258	-1,017	-13,207
thereof bad debt losses and one-off loan provisions	-350	-88	0	-438
<b>Segment result</b>	<b>6,582</b>	<b>185</b>	<b>-894</b>	<b>5,873</b>
Net financial result				26
Income taxes				-1,895
<b>Consolidated net income</b>				<b>4,005</b>

### Reporting companies

The Delticom group primarily sells tyres on the Internet. Delticom has two divisions: Wholesale and E-Commerce. In the E-Commerce division, tyres, accessories and spare parts are sold to consumers and business customers via 106 online shops in 35 countries. In the Wholesale division, tyres are sold to other wholesalers.

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

Delticom's consolidated interim financial statements as of 31.03.10 were prepared according to the *International Financial Reporting Standards* (IFRS), as prescribed by the International Accounting Standards Board (IASB), that were mandatory according to the European Union (EU) Directive. All applicable and mandatory IFRS standards on the balance sheet date were applied, especially IAS 34 (Interim Financial Reporting).

To the extent that there were no changes to standards requiring first-time application, the accounting, valuation and calculation methods explained in the 2009 Consolidated Financial Statements have also been applied in this set of interim financial statements, and apply correspondingly. These interim financial statements contain all clarifications and information required for annual financial statements, and can therefore be read in conjunction with the annual financial statements as of 31.12.09.

[www.delti.com/Investor\\_Relations/Delticom\\_Geschaeftsbericht\\_2009.pdf](http://www.delti.com/Investor_Relations/Delticom_Geschaeftsbericht_2009.pdf)

## Group of consolidated companies

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

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

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

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

€ thousand	Q1 10	Q1 09
Transportation costs	6,404	4,763
Warehousing costs	860	394
Credit card fees	516	305
Bad debt losses and one-off loan provisions	438	309
Marketing costs	1,696	1,710
Operations centre costs	921	914
Rents and overheads	856	328
Financial and legal costs	570	370
IT and telecommunications	160	128
Expenses from exchange rate differences	499	507
Other	289	218
<b>Total</b>	<b>13,207</b>	<b>9,947</b>

## 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.

### **Unusual items**

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

### **Earnings per share**

Basic earnings per share totalled € 0.34 (Q1 09: € 0.16). The diluted earnings per share totalled € 0.34 (Q1 09: € 0.16).

### **Calculation of earnings per share**

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

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

The calculation of the earnings per share was based on net income after taxes totalling € 4,004,669.14 (Q1 09: € 1,901,308.85) and the weighted average number of shares outstanding during the fiscal year. The calculation of the diluted earnings per share was based on the weighted average number of shares outstanding during the fiscal period, plus the number of potential shares from options, in total 11,929,440 shares (Q1 09: 11,914,609 shares).

## **Dividends**

For fiscal year 2009 the company proposes a dividend of € 1.70 per share.

## **Related parties disclosure**

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

In the reporting period, goods and services worth € 456.0 thousand (Q1 09: € 508.6 thousand) were purchased from related companies, and goods and services worth € 306.0 thousand (Q1 09: € 306.0 thousand) were sold to related companies. Accounts receivable from business with related companies amounted to € 425.8 thousand (Q1 09: € 78.2 thousand) and accounts payable totalled € 455.5 thousand (Q1 09: € 485.6 thousand).

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

There were no significant changes to the other financial obligations compared with 31.12.09. As of the reporting date, there were no contingent liabilities or claims.

## **Employees**

In the reporting period, Delticom had an average of 94 employees. The calculation is based on the actual number of 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 consolidated financial statements have not been audited or reviewed by the company's auditors.

## **German Corporate Governance Codex**

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

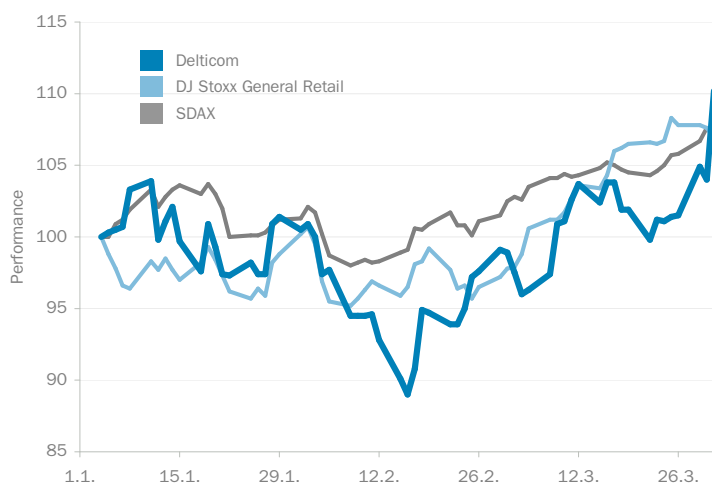
## **Responsibility Statement**

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

Hanover, 10 May 2010

(The Management Board)

# 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
11 May 2010	Annual General Meeting
20 July 2010	provisional H1 revenues
10 August 2010	full 6-monthly report
19 October 2010	provisional 9M revenues
09 November 2010	full 9-monthly report
22 November 2010	German Equity Forum

		Q1 10	2009
Number of shares	shares	11,839,440	11,839,440
Share capital	€	11,839,440	11,839,440
Share price on first trading day <sup>1</sup>	€	28.75	13.00
Share price on last trading day of the period <sup>1</sup>	€	31.67	27.61
Share price high/low <sup>1</sup>	€	31.67/25.60	27,61 / 11,92
Share performance <sup>1</sup>	%	10.2	112.4
Market capitalisation <sup>2</sup>	€ million	375.0	326.9
Average trading volume per day (XETRA)	shares	22,865	9,163
EPS (undiluted)	€	0.34	1.71
EPS (diluted)	€	0.34	1.70
Operating cash flow per share	€	0.39	1.11
Free cash flow per share <sup>3</sup>	€	0.37	0.80

(1) based on closing prices

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

(3) Free cash flow = Operating cash flow – capex

Broker	Analyst	Recommendation	Target price	Estimates for 2010				Estimates for 2011			
				Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Buy	33.00	351.0	29.8	8.5	1.74	391.0	32.1	8.2	1.87
Metzler	Jürgen Pieper	Buy	48.00	355.0	30.8	8.7	1.80	408.0	38.9	9.5	2.26
Exane	Andreas Inderst	Outperform	47.00	354.6	30.6	8.6	1.75	412.8	37.6	9.1	2.17
Berenberg	Lars Dannenberg	Buy	40.00	341.0	30.0	8.8	1.75	389.0	34.0	8.7	1.98
Nomura	Paul Diamond	Buy	35.40	340.9	28.0	8.2	1.63	378.0	31.0	8.2	1.77
BHF	Aleksej Wunrau	Strong Buy	52.00	366.0	37.0	10.1	2.17	406.0	39.0	9.6	2.31
Deutsche Bank	Tim Rokossa	Buy	34.00	347.0	30.0	8.6	1.70	391.0	37.0	9.5	2.11
Merck Finck	Robert Heberger	Buy	33.00	343.0	28.0	8.2	1.63	376.0	34.0	9.0	1.93
Macquarie	Marcus Sander	Outperform	39.00	351.5	29.7	8.4	1.72	395.0	35.1	8.9	2.03
		Average	40.16	350.0	30.4	8.7	1.77	394.1	35.4	9.0	2.05

as of 5 May 2010

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