



## 9-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, bicycles, 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 - 30.09.2010	01.01.2009 - 30.09.2009	yoy %
Revenues	€ million	257.0	201.6	+27.5
Total income	€ million	260.8	204.1	+27.8
Gross profit	€ million	73.4	56.4	+30.1
Gross profit margin <sup>1</sup>	%	28.1	27.6	+0.5
EBITDA	€ million	23.7	15.3	+54.8
EBIT	€ million	22.7	14.7	+54.5
EBIT margin <sup>2</sup>	%	8.8	7.3	+1.5
Net income	€ million	15.2	10.0	+51.9
Earnings per share <sup>3</sup>	€	1.29	0.85	+51.9
Employees <sup>4</sup>		99	86	+15.1
Revenues per employee	€ thousand	2,596	2,344	+10.7
Total assets	€ million	127.1	112.2	+13.3
Investments <sup>5</sup>	€ million	1.9	3.9	-52.6
Investment quota <sup>6</sup>	%	0.0	2.0	-2.0
Capital Employed <sup>7</sup>	€ million	54.2	49.1	+10.3
Return on Capital Employed <sup>8</sup>	%	42.0	30.0	+12.0
Equity	€ million	53.9	48.6	+11.0
Equity ratio	%	42.4	43.3	-0.9
Return on equity	%	28.3	20.7	+7.6
Liquidity position <sup>9</sup>	€ million	24.3	30.8	-21.0
Operating cash flow	€ million	5.7	2.8	+101.2
Free cash flow <sup>10</sup>	€ million	3.9	-0.3	

(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) Capital Employed = total assets – current liabilities

(8) ROCE = EBIT / Capital Employed

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

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

## **Table of contents**

2	Interim Management Report of Delticom AG
12	Consolidated Interim Financial Statements of Delticom AG
17	Notes to the Consolidated Interim Financial Statements of Delticom AG
22	Responsibility Statement
23	The Delticom Share

# **Interim Management Report of Delticom AG**

## **Table of contents**

3 Economic Environment

4 Business performance and earnings situation

4 Revenues

5 Key expense positions

6 Earnings position

8 Financial and assets position

8 Cash flow

9 Balance sheet structure

10 Organisation

10 Significant events after the reporting date

10 Risk Report

10 Outlook

## Interim Management Report of Delticom AG

### Economic Environment

- General economic developments** The global economy continued on its path to recovery in the third quarter of 2010. The comprehensive economic stimulus packages issued by many EU member states, which were able to buffer the direct consequences of the crisis to a large extent, certainly helped the economy on its way. However, the eurozone is now paying the price for these measures with a rise in debt. The euro was weakened by general concerns about the extent of public debt in the first half of 2010, particularly compared to the US dollar. It has now recovered, rising from EUR/USD 1.25 at the beginning of the third quarter to EUR/USD 1.36 at the end of the quarter.
- Europe** Despite numerous government support programmes, the European economy still developed inconsistently. While some EU members are fighting high unemployment and only gradually see a light at the end of the tunnel, others have already emerged from the crisis.
- Germany** Germany saw a surprisingly strong economic upturn in recent months. At the beginning of the year the economic recovery mainly was driven by exports. But during the course of the year, domestic demand also played an important part in the economic recovery. Stability in the German labour market has calmed many employees' fears of losing their jobs and consumer sentiment has been improving as a result in recent months.
- General Retail** Thanks to the positive economic environment the German Retail Association (Handelsverband – HDE) by now expects better sales compared to the beginning of the year. The European retail sector also benefited from improved consumer sentiment in the past months, albeit to a lesser extent.
- Tyre trade** After a healthy first half of the year, the European replacement tyre industry was able to continue its positive trend in the third quarter.
- In 2009, industrial OEM production capacities were adjusted to match market demand in the wake of the financial and economic crisis. Due to the raise in exports in the German automotive sector in the course of the current year some OEM tyres still had to be produced at the end of the third quarter. As a result, production capacities needed for winter (M+S) tyre production only became available later than expected. Should there be as much snowfall in the 2010/2011 winter season as in the previous year, market experts forecast potential shortages of winter tyres.
- Commodity prices have risen further and some manufacturers have therefore implemented their previously announced price increases.

## 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 9M10 the company recognised revenues of € 257.0 million, a plus of 27.5% after € 201.6 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

	9M10	%	+%	9M09	%	+%	9M08	%
<b>Revenues</b>	<b>257,014</b>	<b>100.0</b>	<b>27.5</b>	<b>201,597</b>	<b>100.0</b>	<b>15.1</b>	<b>175,221</b>	<b>100.0</b>
<b>Primary Segments</b>								
E-Commerce	244,934	95.3	29.1	189,776	94.1	19.6	158,738	90.6
Wholesale	12,079	4.7	2.2	11,822	5.9	-28.3	16,483	9.4
<b>Regions</b>								
EU	203,260	79.1	22.6	165,817	82.3	10.3	150,284	85.8
Rest	53,754	20.9	50.2	35,780	17.7	43.5	24,937	14.2

#### E-Commerce

Revenues in the E-Commerce division with its 112 online shops were up year-on-year by 29.1%, from € 189.8 million to € 244.9 million. In 9M10 the company was able to acquire a total of 625 thousand new customers (9M09: 546 thousand, +14.4%). During the same period 294 thousand existing customers (9M09: 224 thousand, +30.9%) made repeat purchases at Delticom. As in previous years, revenues from selling to business customers (B2B) accounted for considerably less than 20% of the segment revenues. The major focus continues to be on selling to private customers (B2C) which accounted for more than 80% of the segment revenues.

#### Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. Divisional revenues rose by 2.2% to € 12.1 million, after prior-year revenues of € 11.8 million. In the wake of the recession the probability of receivables losses remains high and credit insurance is expensive. This follows a long-term trend: Over the last years the share of Wholesale revenues in percent of Group revenues has decreased steadily. In the reporting period the E-Commerce share already amounted to 95.3%, compared to 94.1% in the previous year.

#### Regional split

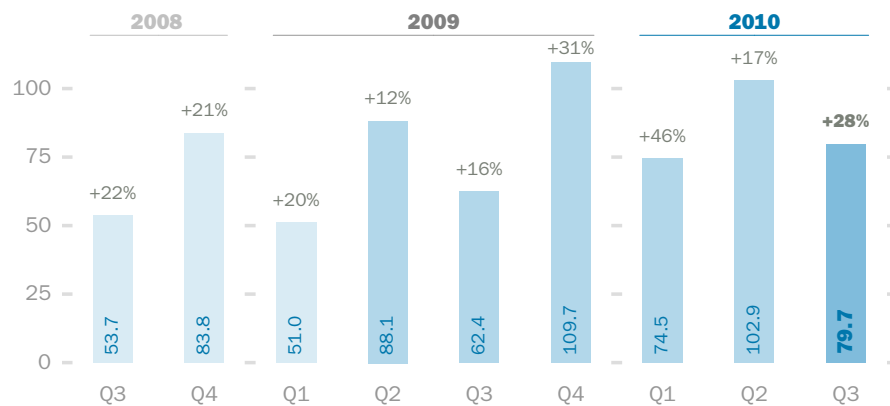
The group offers its product range in 35 countries. Revenues in EU countries totalled € 203.3 million (+22.6%). Operations in Europe are not restricted to EU member states but also include countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, especially in the USA. Across all non-EU countries the revenue contribution for 9M10 was € 53.8 million (+50.2%).

**Seasonality**

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

**Revenues trend**

quarterly revenues in € million



Revenues growth in the first quarter came in strongly (+45.9%). One of the reasons was the unusually snowy weather that lasted into February. This allowed for further selling opportunities for winter tyres. Furthermore, this year's summer tyre season started already in March.

As expected, due to the volume shift between the quarters and the cold weather in May, the higher growth in Q110 was matched with a lower increase in revenues in Q210 (+16.7%). Furthermore, last year's scrappage schemes subtracted some demand from second quarter summer tyre sales.

In the third quarter revenues totalled € 79.7 million, which translated into a year-on-year growth of 27.6% over last year's revenues of € 62.4 million. E-Commerce posted quarterly revenues of € 75.2 million (Q309: € 59.0 million).

**Key expense positions****Cost of sales**

The cost of sales is the largest expense item which increased by 26.9% from € 147.7 million in 9M09 to € 187.4 million in 9M10 (72.9% of revenues), primarily due to higher revenues. The cost of sales in the E-Commerce division rose by 28.3% from € 137.7 million to € 176.7 million. This equates to a cost of sales ratio of 72.1% (9M09: 72.6%). In the Wholesale division, the cost of sales rose by 6.8% to € 10.7 million (9M09: € 10.0 million), corresponding to 88.5% of divisional revenues (9M09: 84.7%).

**Personnel expenses**

The relatively low personnel expenses of € 4.7 million (9M09: € 4.1 million, +14.3%) 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 1.8% (9M09: 2.1%).

**Transportation costs** Among the other operating expenses, transportation costs is the largest line item. Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers or fitting stations. As business volume increases, so too do these transportation costs, from € 17.9 million by 24.7% to € 22.4 million.

**Marketing** In the reporting period, costs for advertising totalled € 5.3 million, nearly unchanged from the € 5.3 million from the prior-year period. The marketing expense ratio (marketing expenses as a percentage of revenues) dropped from 2.6% in 9M09 to 2.1% in 9M10.

## 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

	9M10	%	+	9M09	%	+	9M08	%
<b>Revenues</b>	<b>257,014</b>	100.0	27.5	<b>201,597</b>	100.0	15.1	<b>175,221</b>	100.0
Other operating income	3,807	1.5	49.8	2,541	1.3	28.4	1,979	1.1
<b>Total operating income</b>	<b>260,821</b>	101.5	27.8	<b>204,139</b>	101.3	15.2	<b>177,200</b>	101.1
Cost of goods sold	187,404	72.9	26.9	147,724	73.3	11.7	132,229	75.5
<b>Gross profit</b>	<b>73,417</b>	28.6	30.1	<b>56,415</b>	28.0	25.4	<b>44,971</b>	25.7
Personnel expenses	4,741	1.8	14.3	4,149	2.1	12.4	3,692	2.1
Other operating expenses	44,991	17.5	21.7	36,968	18.3	15.6	31,977	18.2
<b>EBIT</b>	<b>22,736</b>	8.8	54.5	<b>14,718</b>	7.3	64.6	<b>8,943</b>	5.1
Depreciation	949	0.4	63.5	580	0.3	61.8	359	0.2
<b>EBITDA</b>	<b>23,685</b>	9.2	54.8	<b>15,298</b>	7.6	64.5	<b>9,302</b>	5.3
Net financial result	54	0.0	-70.7	185	0.1	-74.6	729	0.4
<b>EBT</b>	<b>22,790</b>	8.9	52.9	<b>14,903</b>	7.4	54.1	<b>9,672</b>	5.5
Income taxes	7,541	2.9	55.1	4,862	2.4	57.0	3,097	1.8
<b>Consolidated net income</b>	<b>15,249</b>	5.9	51.9	<b>10,041</b>	5.0	52.7	<b>6,575</b>	3.8

**Other operating income** Other operating income increased in 9M10 by 49.8% to € 3.8 million (9M09: € 2.5 million), thereof gains from exchange rate differences to the order of € 2.7 million (9M09: € 1.7 million).

**FX differences** A large share of the tyre purchases is made in foreign currencies. The FX exposure is hedged with forward contracts. As a result, the FX income is usually balanced with FX losses. FX losses from trade payables and hedges are accounted for as line item in the other operating expenses (9M10: € 3.5 million, 9M09: € 2.2 million).

FX gains and losses often accrue differently to different quarters due to the long duration of the underlying transaction and the corresponding hedge. As a result, the balance of gains and losses amounted to € -1.5 million for Q310, significantly worse than for the prior-year period (Q309: € -0.2 million). Calculated using the



longer reporting period, the swings start to vanish: The balance for 9M10 was just € –0.7 million (9M09: € –0.5 million).

**Gross profit and gross profit margin up**

In the reporting period, gross profit advanced by 30.1% year-on-year, from € 56.4 million to € 73.4 million. The gross profit margin (gross profit in relation to total income) improved from 27.6% to 28.1%.

The two divisions – E-Commerce and Wholesale – operate at different gross profit margins. As usual, E-Commerce was able to achieve a better margin (9M10: 28.0%, 9M09: 27.6%) than Wholesale (9M10: 11.9%, 9M09: 15.7%). 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.

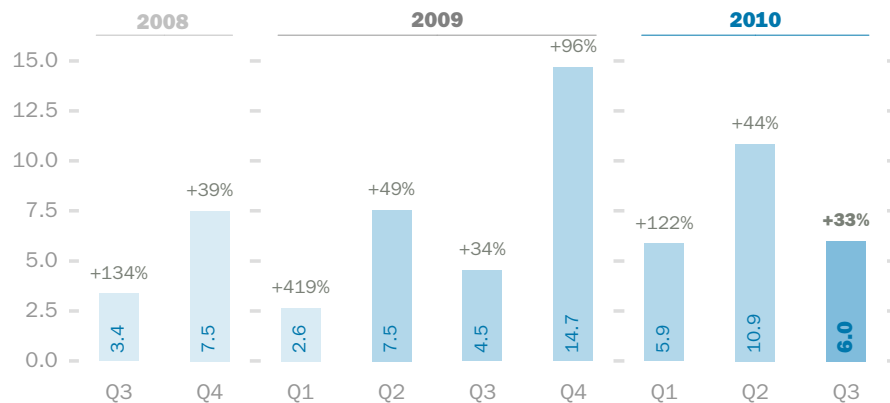
**Profitability improved considerably**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved during the reporting period by 54.8% to € 23.7 million (9M09: € 15.3 million). Earnings before interest and taxes (EBIT) grew as well, from € 14.7 million by 54.5% to € 22.7 million. This corresponds to an EBIT margin of 8.8% (9M09: 7.3%).

The chart *EBIT* shows the preceding quarters.

**EBIT**

quarterly, in € million



**Financial result nosedived**

The low Euro money market rates continued to adversely affect the interest result. In the reporting period the financial result amounted to € 54 thousand (9M09: € 185 thousand).

**Income taxes**

The expenditure for income taxes was € 7.5 million (9M09: € 4.9 million). This equates to a tax rate of 33.1% (9M09: 32.6%).

**Net income**

Consolidated net income grew from € 10.0 million to € 15.2 million. This corresponds to earnings per share (EPS) of € 1.29 (undiluted, 9M09: € 0.85), a step-up of 51.9%.

**Dividend for fiscal year 2009** Delticom's Annual General Meeting on 11 May 2010 decided on a dividend for fiscal year 2009 of € 1.70 per share (2008: € 1.00). This corresponds to a dividend sum of € 20.1 million (2008: € 11.8 million).

## Financial and assets position

### Cash flow

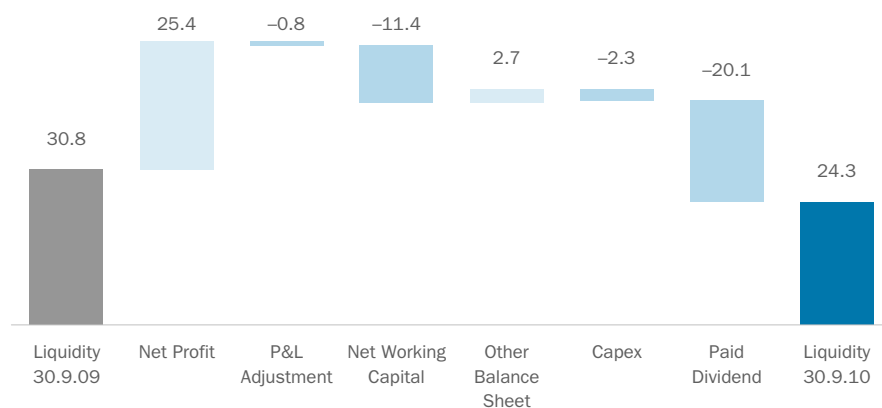
**Operating cash flow** Consolidated net income for 9M10 was € 5.2 million higher than in the prior-year period. Still, the cash flow from ordinary business activities (operating cash flow) increased by only € 2.9 million for the same period (9M10: € 5.7 million, 9M09: € 2.8 million). The reason for this shortfall was the expansion of working capital, due to the increase in inventories and the disproportionally lower growth in accounts payable.

**Fewer investments** During the reporting period, investments into property, plant and equipment amounted to € 1.8 million, significantly less than last year (9M09: € 3.8 million). Taken together with the investments into intangible assets amounting to € 0.1 million, in 9M10 a total of € 1.9 million of the investments (*capex*) resulted in a cash outflow (9M09: € 3.2 million).

**Financing activities** Apart from the dividend payment of € 20.1 million, Delticom did not recognise any cash flow from financing activities in the reporting period (dividend payment 2009: € 11.8 million).

### Liquidity Bridge

in € million



**Liquidity position decreased**

Over the course of the trailing twelve months cash and cash equivalents registered net outflow of € 4.5 million. In the same period short-term money market funds registered a further net outflow of € 2.0 million. As a whole, the total liquidity as shown on the balance sheet decreased by € 6.5 million (trailing twelve months). On 30.09.2010 it totalled € 24.3 million (30.09.2009: € 30.8 million).

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

### Balance sheet structure

As of 30.09.2010 the balance sheet total amounted to € 127.1 million (31.12.2009: € 106.8 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

Inventories up as planned

Among the current assets, inventories is the biggest line item. Since the beginning of the year Management was able to grow the stock by € 33.5 million or 78.2% to € 76.4 million (31.12.2009: € 42.9 million), due to expanded warehouse capacity.

Receivables

At the end of the quarter, the accounts receivable amounted to € 14.2 million, up 39.9% from end of last year's € 10.1 million.

Payables increased in parallel with inventories

The accounts payable were increased from € 36.6 million by € 22.5 million or 61.5% to € 59.2 million, in parallel with inventories. As part of the € 71.0 million in short-term liabilities as of 30.09.2010, € 59.2 million were recorded as accounts payable, corresponding to a share of 46.5% of balance sheet total.

### Abridged balance sheet

in € thousand

	30.09.10	%	+	31.12.09	%	+	31.12.08	%
<b>Assets</b>								
Non-current assets	7,837	6.2	13.4	6,910	6.5	104.0	3,387	3.5
Fixed assets	7,529	5.9	13.7	6,621	6.2	100.5	3,302	3.5
Other non-current assets	308	0.2	6.6	289	0.3	240.4	85	0.1
Current assets	119,296	93.8	19.4	99,938	93.5	8.3	92,250	96.5
Inventories	76,357	60.1	78.2	42,858	40.1	15.4	37,134	38.8
Receivables and other current assets	18,623	14.6	13.3	16,438	15.4	35.2	12,157	12.7
Liquidity	24,316	19.1	-40.2	40,642	38.0	-5.4	42,959	44.9
Securities	1,035	0.8	-65.9	3,039	2.8	-77.7	13,620	14.2
Cash and cash equivalents	23,281	18.3	-38.1	37,603	35.2	28.2	29,339	30.7
<b>Assets</b>	<b>127,134</b>	<b>100.0</b>	<b>19.0</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	54,165	42.6	-8.6	59,276	55.5	16.9	50,701	53.0
Equity	53,924	42.4	-8.3	58,794	55.0	17.1	50,224	52.5
Long-term debt	241	0.2	-49.9	482	0.5	0.9	478	0.5
Provisions	36	0.0	-15.6	42	0.0	23.0	34	0.0
Liabilities	206	0.2	-53.2	440	0.4	-0.9	443	0.5
Short-term debt	72,969	57.4	53.4	47,573	44.5	5.9	44,936	47.0
Provisions	1,944	1.5	-45.1	3,542	3.3	70.2	2,080	2.2
Liabilities	71,025	55.9	61.3	44,031	41.2	2.7	42,856	44.8
<b>Equity and Liabilities</b>	<b>127,134</b>	<b>100.0</b>	<b>19.0</b>	<b>106,848</b>	<b>100.0</b>	<b>11.7</b>	<b>95,637</b>	<b>100.0</b>

## Organisation

### Legal structure

As of 30.09.2010, the Delticom Group comprised the following subsidiaries.

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

Delticom AG owns 100% of shares in each of the subsidiaries.

The business is run mainly from the Hanover head office.

### 107 employees

As of 30.09.2010 a staff of 107 persons were employed at Delticom (30.09.2009: 85, 31.12.2009: 92), thereof 14 apprentices and trainees.

## Significant events after the reporting date

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

## Risk Report

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

### Economic growth slowdown

Following further recovery in the global economy this year, there are now initial indications that growth might weaken over coming quarters. Upside potential for the US economy is limited, because consumption growth might not be particularly strong due to consumer debt levels. Domestic demand in Europe should continue to gain momentum, by contrast. The fear of unemployment is diminishing - an important support for consumer sentiment. Here too, however, it must be antic-

Tyre whole-  
saling/retailing

ipated that consumers will cut back their spending over the further course of the coming year due to state saving programs.

European tyre markets have recovered on both the demand and supply sides this year following a very difficult 2009.

In Germany, the start into the winter season got underway in early October as a result of the political debate concerning the specifics of the existing winter tyre regulation. Nevertheless, 80% of German car owners already follow the rule of thumb whereby winter tyres should be fitted "from October until Easter". Although the Upper House of the German Parliament will presumably not approve the renewed regulation until its next meeting on November 26, the debate about adequate tyres alone has already supported demand for winter tyres over recent weeks.

This year's autumn is somewhat mild across Europe compared to last year. While winter 2009 started early in October with strong snowfalls, snow this year has been only sporadic and at high altitudes to date. There might be an additional spate of demand for winter tyres if weather conditions, and correspondingly road conditions, worsen over coming weeks. In this instance, market observers identify potential shortages over the further course of the season, particularly for frequently asked standard tyre sizes.

In a market that is characterised by scarcity, the price level might increase further during the ongoing season. Some manufacturers have already announced price hikes for the coming months due to higher raw materials prices.

Outlook for revenues and  
EBIT-Margin unchanged

We are confident to achieve the 9% EBIT margin for the full year, even if demand for winter tyres receives no further tailwind from snowy weather or new statutory regulations by the end of the year. In view of the good business trends to date, we anticipate 2010 revenue growth of at least 15% year-on-year.

At € 24.3 million, liquidity as of 30.09.2010 was below the previous year's figure of € 30.8 million. We continue to assume that the liquidity position will be at approximately the previous year's level by the end of the year 2010.

## Medium-term growth

At this point in time, sales over the Internet channel account only for a small share in the tyre trade. Still, E-Commerce is gaining momentum. As a consequence, we continue to expect double-digit annual growth rates in the medium term for Delticom's revenues and profits.

Delticom is a profitable growth company thanks to its streamlined cost structure. Net income was fully paid out to shareholders in all of the past years. The Management and Supervisory boards are nevertheless retaining the option of focusing to a greater extent than in the past on the liquidity position when making future distributions.

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

### **Table of contents**

13 Consolidated Income Statement

13 Statement of Recognised Income and Expenses

14 Consolidated Balance Sheet

[14 Assets](#)

[14 Shareholders' Equity and Liabilities](#)

15 Consolidated Cash Flow Statement

16 Statement of Changes in Shareholders' Equity

## Consolidated Interim Financial Statements of Delticom AG

### Consolidated Income Statement

	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009	01.07.2010 - 30.09.2010	01.07.2009 - 30.09.2009
in € thousand				
<b>Revenues</b>	<b>257,014</b>	<b>201,597</b>	<b>79,696</b>	<b>62,441</b>
Other operating income	3,807	2,541	430	605
<b>Total operating income</b>	<b>260,821</b>	<b>204,139</b>	<b>80,127</b>	<b>63,047</b>
Cost of goods sold	-187,404	-147,724	-58,108	-45,084
<b>Gross profit</b>	<b>73,417</b>	<b>56,415</b>	<b>22,018</b>	<b>17,963</b>
Personnel expenses	-4,741	-4,149	-1,550	-1,320
Depreciation of intangible assets and property, plant and equipment	-949	-580	-340	-226
Other operating expenses	-44,991	-36,968	-14,124	-11,888
<b>Earnings before interest and taxes (EBIT)</b>	<b>22,736</b>	<b>14,718</b>	<b>6,004</b>	<b>4,528</b>
Financial expenses	-25	-28	-8	-15
Financial income	80	213	19	21
<b>Net financial result</b>	<b>54</b>	<b>185</b>	<b>11</b>	<b>5</b>
<b>Earnings before taxes (EBT)</b>	<b>22,790</b>	<b>14,903</b>	<b>6,015</b>	<b>4,533</b>
Income taxes	-7,541	-4,862	-2,131	-1,505
<b>Consolidated net income</b>	<b>15,249</b>	<b>10,041</b>	<b>3,885</b>	<b>3,029</b>
Thereof allocable to:				
Shareholders of Delticom AG	15,249	10,041		
Earnings per share (basic)	1.29	0.85		
Earnings per share (diluted)	1.28	0.84		

### Statement of Recognised Income and Expenses

	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009	01.07.2010 - 30.09.2010	01.07.2009 - 30.09.2009
in € thousand				
<b>Consolidated Net Income</b>	<b>15,249</b>	<b>10,041</b>	<b>3,885</b>	<b>3,029</b>
Changes in the financial year recorded directly in equity				
Changes in currency translation	-66	5	-91	-15
Changes in value of financial assets in the "available-for-sale assets" category				
Changes in current value recorded directly in equity	3	31	1	2
Recognition of settled hedging transactions with effect on income	-22	-60	0	0
Deferred tax on current changes without effect on income	6	9	0	-1
<b>Other comprehensive income for the period</b>	<b>-80</b>	<b>-15</b>	<b>-91</b>	<b>-14</b>
<b>Total comprehensive income for the period</b>	<b>15,169</b>	<b>10,026</b>	<b>3,794</b>	<b>3,015</b>

## Consolidated Balance Sheet

### Assets

in € thousand	30.09.2010	31.12.2009
<b>Non-current assets</b>	<b>7,837</b>	<b>6,910</b>
Intangible assets	1,150	1,198
Property, plant and equipment	6,380	5,424
Deferred taxes	135	154
Other receivables	172	134
<b>Current assets</b>	<b>119,296</b>	<b>99,938</b>
Inventories	76,357	42,858
Accounts receivable	14,193	10,148
Other current assets	4,430	6,289
Securities	1,035	3,039
Cash and cash equivalents	23,281	37,603
<b>Assets</b>	<b>127,134</b>	<b>106,848</b>

### Shareholders' Equity and Liabilities

in € thousand	30.09.2010	31.12.2009
<b>Equity</b>	<b>53,924</b>	<b>58,794</b>
Subscribed capital	11,839	11,839
Share premium	24,199	24,112
Other components of equity	-181	-101
Retained earnings	200	200
Net retained profits	17,866	22,744
<b>Liabilities</b>	<b>73,210</b>	<b>48,054</b>
<b>Non-current liabilities</b>	<b>241</b>	<b>482</b>
Non-current provisions	36	42
Deferred tax liabilities	206	440
<b>Current liabilities</b>	<b>72,969</b>	<b>47,573</b>
Provisions for taxes	1,214	2,915
Other current provisions	730	627
Accounts payable	59,179	36,645
Other current liabilities	11,846	7,386
<b>Shareholders' equity and liabilities</b>	<b>127,134</b>	<b>106,848</b>



## Consolidated Cash Flow Statement

in € thousand	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009
<b>Earnings before interest and taxes (EBIT)</b>	<b>22,736</b>	<b>14,718</b>
Depreciation of intangible assets and property, plant and equipment	949	580
Changes in other provisions	97	21
Net gain on the disposal of assets	0	-2
Changes in inventories	-33,499	-20,224
Changes in receivables and other assets not allocated to investing or financing activity	-2,218	-5,939
Changes in payables and other liabilities not allocated to investing or financing activity	27,081	17,195
Interest received	80	213
Interest paid	-25	-28
Income tax paid	-9,476	-3,691
<b>Cash flow from operating activities</b>	<b>5,724</b>	<b>2,845</b>
Proceeds from the disposal of property, plant and equipment	10	2
Payments for investments in property, plant and equipment	-1,761	-3,060
Payments for investments in intangible assets	-105	-123
Changes in liquidity reserve	2,004	10,583
<b>Cash flow from investing activities</b>	<b>147</b>	<b>7,403</b>
Dividends paid by Delticom AG	-20,127	-11,839
<b>Cash flow from financing activities</b>	<b>-20,127</b>	<b>-11,839</b>
Changes in cash and cash equivalents due to currency translation	-66	5
Cash and cash equivalents at the start of the period	37,603	29,339
Changes in cash and cash equivalents	-14,322	-1,587
<b>Cash and cash equivalents - end of period</b>	<b>23,281</b>	<b>27,751</b>
For information only:		
<b>Liquidity - start of period</b>	<b>40,642</b>	<b>42,959</b>
Changes in cash and cash equivalents	-14,322	-1,587
Changes in liquidity reserve	-2,004	-10,583
<b>Liquidity - end of period</b>	<b>24,316</b>	<b>30,789</b>

## Statement of Changes in Shareholders' Equity

in € thousand	Sub- scribed capital	Share premium	Reserve from currency translation	Revaluation Reserve	Accumulated profits / losses			Total equity
					Retained earnings	Net retained profits	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>
Capital increase from company funds	7,893	-7,893						
Increase in share premium due to stock options		149						149
Dividends paid						-11,839	-11,839	-11,839
Total comprehensive income for the period			5	-20		10,041	10,041	10,026
<b>as of 30 September 2009</b>	<b>11,839</b>	<b>24,065</b>	<b>-123</b>	<b>21</b>	<b>200</b>	<b>12,557</b>	<b>12,756</b>	<b>48,559</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		87						87
Dividends paid						-20,127	-20,127	-20,127
Total comprehensive income for the period			-66	-13		15,249	15,249	15,169
<b>as of 30 September 2010</b>	<b>11,839</b>	<b>24,199</b>	<b>-190</b>	<b>9</b>	<b>200</b>	<b>17,866</b>	<b>18,065</b>	<b>53,924</b>

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

### Segment results

#### 9M09

in € thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>189,776</b>	<b>11,822</b>	<b>0</b>	<b>201,597</b>
Other operating income	526	62	1,954	2,541
Cost of goods sold	-137,706	-10,018	0	-147,724
<b>Gross profit</b>	<b>52,595</b>	<b>1,866</b>	<b>1,954</b>	<b>56,415</b>
Personnel expenses	-1,652	-303	-2,193	-4,149
Depreciation and amortization	-442	0	-138	-580
thereof property, plant and equipment	-360	0	-107	-468
thereof intangible assets	-81	0	-31	-112
Other operating expenses	-32,066	-1,163	-3,739	-36,968
thereof bad debt losses and one-off loan provisions	-936	-488	0	-1,424
<b>Segment result</b>	<b>18,435</b>	<b>400</b>	<b>-4,117</b>	<b>14,718</b>
Net financial result				185
Income taxes				-4,862
<b>Consolidated net income</b>				<b>10,041</b>

#### 9M10

in € thousand	E-Commerce	Wholesale	not allocated	Group
<b>Revenues</b>	<b>244,934</b>	<b>12,079</b>	<b>0</b>	<b>257,014</b>
Other operating income	654	66	3,087	3,807
Cost of goods sold	-176,708	-10,696	0	-187,404
<b>Gross profit</b>	<b>68,880</b>	<b>1,449</b>	<b>3,087</b>	<b>73,417</b>
Personnel expenses	-1,998	-281	-2,462	-4,741
Depreciation and amortization	-828	-1	-120	-949
thereof property, plant and equipment	-723	-1	-79	-802
thereof intangible assets	-106	0	-41	-147
Other operating expenses	-39,539	-584	-4,868	-44,991
thereof bad debt losses and one-off loan provisions	-1,142	0	0	-1,142
<b>Segment result</b>	<b>26,515</b>	<b>583</b>	<b>-4,362</b>	<b>22,736</b>
Net financial result				54
Income taxes				-7,541
<b>Consolidated net income</b>				<b>15,249</b>

## **Reporting companies**

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 112 online shops in 35 countries, the company offers its private and business customers a broad assortment of car tyres, motorcycle tyres, truck tyres, bus tyres, special tyres, bicycle tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. Further information about the reporting company can be found in the chapter *Business Operations* and in the chapter *Organisation* of the interim management report.

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

Delticom's consolidated interim financial statements as of 30.09.2010 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 31.12.2009.

The Annual Report 2009 is made available on the Delticom website in the section *Investor Relations* or can be downloaded directly using the following link:

[www.delti.com/Investor\\_Relations/Delticom\\_AnnualReport\\_2009.pdf](http://www.delti.com/Investor_Relations/Delticom_AnnualReport_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.

## **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.

## **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.

in € thousand	9M10	9M09
Transportation costs	22,365	17,942
Warehousing costs	2,778	2,104
Credit card fees	1,826	1,461
Bad debt losses and one-off loan provisions	1,142	1,424
Marketing costs	5,318	5,329
Operations centre costs	2,756	2,631
Rents and overheads	2,516	1,292
Financial and legal costs	1,442	1,361
IT and telecommunications	498	393
Expenses from exchange rate differences	3,451	2,196
Other	901	835
<b>Total</b>	<b>44,991</b>	<b>36,968</b>

## **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 € 1.29 (9M09: € 0.85). The diluted earnings per share totalled € 1.28 (9M09: € 0.84).

## **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.

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

The calculation of the earnings per share was based on net income after taxes totalling € 15,249,136.10 (9M09: € 10,041,065.38) 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 11,945,250 shares (9M09: 10,041,065 shares).

## **Dividends**

On 12 May 2010 Delticom has paid a dividend of € 1.70 for fiscal year 2009.

## **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 (category *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 € 798 thousand (9M09: € 1,124 thousand) were purchased from related companies, and goods and services worth € 1,866 thousand (9M09: € 1,353 thousand) were sold to related companies. Accounts receivable from business with related companies amounted to € 678 thousand (9M09: € 612 thousand) and accounts payable totalled € 0 thousand (9M09: € 45 thousand).

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

As compared to 31.12.2009, the situation with regards to other financial commitments has changed significantly:

Commitments arising from order commitments for goods of € 8,088 thousand (31.12.2009: € 2,777 thousand) are due within one year. Commitments arising from operating leases as well as miscellaneous financial commitment are due in subsequent periods to an amount totalling € 54,661 thousand (31.12.2009: € 40,022 thousand), of which € 6,136 thousand (31.12.2009: € 7,086 thousand) are due within one year, € 21,727 thousand (31.12.2009: € 16,446 thousand) are due between two and five years, and € 26,798 thousand (31.12.2009: € 16,490 thousand) are due in over five years.

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

## **Employees**

From 01.01.2010 to 30.09.2010 Delticom had an average of 99 employees (thereof 10 apprentices and interns). The calculation is based on full-time equivalents, thus taking into account the actual work hours.

**Key events after the reporting date**

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

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

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

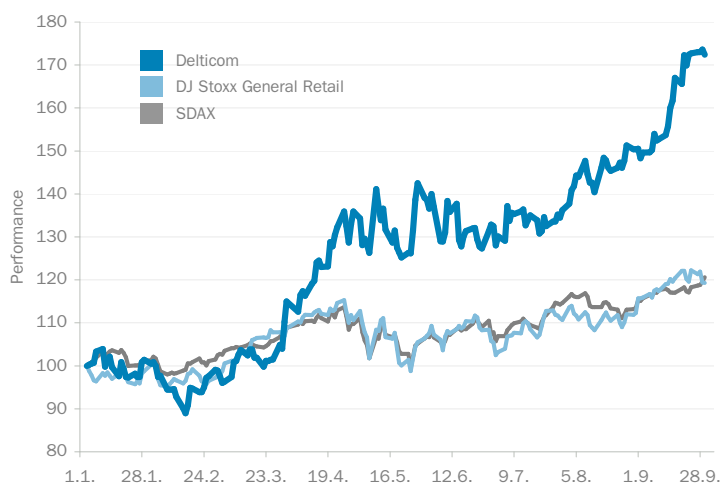
To the best of our knowledge, we declare that, according to the principles of proper interim consolidated reporting applied, the interim consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the interim consolidated 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, 08 November 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
22 November 2010	German Equity Forum
18 January 2011	preliminary FY10 figures
23 March 2011	Annual Report 2010
19 April 2011	preliminary Q1 figures
03 May 2011	Annual General Meeting
10 May 2011	full Q1 report

		01.01.2010 - 30.09.2010	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>	€	49.57	27.61
Share performance <sup>1</sup>	%	+72.4	+112.4
Share price high/low <sup>1</sup>	€	49.91 / 25.60	27,61 / 11,92
Market capitalisation <sup>2</sup>	€ million	586.9	326.9
Average trading volume per day (XETRA)	shares	22,644	9,163
EPS (undiluted)	€	1.29	1.71
EPS (diluted)	€	1.28	1.70
Operating cash flow per share	€	0.48	1.11
Free cash flow per share <sup>3</sup>	€	0.33	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 Schwoppe	Buy	47.00	362.0	32.8	9.1	1.89	403.0	36.2	9.0	2.09
Metzler	Jürgen Pieper	Buy	60.00	365.0	35.4	9.7	2.08	414.0	41.5	10.0	2.47
Exane	Andreas Inderst	Outperform	62.00	369.7	34.5	9.3	1.98	430.7	41.8	9.7	2.41
Berenberg	Lars Dannenberg	Buy	63.30	364.2	34.0	9.3	2.02	428.0	41.0	9.6	2.44
BHF	Aleksej Wunrau	Buy	56.00	380.0	38.0	10.0	2.24	420.0	41.0	9.8	2.39
Deutsche Bank	Tim Rokossa	Hold	47.00	366.0	35.0	9.6	2.05	434.0	43.0	9.9	2.49
Macquarie	Marcus Sander	Outperform	44.00	357.0	33.0	9.2	1.90	411.5	39.1	9.5	2.25
		<b>Average</b>	<b>54.19</b>	<b>366.3</b>	<b>34.7</b>	<b>9.5</b>	<b>2.02</b>	<b>420.2</b>	<b>40.5</b>	<b>9.6</b>	<b>2.36</b>

as of 8 November 2010

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