DELTICOM Aktiengesellschaft

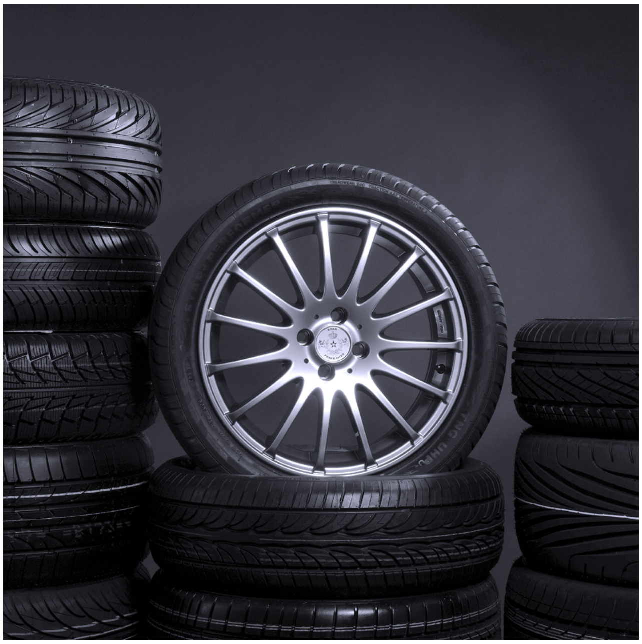
semi-annual report 2007

Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.se
Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl
Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch
Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk
123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com
Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.
se Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl
Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk · 123pneus.fr · Reifendirekt.ch
Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com · Reifendirekt.de · Mytyres.co.uk
123pneus.fr · Reifendirekt.ch · Reifendirekt.at · Autobandenmarkt.nl · Gommadiretto.it · Dackonline.se · Tireseasy.com · www.delti.com

Highlights from the first half of 2007

- Revenues up 35.2 % compared to H1 2006 from € 75.4 million to € 102.0 million
- 41.7 % revenue growth in eCommerce segment (compared to H1 2006)
- EBIT increased to € 5.4 million (H1 2006: € 3.7 million)
- EBIT margin up to 5.3 % (H1 2006: 4.9 %)
- 306 thousand new eCommerce customers, more than 112 thousand repeat customers
- End-to-end product range with more than 100 tyre brands and 25,000 tyre types
- Number of service partners up to around 16,400
- 79 online shops, established domains with high awareness
- Delticom's presence grows to 30 countries as of June 30, 2007

Index



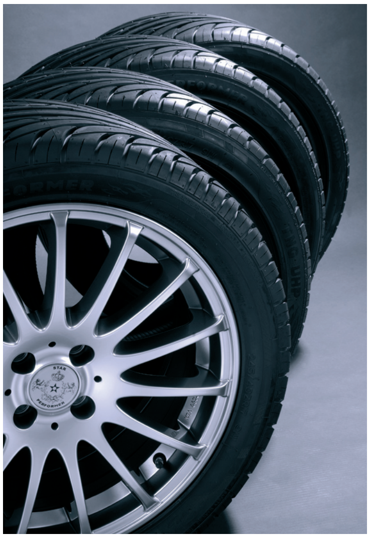
The share - overview

Deltícom AG's shares have been traded on Frankfurt Stock Exchange's Prime Standard since October 26, 2006. The issuing price for the shares offered during Delticom AG's IPO was € 36.00. Proceeds of € 30.6 million (less costs) accrued to Delticom AG from the IPO. The lock-up period for existing shareholders (without Prüfer GmbH and Binder GmbH), which was agreed upon as part of the IPO, expired on April 26, 2007. The free float totaled 47.90 % on June 30, 2007. The lock-up for the joint CEOs Rainer Binder and Andreas Prüfer will end on October 26, 2007.

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

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

After an interim high of € 68.50 in May 2007, Delticom shares closed at € 61.00 on June 29, 2007, the last trading day in the first half of 2007. On May 16, 2007, the day of the annual shareholders' meeting, the closing price was € 65.34.



Group interim management report

1 Business and underlying conditions

1.1 Economic environment

The global economy continued to enjoy positive growth in the first half of 2007. Germany, with its export-oriented economy, benefited from this development. The impact of the VAT increase on the German economy was smaller than had generally been anticipated. The strong economic growth throughout the whole of Europe has led to an increase in interest rates, in particular at the short end of the interest structure curve, influenced by the monetary actions of the European Central Bank.

1.2 The company

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

In its **eCommerce segment**, Delticom operates 79 online shops in 30 countries, and this division will continue to make a strong contribution to the company's growth in the coming years. The company offers its private and business customers a wide range of products in its online shops, including car tyres, motorcycle tyres, truck tyres, bus tyres, their respective rims, complete wheels (pre-mounted tyres on rims), select replacement car parts and accessories, engine oils and batteries. Delticom has well-established Internet domains that already enjoy a high level of awareness within the target group. Delticom's customers receive information on product characteristics and alternatives; they benefit from a comprehensive range of goods with more than 100 tyre brands and more than 25,000 tyre types. Almost all revenues in the eCommerce segment are recorded from the sale of tyres and complete wheels. Tyres can be delivered to any of more than 16,400 service partners worldwide (4,400 of which are located in Germany), who then mount the tyres on the customers' vehicles.

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

1.3 Market environment

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

Internet and eCommerce

The rise of the Internet as a global tool for communication, research and trade is reflected in the strong growth in the number of Internet users in recent years. In 2006 this figure surpassed one billion users for the first time. According to estimates by the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (BITKOM – German association for IT, telecommunications and new media), one in five people on earth now have access to the Internet – either at home or at work. The number of adult Internet users has also grown constantly over the past few years, with the result that 49 % of all EU households are now online. According to a study by the independent technology and market research company Forrester Research, the number of European Internet users aged 16 or older will increase from around 171 million in 2005 to around 217 million by 2008.

Purchases are increasingly made via the Internet, and the medium is providing companies in this segment with new opportunities to optimize traditional sales channels. According to the Bundesverband des Deutschen Versandhandels (BVH – German Mail Order Association), German consumers alone spent € 10 billion on shopping via the Internet last year; this figure is estimated at € 10.9 billion for 2007. Forrester Research estimates that eCommerce revenues will total € 250 billion in Europe in 2011, of which German users alone will contribute € 62 billion. This growth is driven by the increasing popularity of the Internet as a sales channel and the ease of access to the Internet. The increase in online shopping is often put down to the low prices. The effortlessness of ordering from home also plays a key role, as does the larger selection and better availability of product information to help comparisons.

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

The tyre market

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

1.4 Key factors impacting EBIT

The company's earnings are primarily determined by the following factors:

Customers

The number of registered customers in the eCommerce segment, meaning the customers who have purchased at least once from Delticom in the past (including the current fiscal year) increased from 974 thousand at the end of the second quarter of 2006 to 1,555 thousand one year later. Delticom acquired 306 thousand new eCommerce customers in H1 2007, with 112 thousand registered customers making a repeat purchase from Delticom. The company currently has 1,137 thousand customers on its books. The Company believes that the proportion of repeat customers will also continue to rise with the increasing number of customers.

Costs of acquiring new customers

The number of registered eCommerce customers is primarily determined by the level of awareness of the shops. As a result, both the satisfaction of existing customers who recommend the shop to others and advertising are important to increase awareness. Advertising is primarily online, partially direct and partially via third-party Web sites. Acquisition costs, in the form of the advertising spend per customer, depend in particular on the price levels on the advertising market, the limited availability of especially attractive advertising spaces and the efficiency of the advertising activities chosen.

Delticom monitors the efficiency of its advertising activities every day and can quickly adapt to changes in customer behaviour by terminating less attractive advertising activities and buying more attractive advertising space. In order to ensure that its advertising activities are efficient, Delticom constantly reviews its advertising to assess if and to what extent this impacts sales figures. The impact of online advertising is constantly monitored according to the number of clicks and sales, and differences in search engine ranking and the resulting cost differentials are taken into account.

The management believes that marketing spend will grow in proportion to revenues in the future (marketing expense ratio in H1 2007 2.2 % compared to 1.4 % in H1 2006).

Purchasing conditions

Delticom generates most of its income from the margins between its purchasing and selling prices (gross profit margin H1 2007: 24.1 %, H1 2006: 22.6 %, FY 2006: 23.5 %). The purchasing prices for the goods sold are kept low, primarily via the large volumes purchased, resulting in excellent purchasing conditions. Delticom is able to negotiate favourable conditions for the purchase of tyres, replacement parts and the other goods sold in the eCommerce division with manufacturers and wholesalers. This increases not only the offering's appeal for Delticom's customers, but also allows the company to be more profitable when selling the goods.

The purchasing prices comprise several components (for example discounts, bonuses and advertising cost subsidies), which can be negotiated in individual cases. Delticom's negotiating position with manufacturers and wholesalers depends on the extent to which Delticom can cut costs for manufacturers and wholesalers when they sell their products from their plants and stores to end consumers, how early the goods can be taken over and paid, the amount of Delticom's purchasing volume with the respective manufacturers and wholesalers and the proportion of the purchasing volume Delticom takes on as inventory. The company's management expects the purchasing volume to increase as a result of the anticipated increase in the number of registered customers. Furthermore, the management expects that it will be able to keep its procurement conditions at a stable level, to the extent that the company can influence these.

Human resources and automation

One of the key factors for Delticom's successful growth is that its workflows are mostly automated; only an increasingly small proportion of transactions requires manual supplementary processing. Thanks to these highly efficient operating workflows, the company has been able to keep staff levels low despite increasing transaction volumes. During the first half of 2007, Delticom had an average of 72 employees (H1 2006: 57) and a total of 80 employees on June 30, 2007. The company can cap its own personnel expenses at a low level by outsourcing to external service providers, some of whom are located in Eastern Europe. The management believes, given the company's continued growth as a result of process automation and its scalable business model, that it will be able to keep the ratio of personnel expenses (2.0 % in H1 2007 compared to 1.8 % in H1 2006) constant over the medium term and reduce it over the long term.

Outsourcing

Delticom has outsourced parts of its business to Operations Centers. These handle all customer enquiries, both prior to orders and also during actual order processing. In addition, they deal with enquiries from suppliers for the eCommerce segment and take care of central translation and administration tasks for Delticom. The Operations Centers also clarify any incorrect deliveries or problems online or by telephone. In cooperation with the Operations Centers, Delticom's management has secured the quality of the services it buys through the use of various activities such as training, service level agreements, sample contracts and definition of information requirements, so that there are no shortfalls in quality compared to having its own employees perform these tasks.

External service providers, in particular Operations Center operators in Poland, Romania and Ukraine, can work cost effectively for Delticom as a result of the comparatively low wages and prices. Despite the increasing volume of transactions and the addition of additional languages, it has so far been possible to keep the ratio of expenses for external service providers (ratio of costs of bought-in services to revenues) relatively constant (1.3 % in H1 2007 compared to 1.2 % in H1 2006) as a result of increasing automation. The management intends to continue to team up with external service providers in Eastern Europe in the future, and believes that the expense ratio for external service providers will remain fairly constant, and that it may even fall as a result of additional automation.

Outgoing freight

Delticom offers to ship all of the goods ordered by its customers to an address of their choosing. As a rule, the customers bear the shipping costs for delivery of the ordered goods. However, when the tyres are delivered (in almost all European countries, with the exception of orders placed via eBay), the costs of transporting the goods to the customer, either directly from the manufacturer or wholesaler or from the warehouse, are included in the prices offered by Delticom. Delticom has been able to cut the transportation costs per package over the past few years as a result of various activities. This includes agreeing favourable conditions with well-known logistics companies and bundling deliveries in specific regions, in particular to foreign countries, thanks to a steep increase in the volume of sales in these regions. The transportation costs per package in the eCommerce segment will increase in total as a result of the increased volumes and the increasing proportion of foreign shipments, which are, as a rule, more expensive. The ratio of total transportation costs to revenues totaled 7.8 % in H1 2007 compared to 7.4 % in H1 2006.

Process automation

One of the key factors of Delticom's business is that its workflows are mostly automated. This means that individual stages of processing are mostly initiated and handled by software, and that only a small proportion of transactions requires manual supplementary processing (such as data input) by staff or external service providers. In order to structure the distribution of orders as efficiently as possible among Delticom's suppliers and warehouses, all of the information on warehouse stocks, prices and the ability to deliver for each article is jointly processed. This allows the greatest possible degree of automatic processing for customer orders. The level of automation in the processing of Delticom's business has risen constantly over the last few years, and sales have consequently grown faster than expenses for in-house staff and external service providers. The highly specific proprietary software solutions have played a key role in the company's success over the past few years. This software automates the order and delivery process at low costs and includes quality assurance. The company regularly optimizes its software solutions and continues to enhance its functionality.

Management believes that additional stages in business processing can be automated and that it slight cost savings can be reaped over the medium term.

Receivables management

Delticom's net current assets mostly comprise – in addition to inventories – receivables and liabilities that result from ongoing business operations. On the assets side, these are mostly trade receivables. As a rule, these receivables are realized very quickly. The change in the average payment target depends on which types of payment are offered to the customer. The corresponding liabilities-side item comprises liabilities to manufacturers and wholesalers resulting from the sale of the merchandise sold, in particular tyres. Delticom pays early if liquidity is available and if early payment discounts offered by suppliers are more favourable than bank interest rates (supplier target 51 days in H1 2007). There may be short-term fluctuations in net current assets, in particular prior to winter months, when a larger amount of winter tyres are purchased in anticipation of the winter business. To date it has been possible to avoid locking up larger amounts of funds in receivables from customers as a result of the company's growth by cutting the payment targets for customers (15 days in H1 2007). Management believes that the payment target for customers in the eCommerce segment will remain practically constant at the current level over the medium term, with the result that there will be an increased lock-up of funds over the medium term.

Seasonal effects

Delticom AG's business is significantly impacted by the seasons as a result of greatly varying weather and road conditions in northern Europe and above all on the German, Austrian and Swiss markets. As a result, the fiscal year in Germany is marked by two main periods: consumers buy summer tyres in the spring and winter tyres in the fall. The first quarter is traditionally weak, as the bulk of winter tyres are already purchased and mounted in autumn, when the weather generally becomes colder and snow starts to fall. The second quarter is strong, as the weather is sometimes very warm in April, May and June, and car drivers buy their new summer tyres. The third quarter is a transitional period between the summer and winter tyre business, and the sales volume and revenue again fall significantly while stocks of winter tyres are bought in. The last three months of the year are traditionally the strongest quarter in Germany, as many consumers become aware of the need to have new tyres when driving conditions become difficult. Delticom uses periods with lower sales to expand and set up new divisions. Management believes that the seasonal effects will lessen in line with further international expansion, as winter tyres are not used in particular in southern Europe and the UK.

Change in competitive situation

According to the company's own information (based on the revenues recorded via the Internet), Delticom is at present considerably larger than its European competitors who also sell car tyres via the Internet. As a result, Delticom's intended growth will thus primarily be determined by the extent to which existing competitors increase their market shares or new competitors, for example brick-and-mortar tyre retailers, gain market share by expanding their business model to include Internet tyre sales. Delticom's management believes that, as a result of its existing competitive advantage, it will continue to rank among Europe's top online tyre dealers in terms of revenues.

1.5 Success factors

Delticom is the number one online tyre retailer in most European countries, and it has generated a **competitive advantage** since its formation in 1999, which is due in particular to the high quantities of tyres purchased and the resulting favourable purchasing conditions. Its cost position is reinforced by the tyre retail chain's particular positioning, its low personnel expenses from outsourcing to Eastern European service providers, lean business processes and high processing competence. As a result, Delticom is able to offer its customers attractive prices and simultaneously further increase its own profitability.

Delticom's broad range of products, including approx. 25,000 types of tyres, boosts its attractiveness to customers. As Delticom's management and employees have well-established contacts with manufacturers and OEMs in all quality segments and a large number of countries, it can position itself as a full-range provider. Its large number of suppliers allows the company to ensure that all of the key tyre models and merchandise can be delivered. Delticom offers additional customer service thanks to its cooperation with service partners, in some cases spanning many years. These service partners mount the tyres purchased from Delticom at the customer's request.

This business model is **highly scalable**. This is mostly due to the fact that the sale of tyres via the Internet only requires a comparatively low amount of staff input and logistics and warehousing can be centrally organized. In addition, a single technical platform can be used to offer various goods in a range of countries.

1.6 Strategy

Delticom intends to reinforce and further expand its **existing leadership of the European online tyre market**. To this end, it will strengthen the attractiveness of its offering for customers and further increase awareness of the Delticom domain by advertising. These activities primarily aim to acquire new customers, but also to increase customer loyalty and boost the repurchase rate. Over the short and medium term, Delticom intends to continue to successfully run its established shops, to open additional shops (in particular shops for motorbike tyres and shops geared to business customers in various European countries) and to drive its geographic expansion and cooperation with service partners.

In order to prepare the company for the coming winter tyre business, further optimization in its logistics infrastructures for additional improvements to goods deliveries, warehouse expansion, active working capital management and a constant expansion of the IT infrastructure, including IT development activities are planned for this fiscal year. Many of these activities have already been put in place.

Although the management is not currently planning any acquisitions, since its IPO Delticom is in a position to grow non-organically as well. As part of the increasing penetration of the markets on which Delticom operates, its management exploits, for example, interesting opportunistic openings to purchase tyre-related Internet domains.

1.7 Management team

Delticom's **Managing Board** comprises four members:

- Rainer Binder is responsible for Purchasing, Pricing and Wholesale
- Philip von Grolman organizes Logistics and is responsible for expansion in the US and Canada.
- Andreas Prüfer is responsible for eCommerce Operations, Marketing and Technology.
- Frank Schuhardt is responsible for Delticom's Finance and Controlling, Accounting and Investor Relations.

Executives on Delticom's Management Board have decades of experience in cooperating with manufacturers, OEMs and tyre wholesalers. As a result, Delticom has an international, well-established network of stable business relationships, which have allowed it to establish its online tyre business in most European countries. In addition, since its formation in 1999, the company has built up business relationships with many key manufacturers, OEMs and tyre wholesalers in Germany and abroad. The expertise acquired over the course of many years and in-depth knowledge of the market are a major contribution to Delticom's success.

2 Financial position and results of operations

In total, the company has been able to lift its revenues and earnings significantly. In the first six months of the current fiscal year Delticom was able to increase its revenues from € 75.4 million in H1 2006 by 35.2 % to € 102.0 million. Earnings before interest and taxes (EBIT) rose by 49.0 % from € 3.7 million in H1 2006 to € 5.4 million. Net income for the period grew by 71.8 % from € 2.2 million in H1 2006 to € 3.7 million.

2.1 Revenue growth

Revenues in the key **eCommerce segment** were up 41.7 % in H1 2007 to € 94.1 million from € 66.4 million in H1 2006. The percentage of total revenues contributed by the eCommerce segment has grown constantly over the past few years. After the first six months of the current fiscal year, eCommerce already accounted for 92.3 % of total revenues compared to 88.1 % in H1 2006.

This division's positive growth is mainly due to the significant growth in the **customer base**. The number of registered customers in the eCommerce segment, meaning the customers who have purchased at least once from Delticom in the past (including the current fiscal year) increased from 974 thousand at the end of H1 2006 to 1,555 thousand one year later. In the first half of 2007 Delticom acquired more than 306 thousand new eCommerce customers. It is equally pleasing that more than 112 thousand customers bought tyres at Delticom in the period under review who had already registered as customers in prior periods (repeat customers).

Based on the very strong 69.4 % revenue growth in this segment in **Q1 2007** compared to Q1 2006, in Q1 2007 management assumed that part of the customers could have bought summer tyres earlier than usual as a result of the mild weather in March (i.e. they already bought their tyres in Q1 and not in Q2 2007). The fact that sales growth in **Q2 2007** was up 28.9 % compared to Q2 2006 and lower than the growth between Q1 2006 and Q1 2007 is thus in line with the management's expectations. Revenues and earnings in the first six months of the year in the tyre retail business are generally weaker than in the second half of the year. As a result – based on the significant 41.7 % increase in revenues in the eCommerce segment compared to H1 2006 – it is not yet possible to draw a reliable conclusion about year-on-year revenue growth.

Revenues in **Germany** continue to enjoy strong growth, but have been excelled by the growth abroad. As a direct result of Delticom AG's internationalization, the ratio of **foreign** revenues to total revenues continues to rise. With its total of 79 online shops, Delticom is able to post an increase in revenues and has improved market penetration in all 30 countries. In total, the eCommerce division registered sales in Germany of € 41.3 million (+25.6 % compared to H1 2006), € 48.2 million in other EU countries (+51.0 % compared to H1 2006) and € 12.5 million in other countries (+17.7 % compared to H1 2006).

In the **Wholesale segment**, revenue growth is practically flat on a year-on-year basis. Wholesale primarily provides the group with an opportunity to gain ground in new countries and to build up a business network in diverse tyre markets. Revenues in the Wholesale segment totaled € 7.9 million in the first six months of 2007 (-12.5 % compared to H1 2006).

2.2 Personnel expenses

Delticom had 80 employees on June 30, 2007. Personnel expenses increased by € 0.7 million to € 2.1 million compared to the first half of 2006. This increase is due to new hires that are needed to support Delticom's growth.

In addition, the company has been able to cap its personnel expenses at a low level by outsourcing to external service providers, some of whom are located in Eastern Europe. The ratio of personnel expenses to revenues (2.0 %) shows that the company has been able to maintain its lean structures.

2.3 Other

In total, **other operating expenses** increased by € 5.1 million compared to H1 2006 from € 11.9 million to € 17.0 million. Key items:

- Advertising costs in the first six months totaled € 2.2 million or approx. 2.2 % of revenues, compared to 1.4 % in H1 2006. The increase is necessary to achieve the growth targets for the current fiscal year.
- As a result of the increased volume of business, **transportation costs** increased by € 2.3 million (41.9 %), in line with the growth in revenues in the eCommerce segment. A further reason for this increase is the significant growth in the number of tyres sold in the USA, as the costs of transporting tyres in the USA are higher than in Europe.
- **Warehousing** costs increased substantially in H1 2007 compared to H1 2006 by € 0.5 million (68.5 %). This is due to the fact that stock has to be warehoused in order to be prepared for the winter tyre business.
- The costs for the **Operations Centers** increased by 43.3 % from € 0.9 million in H1 2006 to € 1.3 million. This is due not only to the increase in the number of Operations Centers, but also to the fact that the Operations Center took over new activities that had not yet been outsourced in the previous years.

The **amortization** of intangible assets and **depreciation** of property, plant and equipment totaled € 130 thousand (compared to € 100 thousand in H1 2006).

2.4 Earnings growth

Delticom AG posted **gross profits** of € 24.7 million, up from € 17.1 million in H1 2006 (44.7 %). This corresponds to an increase in the gross profit margin from 22.6 % to 24.1 %, due to a further improvement in purchasing conditions and optimized prices for end customers. In H1 2007, more tyres (in relation to the total number) continued to be delivered from Delticom's own warehouses to end customers than in the previous year, which led to a further improvement in the gross profit margin.

Earnings before interest and taxes (**EBIT**) improved in the first six months to € 5.4 million (H1 2006: € 3.7 million). The return on sales, based on EBIT, increased to 5.3 % compared to 4.9 % in H1 2006. This significant rise was due to higher margins (after transport and warehousing costs) and the fact that no IPO costs had to be attributed to the review period (H1 2006: € 0.4 million).

As a result of the higher level of cash and cash equivalents (mostly as a result of the proceeds from the IPO) and the resulting interest income, the **financial result** improved from € -0.1 million in H1 2006 to € 0.6 million in the first six months of 2007.

Net income for the period totaled € 3.7 million in the first six months of 2007, or € 0.95 per share (basic, H1 2006: € 0.73).

2.5 Assets and liquidity

The company's **non-current assets** totaled € 2.7 million on June 30, 2007, just 3.1 % (H1 2006: 5.0 %) of total assets. During the first half of the year, Delticom's capital expenditure totaled € 814 thousand. Of this total, € 250 thousand was invested in property, plant and equipment and € 564 thousand was invested in intangible assets. The key items related to the acquisition of domains (including discontpneus.com, banden.nl) and office and operating equipment.

Of the **current assets**, inventories account for € 37.5 million or approx. 42.2 % of total assets (H1 2006: € 21.4 million / 55.8 %, December 31, 2006: € 20.8 million / 30.5 %).

The increase in inventories (+ 75.3 % compared to H1 2006) results from higher goods and warehouse stocks in order to be able to cover the seasonal demand for summer tyres in the third quarter and, in particular, winter tyres in the fourth quarter. Thanks to lower purchase prices, additional inventories were built up in Q4 2006 in order to allow Delticom to act more flexibly on the market with regard to prices and margins in the upcoming winter business. Write-downs have not been required so far. In order to constantly improve warehousing efficiency, in the first half of 2007 Delticom invested in equipment in close agreement with logistics service providers. This will be continued within the next months.

On June 30, 2007, **receivables** totaled € 13.9 million, of which € 8.9 million were trade receivables and € 5.0 million were other receivables. The 16.1 % increase in trade receivables (H1 2006: € 7.7 million) is due to the expansion of eCommerce business. Delticom collects its receivables efficiently. The average payment target for customers on June 30, 2007 (and thus without taking seasonality into account) fell from around 16 to 15 days as a result of growth in the eCommerce segment with its short payment targets. Defaults on receivables increased by just 29.7 % from € 0.5 million H1 2006 to € 0.6 million in H1 2007.

The company's **cash and cash equivalents** totaled € 34.9 million at the end of H1 2007 (after € 34.7 million as of December 31, 2006).

2.6 Financing

Delticom AG had an **equity ratio** of 46.9 % at the end of the first six months of 2007. As a result of the IPO on October 26, 2006 net proceeds of € 30.6 million accrued to the group.

Liabilities totaled € 47.2 million, of which 99.2 % were current. Trade payables account for the bulk of this amount (€ 37.7 million). These were up 92.2 % compared to H1 2006 and up 100.3 % compared to December 31, 2006. This is due to the strong growth and the associated increase in the purchase volumes of the group. Supplier credit is used as cost-effective type of financing when this appears pertinent to the management. The average payment target used with suppliers as of June 30, 2007 (and thus without taking seasonality into account) increased from around 36 to 51 days, in line with the build-up in inventories.

Working capital (current assets less cash and cash equivalents and current, non-interest bearing liabilities) totaled € 13.7 million (compared to € 12.4 million on June 30, 2006 and € 12.7 million on December 31, 2006).

3 Outlook for the current fiscal year (forecast)

Although Delticom has enjoyed excellent growth in the first six months of the year, it is not yet possible to draw reliable conclusions about sales and earnings growth for the year as a whole from Q2 alone: The winter tyre business in Q4 is just too important. On the other hand, the management does not see any reason to revise its sales and earnings forecast for FY 2007.

For the remainder of the year, the management believes that a key focal point of its activities should be increasing awareness among target groups, penetrating existing markets in Europe as well as developing new markets – especially overseas. The competition in the United States is stronger as there are already established online tyre dealers on this market. For the remainder of the fiscal year, in the USA Delticom will continue to focus in particular on end customers – and thus operate in line with its concept that is already enjoying success on the European markets.

4 Opportunities and risks

Opportunities and risks stem mainly from the key factors impacting EBIT, as detailed above. The management believes that at present there are no additional opportunities or risks with regard to the remainder of the fiscal year compared to the estimates in the last annual report.


STAR★PERFORMER

Consolidated six-month financial statements

Consolidated balance sheet

of Delticom AG, Hanover, June 30, 2007

Assets

in €	June 30, 2007	December 31, 2006
Non-current assets		
Intangible assets	1,004,225.46	463,337.00
Property, plant and equipment	582,056.85	438,999.41
Financial assets	1,000,000.00	1,000,000.00
Other receivables	119,493.76	90,011.06
Total non-current assets	**2,705,776.07**	**1,992,347.47**
Current assets		
Securities	10,432.50	0.00
Inventories	37,514,319.64	20,790,724.95
Trade accounts receivable	8,897,109.66	7,543,893.49
Other receivables	4,993,570.40	3,223,431.88
Cash and cash equivalents	34,874,294.58	34,660,936.37
Total current assets	**86,289,726.78**	**66,218,986.69**
Total assets	**88,995,502.85**	**68,211,334.16**

Shareholders' equity and liabilities

in €	June 30, 2007	December 31, 2006
Equity		
Subscribed capital	3,946,480.00	3,946,480.00
Share premium	31,701,296.19	31,701,296.19
Adjustment item for currency conversion	4,460.96	5,122.59
Retained earnings	199,673.00	199,673.00
Net retained profits	5,912,091.67	6,904,932.41
Total equity	**41,764,001.82**	**42,757,504.19**
Non-current liabilities		
Non-current provisions for taxes	20,618.00	18,681.62
Deferred tax liabilities	346,638.12	227,450.02
Total non-current liabilities	**367,256.12**	**246,131.64**
Current liabilities		
Provisions for taxes	1,681,561.28	2,055,300.00
Other provisions	17,020.26	22,056.79
Trade accounts payable	37,681,798.20	18,814,689.39
Other current liabilities	7,483,865.17	4,315,652.15
Total current liabilities	**46,864,244.91**	**25,207,698.33**
Total liabilities	**47,231,501.03**	**25,453,829.97**
Total equity and liabilities	**88,995,502.85**	**68,211,334.16**

Consolidated income statement

of Delticom AG, Hanover, January 1 to June 30, 2007

in €	January 1, 2007 – June 30, 2007	January 1, 2006 – June 30, 2006	April 1, 2007 – June 30, 2007	April 1, 2006 – June 30, 2006
Revenues	101,985,006.73	75,414,160.35	63,060,936.70	49,858,967.91
Other operating income	568,963.05	246,834.24	342,767.09	74,422.45
Total operating revenue	**102,553,969.78**	**75,660,994.59**	**63,403,703.79**	**49,933,390.36**
Cost of goods sold	-77,870,557.87	-58,597,364.72	-47,109,837.78	-38,234,905.97
Gross profit	**24,683,411.91**	**17,063,629.87**	**16,293,866.01**	**11,698,484.39**
Personnel expenses	-2,088,321.97	-1,377,137.89	-1,124,370.03	-763,850.55
Amortization of intangible assets and depreciation of property, plant and equipment	-129,591.80	-99,694.30	-69,698.32	-52,628.36
Other operating expenses	-17,016,430.35	-11,929,059.27	-9,905,170.51	-7,198,623.78
Earnings before interest and taxes (EBIT)	**5,449,067.79**	**3,657,738.41**	**5,194,627.15**	**3,683,381.70**
Financial expenses	-53,751.47	-109,814.85	-29,565.06	-44,644.97
Financial income	646,182.11	44,881.60	350,870.11	30,449.08
Net financial result	**592,430.64**	**-64,933.25**	**321,305.05**	**-14,195.89**
Pre-tax earnings (EBT)	**6,041,498.43**	**3,592,805.16**	**5,515,932.20**	**3,669,185.81**
Income taxes	-2,298,563.17	-1,414,395.04	-2,140,810.98	-1,446,738.07
Consolidated net income	**3,742,935.26**	**2,178,410.12**	**3,375,121.22**	**2,222,447.74**

Consolidated cash flow statement

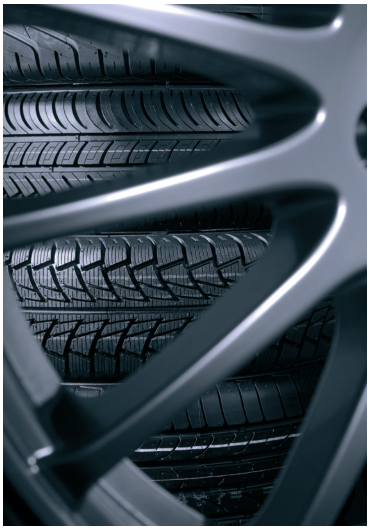
of Delticom AG, Hanover, June 30, 2007

in €		January 1, 2007 – June 30, 2007	January 1, 2006 – June 30, 2006
Earnings before interest and taxes (EBIT)		**5,449,067.79**	**3,657,738.41**
+/-	Amortization of intangible assets and depreciation of property, plant and equipment	129,591.80	99,694.30
+/-	Increase in other provisions	-3,100.15	1,107.70
+/-	Balance of gains and losses from disposal of assets	0.00	970.00
+/-	Change in inventories	-16,723,594.69	-9,470,124.22
+/-	Change in trade receivables and other assets that are not to be allocated to investing or financing activities	-2,598,989.70	-2,690,960.05
+/-	Change in trade payables and other liabilities that are not to be allocated to investing or financing activities	22,035,321.83	11,429,467.98
+	Interest received	81,901.92	44,881.60
-	Interest paid	-53,751.47	-47,236.52
-	Income tax paid	-2,553,113.79	-591,367.66
Cash flow from operating activities		**5,763,333.54**	**2,434,171.54**
Investing activities			
+/-	Proceeds from the disposal of property, plant and equipment	0.00	0.00
+	Payments for investments in property, plant and equipment	-249,644.30	-137,721.57
+	Proceeds from the disposal of intangible assets	0.00	0.00
-	Payments for investments in intangible assets	-563,893.40	-15,045.94
+	Proceeds from disposal of financial assets	0.00	0.00
-	Payments for investments in financial assets	0.00	0.00
Cash flow from investing activities		**-813,537.70**	**-152,767.51**
Financing activities			
-	Dividends paid by Delticom AG	-4,735,776.00	0.00
+/-	Proceeds from capital increases	0.00	0.00
+/-	Loans granted to the company	0.00	0.00
Cash flow from financing activities		**-4,735,776.00**	**0.00**
+/-	Changes in cash and cash equivalents due to currency translation	-661.63	-2,486.10
+/-	Cash and cash equivalents – start of period	34,660,936.37	2,104,823.60
+/-	Net change in cash and cash equivalents	213,358.21	2,278,917.93
=	**Cash and cash equivalents – end of period**	**34,874,294.58**	**4,383,741.53**

Statement of changes in shareholders' equity

of Delticom AG, Hanover, June 30, 2007

in €	Subscribed capital	Share premium	Adjustment item for currency conversion	Accumulated profits / losses: Revenue reserves	Accumulated profits / losses: Net retained profits	Accumulated profits / losses: Total	Total equity
Balance at Jan. 1, 2006	**2,999,700.00**	**100,297.00**	**1,690.18**	**199,673.00**	**4,051,083.88**	**4,250,756.88**	**7,352,444.06**
Currency translation differences	0.00	0.00	-2,454.88	0.00	0.00	0.00	-2,454.88
Consolidated net income	0.00	0.00	0.00	0.00	2,178,410.12	2,178,410.12	2,178,410.12
Balance at Apr. 30, 2006	**2,999,700.00**	**100,297.00**	**-764.70**	**199,673.00**	**6,229,494.00**	**6,429,167.00**	**9,528,399.30**
Balance at Jan. 1, 2007	**3,946,480.00**	**31,701,296.19**	**5,122.59**	**199,673.00**	**6,904,932.41**	**7,104,605.41**	**42,757,504.19**
Dividends paid	0.00	0.00	0.00	0.00	-4,735,776.00	-4,735,776.00	-4,735,776.00
Currency translation differences	0.00	0.00	-661.63	0.00	0.00	0.00	-661.63
Consolidated net income	0.00	0.00	0.00	0.00	3,742,935.26	3,742,935.26	3,742,935.26
Balance at Apr. 30, 2007	**3,946,480.00**	**31,701,296.19**	**4,460.96**	**199,673.00**	**5,912,091.67**	**6,111,764.67**	**41,764,001.82**



Notes and information on the half-yearly financial statements

1 Reporting companies

The Delticom group primarily sells tyres via the Internet. It has two divisions: Wholesale and eCommerce. In the Wholesale division, manufacturers' tyres are sold to wholesalers and procured for the eCommerce division, including own-name brands. In the eCommerce division, tyres are sold to retailers, workshops and end consumers via more than 79 online shops in 30 countries in Europe, the USA, Canada and Japan (currently a test shop).

2 Basis of presentation

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

3 Group of consolidated companies

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

4 Notes to the consolidated income statement

Calculation of earnings per share

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

Dividend payment

For fiscal year 2006, a dividend of € 1.20 per share was paid to shareholders on May 17, 2007.

Segment KPIs

January 1 to June 30, 2006

€ thousand	eCommerce (B2B)	Wholesale (B2C)	Not allocated	Group
Revenues	66,428	8,986	0	75,414
Other operating income	146	0	101	247
Cost of goods sold	-50,646	-7,952	0	-58,597
Gross profit	**15,928**	**1,035**	**101**	**17,064**
Personnel expenses	-574	-168	-635	-1,377
Depreciation and amortisation	-42	-29	-29	-99
Property, plant and equipment	-29	-29	-29	-86
Intangible assets	-13	0	0	-14
Other operating expenses	-10,309	-322	-1,298	-11,929
Thereof receivable losses and individual write-downs	-301	-126	0	-427
Segment result	**5,003**	**516**	**-1,861**	**3,658**
Financial result				-65
Income tax expense				-1,414
Consolidated earnings				**2,179**

January 1 to June 30, 2007

€ thousand	eCommerce (B2B)	Wholesale (B2C)	Not allocated	Group
Revenues	94,120	7,865	0	101,985
Other operating income	361	42	166	569
Cost of goods sold	-71,004	-6,867	0	-77,871
Gross profit	**23,478**	**1,040**	**166**	**24,683**
Personnel expenses	-796	-196	-1,096	-2,088
Depreciation and amortisation	-53	-36	-41	-130
Property, plant and equipment	-36	-34	-37	-107
Intangible assets	-17	-2	-4	-23
Other operating expenses	-15,209	-344	-1,463	-17,016
Thereof receivable losses and individual write-downs	-494	-92	0	-586
Segment result	**7,420**	**463**	**-2,434**	**5,449**
Financial result				592
Income tax expense				-2,299
Consolidated earnings				**3,743**

Revenues

€ thousand	**January 1, 2007 – June 30, 2007**	January 1, 2006 – June 30, 2006
Germany	41,279	32,872
Other EU countries	48,196	31,910
USA and other	12,510	10,633
Total	**101,985**	**75,414**

Other operating expenses

€ thousand	**January 1, 2007 – June 30, 2007**	January 1, 2006 – June 30, 2006
Transportation costs	7,954	5,607
Operation Center	1,346	939
Warehouse handling costs	1,158	687
Receivable losses and individual write-downs	586	427
External advertising costs	2,232	1,040
Expenses from exchange rate differences	175	172
Credit card fees	915	569
Telephone and Internet	149	90
Rent	160	135
IPO costs	0	408
Other	2,341	1,855
Total	**17,016**	**11,929**

Related Party Disclosures

Related parties within the meaning of IAS 24 are Delticom AG's Managing and Supervisory Boards as well as the majority shareholders Binder GmbH and Prüfer GmbH. All transactions with related parties are contractually agreed and are performed at conditions that would apply between third parties (arm's length transaction). During the first half of 2007 there were no changes with a material impact on the financial position and results of operations.

Goods and services totaling € 632 thousand (previous year: € 433 thousand) were purchased from related parties, and goods and services totaling € 468 thousand (previous year: € 854 thousand) were sold.

Contingent liabilities

Obligations from order commitments totaling € 7,532 thousand (December 31, 2006: € 2,286 thousand) are due within one year. Obligations from operating leases are due in following periods in the total amount of € 5,474 thousand (December 31, 2006: € 2,666 thousand), of which € 2,750 thousand (December 31, 2006: € 2,087 thousand) are due within one year and € 2,724 thousand (December 31, 2006: € 579 thousand) are due between one and five years.

Other liabilities

Other current liabilities include current account liabilities totaling € 1,816 thousand (December 31, 2006: € 0).

5 Additional disclosures

Number of employees

The company had an average of 72 employees during the period under review. This calculation is based on the number of employees taking into account the number of hours worked.

Seasonal effects

Delticom AG's business is significantly impacted by the seasons as a result of greatly varying weather and road conditions in northern Europe and above all on the German, Austrian and Swiss markets. As a result, the fiscal year in Germany is marked by two main periods: consumers buy summer tyres in the spring and winter tyres in the fall. The first quarter is traditionally weak, as the bulk of winter tyres are already purchased and mounted in autumn, when the weather generally becomes colder and snow starts to fall. The second quarter is strong, as the weather is sometimes very warm in April, May and June, and car drivers buy their new summer tyres. The third quarter is a transitional period between the summer and winter tyre business, and the sales volume and revenue again fall significantly while stocks of winter tyres are bought in. The last three months of the year are traditionally the strongest quarter in Germany, as many consumers become aware of the need to have new tyres when driving conditions become difficult. Delticom uses periods with lower sales to expand and set up new divisions. Management believes that the seasonal effects will lessen in line with further international expansion, as winter tyres are not used in particular in southern Europe and the UK.

German Corporate Governance Code

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

Events after the balance sheet date

After the approval of the Unternehmenssteuerreformgesetz 2008 (German Corporate Tax Reform Act) on July 6, 2007, amended taxation rules will apply in Germany from January 1, 2008. This has resulted in revaluation of the Delticom Group's German deferred taxes in the third quarter. This revaluation has led to lower tax charges, as there is an excess of deferred tax liabilities.

Philip von Grolman and Frank Schuhardt were appointed to the Managing Board with immediate effect in the Supervisory Board meeting on August 9, 2007. Their respective areas of responsibility are detailed in the "Management team" section of the management report.

Responsibility Statement by the Management Board

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

Hanover, August 15, 2007

Rainer Binder   Philip von Grolman   Dr. Andreas Prüfer   Frank Schuhardt

To Delticom AG, Hanover

We have reviewed the condensed consolidated interim financial statements - comprising the balance sheet, income statement, cash flow statement, 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, 2007 to June 30, 2007 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, August 15, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sign. (Benz)	sign. (ppa. Friedel)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Publication details

Published by:
Delticom Aktiengesellschaft
Brühlstraße 11
30169 Hanover
Germany

Investor relations:
Delticom AG
Frank Schuhardt
Brühlstraße 11
30169 Hanover
Germany

Concept, editing, layout and typesetting:
cometis AG

Translation:
WordsWorking.de

This semi-annual report is also available in German.

A digital version of this Delticom AG semi-annual report and the other interim reports can be downloaded from the Investor Relations section of www.delti.com.

A corporate film of Delticom AG is also available on the Internet at www.delticom.info in German, English, French, Italian and Spanish, both as a stream and for download.

Published by

Delticom AG
Brühlstraße 11
30169 Hanover
Germany
Internet: www.delti.com

Investor relations contact

Delticom AG
Frank Schuhardt
Brühlstraße 11
30169 Hanover
Germany
Tel.: +49 (0) 511 / 9 36 34 - 844
Fax: +49 (0) 89 / 2 08 08 11 49
e-mail: frank.schuhardt@delti.com