

3-Monthly Report 2009



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, www.mytyres.co.uk and www.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 eCommerce: 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 24,500 service partners (6,000 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Q1 2009 at a Glance

		01.01.2009 - 31.03.2009	01.01.2008 - 31.03.2008	yoy
Revenues	€ million	51.0	42.6	+19.8
New customers	thousand	146	123	+18.0
Customer base	thousand	2,772	2,054	+34.9
Total income	€ million	51.9	43.4	+19.6
Gross profit	€ million	14.1	10.9	+28.9
Gross profit margin	(1) %	27.2	25.2	
EBIT	€ million	2.6	0.5	+419.4
EBIT margin	(2) %	5.2	1.2	
Net income	€ million	1.9	0.5	+292.1
Earnings per share	(3) €	0.48	0.12	+292.1
Employees		84	79	+6.3
Revenues per employee	€ thousand	607	539	+12.7
Total assets	€ million	96.4	85.2	+13.1
Equity	€ million	52.2	46.8	+11.4
Equity ratio	%	54.1	54.9	
Return on equity	%	3.6	1.0	
Liquidity position	(4) € million	30.9	25.2	+22.6
Dividend	(5) €	3.00	2.00	+50.0
Operating cash flow	€ million	-10.5	-9.0	-16.7
Free cash flow	€ million	-12.0	-9.3	-29.0

(1) Gross profit to total income

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

(3) undiluted

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

(5) Conditional on approval at the Annual General Meeting

Management Report

General Conditions

The contraction of the world economy continued unabated over the course of the first three months of 2009. Europe is deep in recession. Steep declines in manufacturing and industrial output were the primary contributor to declining GDP. Although disinflation from lower energy and food prices had a positive impact, the retail sector was not able to decouple itself from the general economic downturn.

The European Central Bank reduced their base lending rate twice in the first quarter and has since continued to help the economy recover with further monetary easing. So far, the interest rate reductions have had little impact on improving sentiment, though.

The very poor macroeconomic situation hit the cyclical automotive industry heavily. In Germany, France and Italy the slump in new car registrations was alleviated by the governments' car scrap-page schemes.

Although less cyclical, the market contraction in the tyre trade observed in late 2008 gained momentum in the first quarter.

Results of Operations

Revenues

In the first quarter of 2009, Delticom was able to buck the industry trend and substantially increase its sales. The company's revenues grew by 19.8% from € 42.6 million to € 51.0 million.

Delticom has been left comparatively unscathed by the ongoing economic downturn so far. Evidence of this is found in the development of the customer numbers: In Q1 09, the company acquired a total of 146 thousand new customers, while 79 thousand customers made a repeat purchase in one or more of Delticom's online shops. Overall, the customer base (customers who have made at least one purchase in 2009 or in previous years) increased to 2,772 thousand.

Revenues in the eCommerce division in Q1 09 increased year-on-year by 21.4% from € 38.5 million to € 46.7 million. The Wholesale division reported revenues of € 4.3 million (+4.6% on previous-year divisional revenues of € 4.1 million).

In some European countries, weak local currencies made it increasingly difficult for Delticom to grow its business. Thanks to the company's consequent strategy of internationalization, Delticom was able to compensate for weaker sales in some individual markets with good growth in other markets. As a result, in almost all 102 online shops in 35 countries the Group recorded rising volume figures and further market penetration during the reporting period. Overall in the EU countries a total of € 43.5 million was generated (up +14.8% year-on-year) and in the remaining other countries € 7.5 million (up +60.3%).

Key Expense Positions

The cost of sales is the largest expense item. It increased by 16.5% from € 32.4 million to € 37.8 million (74.0% of revenues), due to higher revenues.

Despite increased transaction volumes in 2009, Delticom was able to keep staff levels low, thanks to efficient business processes. As of 31 March 2009, the company had 84 employees (31 December 2008: 86). Compared with the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) was unchanged at 2.7%.

Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers and service partners. As business volumes increases, so too do these transportation costs (+24.8%).

Stocking costs declined by 6.0% to 0.8% of revenues (previous year: 1.0%).

In the reporting period, costs for advertising totalled € 1.7 million (previous year: € 1.3 million). This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 3.4%, after 3.2% in the corresponding period of the previous year.

Earnings Position

In the first quarter 2009, gross profit increased year-on-year by 28.9%, from € 10.9 million to € 14.1 million. The gross profit margin (gross profit in relation to total income) improved from 25.2% to 27.2%. The two divisions – eCommerce and Wholesale – operate at different gross profit margins. As usual, in Q1 09 eCommerce was able to achieve a higher margin (27.2%, Q1 08: 26.4%) than Wholesale (16.5%, Q1 08: 11.7%).

The EBIT improved during the reporting period to € 2.6 million (Q1 08: € 0.5 million). The return on sales based on EBIT (EBIT margin) was 5.2% (Q1 08: 1.2%). However, the financial result decreased from € 190 thousand to € 132 thousand, due to significantly declining Euro interest rates.

Consolidated net income grew from € 0.5 million to € 1.9 million. This corresponds to earnings per share (EPS) of € 0.48 (undiluted, Q1 08: € 0.12). The calculation of EPS is detailed in the notes.

At Delticom's Annual General Meeting on 19 May 2009, the firm's Managing Board and the Supervisory Board will propose a dividend of € 3.00 per share – an increase of 50.0% compared to the dividend for fiscal year 2008 of € 2.00.

Assets

The company's non-current assets amounted to only € 4.7 million on 31 March 2009, or just 4.9% (31 March 2008: 4.4%) of total assets. In the current assets, inventories accounted for € 42.5 million, 44.1% of total assets (31 March 2008: € 40.1 million or 47.1%). The increase by € 5.4 million since the end of the last quarter (31 December 2008: € 37.1 million) follows from the typical seasonality of the demand for tyres. It was not necessary to record any impairments on any stocked goods.

To the end of the reporting period, accounts receivable totalled € 12.7 million. Bad debt losses in Q1 09 reached € 309 thousand, down from over the € 392 thousand recorded in Q1 08. The reason for the higher losses in 2008 was an individual write-down of receivables for a wholesale customer, covered by credit insurance. In the ongoing recession the payment behaviour of consumers is going to worsen. Delticom reacts to these developments with tightened credit management processes.

Financial Position

In the period under review, Delticom has financed its business activities with current income, accounts payable and equity. As of 31 March 2009 the equity ratio was 54.1% (31 March 2008: 54.9%).

Liabilities at the end of the reporting period stood at € 44.2 million, 98.8% of which were current. The preponderant element here was accounts payable (€ 33.3 million). The non-current liabilities to the end of the reporting period totalled € 537 thousand (31 March 2008: € 459 thousand), mainly from deferred tax liabilities.

In the reporting period, capital expenditures amounted to € 1.5 million. The bulk of these were investments into warehousing equipment for the facilities rented by Delticom, in close coordination with logistics service providers.

In line with the seasonal business, the cash flow from ordinary activities (also known as operating cash flow) was negative at € -10.5 million (Q1 08: € -9.0 million).

As of 31 March 2008, Delticom had cash and cash equivalents totalling € 25.2 million. This amount declined to € 19.3 million as of 31 March 2009. In total, the available liquidity position including the liquidity reserve at the end of the period under review was € 30.9 million (31 March 2008: € 25.2 million).

Report on Key Events after the End of Reporting Period

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

Risk Report

The risk situation has not changed materially since the beginning of the fiscal year. Individual risks endangering the company do not exist, and considered together, the aggregate risk does pose a danger to Delticom's going concern.

Outlook

Despite international efforts to stabilize the financial sector and stimulate the economy as a whole, there are no visible signs of a turnaround in the near future: Leading economic institutions predict an even further deterioration of the global economy, especially in the US and the Eurozone. Consumer confidence readings for Europe have been rather robust for the last months, mainly due to the ongoing disinflation. Still, rising unemployment and declining household income are going to test the resilience of the consumers' confidence over the next months. The tyre trade will not be able to buck this trend. For example, the BRV (Association of German Tyre Dealers) expects a further sharp decrease in sales for the current year, down from an already troubled 2008.

However, the current economic situation poses not only risks for Delticom, but presents opportunities as well: Tyre buyers will increasingly look for lower-priced alternatives, in particular on the Internet which is a growing discount sales channel. Independent of the difficult general market conditions, however, we expect that Delticom will continue to grow at a rate above the market trend.

Current trading in the second quarter has been robust so far. Growth in April was softened slightly due to a reversal of the Easter effect experienced last year, resulting in less working days. In Q2 08 the management put emphasis on market share gains. As a consequence, the year-on-year growth rate for Q2 09 might be lower due to negative base effects.

Unchanged from the guidance given in the 2008 full year report, we forecast a year-over-year growth in revenues of 10% for fiscal year 2009. We are confident that the revenues can be achieved if the year unfolds in a normal way. In a recession environment, some additional sales might be achievable at slightly reduced margins. As a result, we continue to not foresee EBIT margins of over 6% for the full year as the norm.

Consolidated Income Statement

€ thousand	01.01.2009 - 31.03.2009	01.01.2008 - 31.03.2008
Revenues	51,015	42,589
Other operating income	862	779
Total operating revenue	51,877	43,368
Cost of goods sold	-37,769	-32,427
Gross profit	14,108	10,942
Personnel expenses	-1,370	-1,162
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	-149	-114
Other operating expenses	-9,947	-9,157
Earnings before interest and taxes (EBIT)	2,642	509
Financial expenses	-2	-5
Financial income	134	195
Net financial result	132	190
Earnings before taxes (EBT)	2,775	699
Income taxes	-873	-214
Consolidated net income	1,901	485

Consolidated Balance Sheet

Assets

€ thousand	31.03.2009	31.12.2008
Non-current assets	4,724	3,387
Intangible assets	1,170	1,166
Property, plant and equipment	3,474	2,136
Other receivables	80	85
Current assets	91,674	92,250
Securities	11,644	13,620
Inventories	42,500	37,134
Accounts receivable	12,696	8,468
Other current assets	5,509	3,688
Cash and cash equivalents	19,324	29,339
Assets	96,398	95,637

Shareholders' equity and liabilities

€ thousand	31.03.2009	31.12.2008
Equity	52,170	50,224
Subscribed capital	3,946	3,946
Share premium	31,854	31,809
Retained earnings	200	200
Other components of equity	-87	-86
Net retained profits	16,256	14,355
Liabilities	44,228	45,414
Non-current liabilities	537	478
Non-current provisions	34	34
Deferred tax liabilities	503	443
Current liabilities	43,691	44,936
Provisions for taxes	1,363	2,053
Other current provisions	11	28
Accounts payable	33,314	36,192
Other current liabilities	9,003	6,664
Shareholders' equity and liabilities	96,398	95,637

Consolidated Cash Flow Statement

€ thousand	01.01.2009 - 31.03.2009	01.01.2008 - 31.03.2008
Earnings before interest and taxes (EBIT)	2,642	509
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	149	114
Changes in other provisions	-17	-314
Net gain on the disposal of assets	-1	0
Changes in inventories	-5,366	-4,546
Changes in receivables and other assets not allocated to investing or financing activity	-6,049	-2,337
Changes in payables and other liabilities not allocated to investing or financing activity	-493	-1,706
Interest received	134	104
Interest paid	-2	-5
Income tax paid	-1,504	-819
Cash flow from operating activities	-10,506	-9,001
Proceeds from the disposal of property, plant and equipment	2	0
Payments for investments in property, plant and equipment	-1,454	-266
Payments for investments in intangible assets	-37	-32
Payments for investments in liquidity reserve	1,976	0
Cash flow from investing activities	487	-298
Changes in cash and cash equivalents due to currency translation	4	-12
Cash and cash equivalents at the start of the period	29,339	34,540
Changes in cash and cash equivalents	-10,015	-9,311
Cash and cash equivalents - end of period	19,324	25,229
For information only:		
Liquidity - start of period	42,918	34,540
Changes in cash and cash equivalents	-10,015	-9,311
Changes in liquidity reserve	-1,976	0
Liquidity - end of period	30,927	25,229

Statement of Recognised Income and Expenses

€ thousand	01.01.2009 - 31.03.2009	01.01.2008 - 31.03.2008
Consolidated Net Income	1,901	485
Changes in the financial year recorded directly in equity		
Changes in currency translation	4	-12
Changes in value of financial assets in the "available-for-sale assets" category		
Changes in current value recorded directly in equity	11	0
Recognition of settled hedging transactions with effect on income	-16	0
Other comprehensive income for the period	-1	-12
Total comprehensive income for the period	1,900	473

Statement of Changes in Shareholders' Equity

€ thousand	Subscribed capital	Share premium	Reserve from currency trans- lation	Revaluation Reserve	Accumulated profits / losses			Total equity
					Retained earnings	Net retained profits	total	
as of 1 January 2008	3,946	31,706	-27	0	200	10,518	10,717	46,342
Increase in share premium due to stock options		13						13
Total comprehensive income for the period			-12			485	485	473
as of 31 March 2008	3,946	31,718	-39	0	200	11,002	11,202	46,828
as of 1 January 2009	3,946	31,809	-128	41	200	14,355	14,555	50,224
Increase in share premium due to stock options		46						46
Total comprehensive income for the period			4	-5		1,901	1,901	1,900
as of 31 March 2009	3,946	31,854	-123	36	200	16,256	16,456	52,170

Consolidated Notes

Notes to the Consolidated Financial Statements

Reporting Companies

The Delticom group primarily sells tyres via the Internet. Delticom has two divisions: Wholesale and eCommerce. In the eCommerce division, tyres are sold to consumers and business customers via 102 online shops in 35 countries (Europe and USA). In the Wholesale division, tyres procured from manufacturers (including private brands) are sold to other wholesalers.

Basis of Presentation

This consolidated interim report as of 31 March 2009 has been prepared according to International Financial Reporting Standards. The accounting and valuation methods for the interim financial statements are in line with IAS 34, GAS 6 and Section 63 of the Börsenordnung der Frankfurter Wertpapierbörse (Frankfurt Stock Exchange Rules).

The Delticom Group's interim report comprises consolidated interim financial statements and a group interim management report, as well as notes to selected line items. The mandatory notes to the financial statements are intended to provide a clarification of results and transactions that are of significance for an understanding of the changes to financial positions and the company's performance since the last set of annual financial statements.

The following new standards and amended standards must be applied from 1 January 2009:

- IAS 1 (Revised), "Presentation of Financial Statements". The new version of the standard introduces new terminology for the components of the financial statements. In addition, an explicit separation is made between owner changes in equity and non-owner changes in equity. As a consequence, income and expenses reported in equity must be presented in a so-called statement of total comprehensive income. The mandatory presentation of income and expenses reported in equity within the statement of total comprehensive income is presented in two accounts (in the income statement, as well as in the changes in the financial year recorded directly in equity applied to consolidated net income). The amended standard has an impact on the presentation of the financial statements, but does not have an effect on assets, financing position and results of operations in the consolidated financial statements.
- The Delticom Group applies IFRS 8 "Operating Segments" from 2009 on. IFRS 8 replaces IAS 14 "Segment Reporting". The new standard applies the so-called "management approach", whereby segmental reporting is adapted both structurally and in terms of content to the reports regularly presented to internal decision-makers. This has no effect on the breakdown of the segments; only the presentation of segmental information has changed.

The following new standards and amended standards or interpretations must be applied for the first time from 1 January 2009, but are not relevant to the Delticom Group:

IAS 23	Borrowing costs
IAS 32	Amendment: Puttable instruments and obligations arising on liquidation
IFRS 2	Amendment: Share-based payment (vesting conditions and cancellations)
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation

During preparation of the interim financial statements and the identification of comparable figures for the previous year, as a rule the same principles of consolidation and accounting and valuation methods were applied as in the 2008 consolidated financial statements, with the exception of the changes noted above.

Group of Consolidated Companies

The Group of consolidated companies comprises Delticom AG, with its registered office in Hanover, registered at Hanover local court under the number HRB 58026, as well as the German subsidiary Reifendirekt GmbH, Hanover, Pnebo Gesellschaft für Reifengroßhandel und Logistik mbH, Hanover, as well as the foreign subsidiaries Delticom Ltd., Oxford (United Kingdom), NETIX S.R.L., Timisoara (Romania) and Delticom North America Inc., Wilmington (Delaware, USA). Delticom AG holds a 100% interest in all subsidiaries.

Calculation of Earnings per Share

Basic earnings per share totalled € 0.48 (previous year: € 0.12). The diluted earnings per share also totalled € 0.48 (previous year: € 0.12).

Earnings per share are calculated according to IAS 33. During the period under review, there were 5,270 potential shares (financial instruments and other agreements which entitle their holders to subscribe to ordinary shares) from the tranche dated 22 November 2007, 12,500 potential shares from the tranche dated 08 May 2008, 12,500 potential shares from the tranche dated 25 November 2008 and 5,000 potential shares from the tranche dated 30 March 2009.

As the exercise price for the tranche dated 22 November 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 May 2008, 25 November 2008 and 30 March 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 of € 1,901,308.85 (previous year: € 484,941.53) and the weighted average number of shares outstanding including the potential shares from the issues options, thus 3,971,536 shares (previous year: 3,946,480 shares).

Segment Information

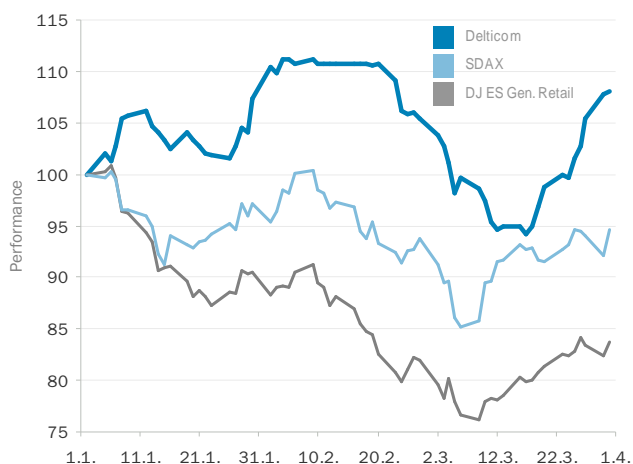
for the period from 1 January 2009 to 31 March 2009

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	46,747	4,269	0	51,015
Other operating income	217	0	645	862
Cost of goods sold	-34,203	-3,565	0	-37,769
Gross profit	12,760	703	645	14,108
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 individual write-downs	-236	-73	0	-309
Segment result	3,496	223	-1,077	2,642
Net financial result				132
Income taxes				-873
Consolidated net income				1,901

for the period from 1 January 2008 to 31 March 2008

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	38,509	4,080	0	42,589
Other operating income	498	128	153	779
Cost of goods sold	-28,711	-3,715	0	-32,427
Gross profit	10,296	493	153	10,942
Personnel expenses	-427	-68	-667	-1,162
Depreciation and amortization	-59	0	-55	-114
thereof property, plant and equipment	-43	0	-46	-89
thereof intangible assets	-16	0	-9	-24
Other operating expenses	-7,525	-211	-1,421	-9,157
thereof bad debt losses and individual write-downs	-359	-34	0	-392
Segment result	2,286	213	-1,990	509
Net financial result				190
Income taxes				-214
Consolidated net income				485

Delticom Share



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

19 May 2009 Annual General Meeting
 30 July 2009 Preliminary 6M revenues
 13 August 2009 6-monthly report
 29 October 2009 Preliminary 9M revenues
 9 November 2009 9-monthly report
 9 November 2009 German Equity Forum

		01.01.2009 - 31.03.2009	01.01.2008 - 31.03.2008
Share capital	€	3,946,480	3,946,480
Number of shares		3,946,480	3,946,480
Market capitalisation	(1) € million	161.8	150.0
Average trading volume per day (XETRA)	shares	1,044	5,201
Share price at beginning of quarter	(2) €	37.94	49.30
Share price at end of quarter	(2) €	41.00	38.00
Share price high/low	(2) €	42.20 / 35.75	49.30 / 37.32
Performance for the quarter	(2) %	8.1	-22.9
EPS (undiluted)	€	0.48	0.12
EPS (diluted)	€	0.48	0.12
Equity per share	€	13.22	11.87
Dividend	(3) €	3.00	2.00
Dividend amount	(4) €	11.8	7.9
Dividend yield	(1) %	7.3	5.3

- (1) Based on official closing price at end of quarter
- (2) Based on closing prices
- (3) Conditional on approval at the Annual General Meeting
- (4) Based on number of shares outstanding at end of quarter

Broker	Analyst	Focus	Recommen- dation	Target price	Estimates for 2009			
					Revenues (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwoppe	Automotive	Hold	39.00	285.00	16.90	5.93	3.11
Bankhaus Metzler	Jürgen Pieper	Automotive	Buy	51.00	298.00	19.30	6.48	3.57
Sal. Oppenheim	Marcus Sander	Internet	Buy	50.00	284.80	16.80	5.90	2.94
Exane BNP Paribas	Andreas Inderst	Retail	Outperform	53.00	281.00	16.70	5.94	3.00
Berenberg Bank	Lars Dannenberg	Small-/Midcaps	Buy	51.00	279.00	16.30	5.84	2.94
Nomura	Paul Diamond	Retail	Buy	48.00	286.70	16.50	5.76	2.94
BHF	Aleksej Wunrau	Automotive	Buy	48.00	271.00	16.40	6.05	3.00
Average				48.57	283.64	16.99	5.99	3.07

as of 13 May 2009

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