On the right track.

ANNUAL REPORT 2009.

DELTICOM
Aktiengesellschaft

Profile

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

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

Thanks to its cost-efficient processes, Delticom is a profitable and growing operation. After a successful 2009, the company intends to maintain and build upon its position as market leader in 2010. The online tyre trade is large and dynamic – and Delticom is on the right track to continue taking advantage of this.

Key Figures

		01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008	yoy %
Revenues	€ million	311.3	259.0	+20.2
New customers	thousand	805	695	+15.8
Repeat customers	thousand	287	214	+34.3
Customer base	thousand	3,431	2,626	+30.7
Total income	€ million	315.6	262.2	+20.4
Gross profit	€ million	89.8	68.5	+31.1
Gross profit margin[1]	%	28.5	26.1	+2.3
EBIT	€ million	29.4	16.4	+78.8
EBIT margin[2]	%	9.4	6.4	+3.1
Net income	€ million	20.2	11.7	+72.4
Earnings per share[3]	€	1.71	0.99	+72.4
Employees[4]		87	81	+7.4
Revenues per employee	€ thousand	3,578	3,197	+11.9
Total assets	€ million	106.8	95.6	+11.7
Investments[5]	€ million	4.4	1.3	+238.7
Investment quota[6]	%	1.4	0.5	+0.9
Capital Employed[7]	€ million	59.3	50.7	+16.9
Return on Capital Employed[8]	%	49.6	32.4	+17.2
Equity	€ million	58.8	50.2	+17.1
Equity ratio	%	55.0	52.5	+2.5
Return on equity	%	34.4	23.4	+11.0
Liquidity position[9]	€ million	40.6	42.9	–5.4
Dividend[10]	€	1.70	1.00	+70.0
Dividend yield[11]	%	6.2	7.7	–1.5
Operating cash flow	€ million	13.1	16.7	–21.3
Operating cash flow per share	€	1.11	1.41	–21.3
Free cash flow[12]	€ million	9.5	15.4	–38.1
Free cash flow per share	€	0.80	1.30	–38.1
Free cash flow yield[11]	%	2.9	10.0	–7.1

(1) Gross profit to total income
(2) Consolidated earnings before interest and taxes (EBIT) to revenues
(3) Undiluted
(4) Average in reporting period
(7) Capital Employed = total assets – current liabilities
(8) ROCE = EBIT / Capital Employed
(9) Liquidity position = cash and cash equivalents + liquidity reserve
(5) Investments in tangible and intangible assets
(6) Ratio of investments to revenues
(10) Conditional on approval at the Annual General Meeting
(11) Based on official closing on 31 December
(12) Free cash flow = Operating cash flow – Capex

Highlights 2009

Revenues up +20.2% to € **311.3** million
(previous year: € 259.0 million)

EBIT margin of **9.4**% EBIT increased +78.8% from
€ 16.4 million to € 29.4 million

Earnings per share
+72.4% from € 0.99 to € 1.71

Planned dividend of € **1.70** per share
(previous year: € 1.00)

More than 800,000 new customers in 2009. Customer basis grown to **3.4** million

25,000

service partners worldwide, more than 7,000 in Germany alone

Table of contents

Letter to Our Shareholders

Dear shareholders, colleagues and friends,

Delticom closed the 2009 financial year with record revenues of € 311.3 million despite facing a challenging economic environment. During the past year, more than 800,000 new customers from 35 countries made tyre purchases in our 105 online shops – further evidence that selling tyres on the Internet is an idea made for our times. In addition to the significant increase in our revenues, we were also able to raise our profitability once again. Earnings before interest and taxes (EBIT) climbed by 78.8% to € 29.4 million. We have exceeded all expectations with an EBIT margin of 9.4% (2008: 6.4%). In total, Delticom achieved a consolidated net income of € 20.2 million or € 1.71 per share – an increase of 72.4% over the preceding year's earnings results of € 11.7 million. With this performance Delticom continues the success story which began with the company's founding in 1999.

One significant contributing factor to our results was the unusually snowy winter weather during the final quarter of 2009. With the first snowfalls occurring in October, the winter sales season got off to an excellent start. Road conditions became even more wintery in December, in not only Germany but across Europe, and the snow did not thaw until well into the new year.

Car scrappage schemes in Germany and elsewhere were an additional driver of our strong tyre sales. In 2009, many drivers took advantage of government subsidies to replace their old vehicles with new ones. While true that these new vehicles naturally did not require replacement summer tyres, the marked increase in new car sales had little effect on Delticom's course of business. Indeed, the developments did not leave any dent in our sales figures for the first three quarters of 2009. However, the difficult driving conditions of the last quarter underscored how essential a set of good winter tyres is. Quantifying the demand created by the scrappage schemes is very difficult, although it is clear that these certainly helped drive winter tyres sales and can therefore be said to have had a positive overall effect on Delticom's results. It should be stressed that this situation held true not only for Germany, but other countries as well, such as France and Italy where similar state-sponsored measures were introduced.

Externals factors were not, however, solely responsible for pushing our revenues and results to record levels. Indeed, demand is just one half of the equation: in order to capitalize on this, one has to be able to satisfy demand during peak periods. To ensure our ability to honour customer orders at all times, Delticom carries stock in own warehouses. By adding a large new storage facility last year, we increased our warehouse capacity considerably before the beginning of the high sales season. Working in close consultation with our logistics service providers, we invested considerable sums to expand our information, materials-handling and packaging technology systems. This strategic decision paid off during the 2009/10 winter season as the fourth quarter saw us able to ship our tyre orders to customers more quickly and at lower cost than was previously the case.

We are watching the developments of the current year with great interest. The overall economic situation could play a more important role in Delticom's performance than previously. The world economy is emerging from the recession at a faster pace than anticipated. Fears that the decrease in economic activity would lead to widespread job losses across Europe have not materialised. In those areas

Philip von Grolman

Rainer Binder (CEO)

Frank Schuhardt

where employees saw their income drop, the erosion of prices of oil and foodstuffs helped to decrease the pressure on household budgets. That being said, the price of fuel has since risen again. We must assume that the recession will cause further job losses during 2010. There is no certain prediction of the effect the unclear economic situation will have on the demand for tyres.

In 2010 we are not only trying to improve the results from a very successful 2009, but we shall be doing so in a situation which presents significant challenges. The surge in demand for winter tyres caused by European-wide car scrappage schemes will not occur this year. As yet it is too early to predict whether strong winter tyre sales will be abetted by another season of inclement weather. As a result of these factors, we believe that achieving our revenue and profit targets for 2010 will depend largely on sales performance during the upcoming summer season.

While weather conditions will play a key role in the short-term, Delticom continues to be on a path of long-term, stable growth. More and more motorists are using the Internet to search for good deals and ever greater numbers of car owners will decide to make their purchases with Delticom. Compared to other goods, the share of tyre sales made online remains comparatively low . For this reason alone we are projecting a further increase in sales for 2010. Our low cost structure allows us to offer customers a broad product selection at attractive prices, key factors for maintaining sales in times of soft consumer demand. Altogether, we anticipate an increase in revenues of up to 10%. We have set a target of 8% for our EBIT margin. This is an ambitious goal, but one which can be achieved if our business develops in a positive way.

Delticom is a lean operation active in a large market and a European market-leader in a distribution channel which is only increasing in importance. Given this, we believe we are well-placed to build upon our leading position in the European online tyre trade. Our business model is solid and the company is debt free with access to considerable liquidity. Accordingly, we would like to allow you, our shareholders, to participate in our success as has been the case in past years. At Delticom's Annual General Meeting on 11 May 2010, The Management Board and Supervisory Board will propose a dividend of € 1.70, an increase of € 0.70 on last year.

We wish to take this opportunity to thank the Supervisory Board for its constructive contribution to our work. We also extend our thanks to our employees and business partners whose passion and creativity have contributed significantly to Delticom's success. And naturally we would like to thank you, our shareholders, for the trust in us which you have displayed.

Hanover, 23 March 2010

Rainer Binder | Philip v. Grolman | Frank Schuhardt

Report of the Supervisory Board

Dear Shareholders,

The Supervisory and Management Boards consulted at an early stage about the potential effects of the general economic environment, and developed corresponding scenarios. Delticom has been hardly affected by the crisis so far. During the recession, the Internet proved to be a resilient sales channel. E-Commerce thus contributed strongly to the growth of Delticom.

During the past fiscal year, the Supervisory Board fulfilled its tasks and duties, in accordance with both all legal requirements and Delticom's articles of incorporation. We regularly advised and supervised the Management Board. Furthermore, we were involved in all decisions that were of material importance to the company. On a regular basis, we dealt intensively with the net assets, financial position and the results of operation as well as with the company's risk management. The Supervisory Board was routinely informed about current business progress and major business events.

In addition, outside of the meetings the members of the Supervisory Board provided consulting to the Management Board. In certain meetings we discussed and decided on transactions which required the approval of the Supervisory Board. In instances where decisions were needed to be made quickly we took them by telephone or in circular resolution. All decisions made during the reporting period were unanimous.

The Supervisory Board is made up of Mr Andreas Prüfer (Chairman), Mr Michael Thöne-Flöge (Deputy Chairman) and Mr Alan Revie. The Supervisory Board exercised their right to vote and has not established any committees in the sense of Section 107(3) of the AktG (German Public Limited Companies Act).

Meetings

There were four regular Supervisory Board meetings in 2009, which were attended by all members.

At the meeting on March 25, 2009, we concerned ourselves with the financial statements and management reports of Delticom AG and the Group, including the corporate governance report, and the statement of compliance with the German Corporate Governance Code. Moreover, we agreed on the agenda for the Shareholders' General Meeting. The remuneration terms for Management Board member Frank Schuhardt were also adjusted.

At the meeting on May 19, 2009, among other things, a resolution was passed concerning the distribution of Supervisory Board remuneration, which had previously been approved by the Shareholders' General Meeting.

At the meeting on August 11, 2009, the Management Board reported on the Group's current business and financial positions following the conclusion of the second quarter of the financial year. We also conducted the efficiency audit of our work using an extensive catalogue of questions. The Board also discussed the company's risk management system in detail.

At the last regular meeting on November 24, 2009, we consulted about the medium-term and investment planning for Delticom AG and its subsidiary Delticom North America Inc. Finance area projects and processes were also presented to us in depth. The Management Board's procedural rules were revised after a three-year period due to the higher business volume. All limits for transactions requiring approval were raised by one half. The Supervisory Board also concerns itself with new statutory regulations.

Further unscheduled meetings were held in connection with the change to the appointment contract of Management Board member Mr. Schuhardt (meeting on March 30, 2009), the nomination of the auditor (meeting on April 6, 2009), the raising of the business forecast (meeting of June 30, 2009), and the equity increase for the Netix S. R. L. subsidiary (meeting of September 24, 2009).

Corporate Governance

The Supervisory and Management Boards are aware that good corporate governance is in the interests of our shareholders and the capital markets and an important basis of the company's success. In March 2010, together with the Management Board, we issued a declaration stating that all Delticom's activities are in conformity with Section 161 of the German Corporate Governance Code. This declaration is permanently available on the Delticom AG web page www.delti.com/CG and will be updated every year after the accounts review meeting of the Supervisory Board. There is a separate section in this annual report on the implementation of the German Corporate Governance Code.

Audit of annual financial statements as of December 31, 2009

In its accounts review meeting on March 19, 2010, the Supervisory Board discussed in detail the documentation relating to the financial statements and the auditor's report. Particular attention was paid to the annual financial statements of Delticom AG (prepared according to the regulations of the HGB – German Commercial Code), and the consolidated financial statements of the Delticom Group (prepared according to the regulations of IFRS – International Financial Reporting Standards), both of which had a reporting date of 31 December 2009. In addition, the Supervisory Board reviewed the management reports for both the company and the group for the 2009 fiscal year.

The auditor's reports, the annual financial statements for the AG and the consolidated financial statements prepared by the Management Board, the dependent company report and the management reports for Delticom AG and for the group as well as the Management Board's proposal for the use of net retained profits were submitted to the Supervisory Board in good time, so that we had sufficient opportunity to study them. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, audited the annual financial statements. There are no concerns regarding the auditor's independence.

In the auditor's opinion, the parent company single-entity annual financial statements and the consolidated financial statements present a true and fair view of the financial and assets position, results of operations, as well as the cash flows, of both the company and the Group, in accordance with accounting regulations. The auditor's review of the dependent company report resulted in no reservations. The auditor has issued an unqualified audit certificate for both areas.

The auditor's certificate for the dependent company report contains the following wording: "Following our audit and assessment in accordance with our duties, we confirm that the actual statements made in the report are correct, and that the consideration paid by the company in legal transactions listed in the report was not inappropriately high, or that disbenefits were compensated for."

As part of its assessment of the risk management system, the auditor confirmed that the Management Board had implemented the measures required pursuant Section 91 (2) of the AktG for identifying risks which could jeopardise the company as a going concern at an early juncture.

Representatives of the auditor were present at the consultations to report on key audit results, and to be available to provide supplementary information to the Supervisory Board. The Supervisory Board has acknowledged the auditor's report. The Supervisory Board has approved both the annual financial statements of Delticom AG and the consolidate financial statements of the Group. With this, the annual financial statements of Delticom AG have been adopted. The Supervisory Board has followed the Management Board's proposal for the appropriation of the net retained earnings.

The Supervisory Board would like to express its thanks and appreciation to the Management Board and all staff members for their commitment over the past business year.

Hanover, 19 March 2010

Andreas Prüfer

Management Report of Delticom AG

Table of contents

Management Report of Delticom AG

Business Operations

Since it's foundation in 1999, Hanover-based Delticom has significantly grown in revenues and profits, both in Germany and abroad. Today the company is Europe's leading online tyre retailer. The E-Commerce division operates 105 online shops in 35 countries.

Segments

The company's business is segmented along two divisions: E-Commerce and Wholesale.

E-Commerce

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 105 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt – a well-known brand in the German speaking Internet community.

The group offers its product range in 35 countries, with a focus on the EU market and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, focusing mainly on the USA.

Delticom generates a large share of its revenues by selling from own inventories. This stock-and-ship business strengthens the ties with manufacturers and enhances the supply capability, while generating good margins. Using drop-ship fulfilment, the company also sells goods from the warehouses of manufacturers and wholesalers: Either the tyres are transported directly from the supplier to the customer, or Delticom commissions parcel services to carry out the delivery.

The online shops present the entire product range in a consistent look and feel. A high level of service quality is secured by the global fitting partner network and hotlines catering for the different languages.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad.

Products

Replacement tyres

Delticom generates the bulk of its revenues through sales of brand-new replacement tyres for cars. We offer a product range of unequalled breadth: More than 100 tyre brands and 25,000 models, all of which can generally be shipped within short lead times, as well as rims and complete wheels. In addition, we sell tyres for a variety of vehicles such as motorcycles, trucks and industrial vehicles. Not only do we sell premium manufacturers' tyres, but also a large number of attractively priced quality tyres in the medium and budget price segments.

Visitors of our websites have 24/7 access to test reports and manufacturers' specs for all our products. Thus customers are well-informed before placing an order.

Seasonal product ranges

In Germany, as well as in the Europe's northern and Alpine regions, tyre retailing is characterised by seasonal changes in the weather. With our seasonal product ranges, we cater to all our customers' needs to drive safely on Europe's roads.

Innovative products

In recent years, our customers have increasingly enquired about ultra-high-performance and innovative products such as run-flat tyres. The growing interest in environmentally sustainable products is reflected in our product range: We market tyres which help to reduce fuel consumption.

Accessories and spare parts

Thanks to the supplementary range of accessories articles, engine oil, snow chains, batteries and selected spare parts, Delticom is increasingly able to tap cross selling potentials and boost revenue per customer accordingly.

Market environment

Replacement tyre market

The world tyre market is divided into two parts: the first supplies tyres to newly manufactured vehicles, the second is for replacement tyres. The replacement market, which accounts for approximately three-quarters of world tyre sales, is of relevance to Delticom. More than 60% of all tyres sold are car tyres, while around 20% are truck tyres, the rest are industrial and special tyres.

Europe, where the bulk of Delticom's activity takes place, accounts for roughly one-third of global tyre demand. A further third is sold in North America, while Asian markets provide another 20% of total world sales. Demand for replacement tyres in Europe is concentrated in five main markets: Germany, France, Great Britain, Italy and Spain. Taking unit sales and weighting with average tyre prices, the European market volume relevant to Delticom amounts to approximately € 10 billion.

Tyre distribution chain

The largest tyre manufacturers command a significant share of the world tyre market. Additionally, a number of medium-sized players have established themselves globally. As has been the case in other product groups, other smaller manufacturers based in emerging countries have been gaining a foothold in the markets.

Wholesalers traditionally carry out a warehousing and logistics function in the tyre distribution chain, usually for several brands. At the same time, wholesalers operate as "brokers" on the global markets, thereby balancing regional differences and timing mismatches of supply and demand.

European tyre trading is highly fragmented. Different sales channels compete directly with each other: independent tyre dealers, manufacturers' chains, independent garages as well as national and international fast-fit chains, and now for some years online retailers.

Online tyre dealing

In the past, it was barely possible for tyre buyers to gain an overview of the market's entire available product range. Nowadays, buyers increasingly find information on the Internet, which they use to search for attractively priced options. This trend can be witnessed across practically all age groups.

However, the share of tyre sales made online is still relatively low in contrast to a number of other product groups. We estimate that online tyre sales accounted for only 5% of European sales to end customers in 2009. Germany's largest automobile association, ADAC, published a report at the end of 2009 which revealed that by now 6.7% of its membership purchased their tyres over the Internet during the previous year (compared to 4.9% in 2008). In the 18 to 39 age cohort, the number rose to 15.4% (2008: 8.9%). There is reason to believe that these figures will accelerate in years to come: 15.8% of those polled in this study stated that they wanted to make future tyre purchases online. In the cohort of the younger, more Internet-savvy buyers this number jumped to a remarkable 29.6%.

With its strong internet presence and international profile, Delticom is well positioned to both drive and benefit from the consumer shift towards online tyre purchases.

Competitive position

Low barriers to entry

In Germany, as in other countries, some tyre retailers and chains have taken to offering their products online – primarily as an additional sales channel intended to complement their main, bricks-and-mortar sales outlets. With barriers to entry being generally low, Delticom competes with many smaller regionally specialised online dealers.

First mover

As "first-mover", we have established good business relationships with manufacturers and wholesalers in Europe over recent years. Based on current Internet revenues, Delticom is significantly larger than its competitors and active in all of Europe. This allows us to react rapidly to regional differences in supply and demand. Furthermore, the mix of stock-and-ship and drop-ship fulfilment helps to balance out demand fluctuations.

Streamlined value chain

Because we focus on online trading, we have no need for physical sales outlets with labour-intensive on-site service. Delticom maintains a tightly-knit network of more than 25,000 professional fitting partners who stand ready to change our customers' tyres on request.

A streamlined and scalable value-creation chain has been created by largely automated business processes. Our lean cost base puts us in the position to offer our customers a broad product range at attractive prices. Due to the high financial liquidity we can make purchases off-season and are able to deliver products at any time.

Thanks to both the economies of scale and the significant competitive advantage which Delticom currently enjoys, we expect that we will continue to be one of Europe's leading online tyre retailers in the future.

Economic and regulatory factors influencing the course of business

Vehicle stock, mileage, replacement cycle

The growing importance of the Internet as a sales channel is the key driver of our business success. However, Delticom is not fully independent of the tyre market's underlying volume growth.

Currently there are more than 218 million cars on Europe's roads and highways. The average age of this vehicle stock is around 8 years. Approximately 70% of these cars are less than 10 years old. Today, vehicles are ever more durable and longer lasting. As a result, despite recent declines in new car registrations, the number of vehicles being driven will continue to increase in years to come.

In Europe, the average car and the tyres mounted on it travel 15,000 kilometres annually. Thanks to similar road conditions throughout Europe, tyres typically require replacement after 60,000 kilometres of travel. As a result, the replacement cycle is roughly four years. In view of high fuel costs and the uncertain economic future, it is safe to assume that some motorists will reduce their vehicle use or switch to smaller cars. Market experts take the view that the average annual car mileage will decrease. This implies a corresponding decline in tyre usage and a lengthened replacement cycle.

It is generally expected that the sale of replacement tyres in both Europe and the USA will experience lower rates of growth in coming years than has been the case to date. In the long term, substantial growth will only come from Eastern European countries and emerging economies like China and India, where levels of vehicle density remain comparatively low.

Price and mix

On the one hand revenues and margins of a tyre dealer are determined by volume demand and unit sales, on the other hand by purchase and selling prices.

Raw material price trends are a key pricing factor, particularly those for oil and natural rubber. Changes in raw material prices only factor into tyre manufacturers' calculations four to six months down the line.

Manufacturers have successfully made their production operations more flexible over recent years. Today, they are generally in a good position to adapt their capacities to the actual demand. Despite this, over- and understocking in the supply chain occur time and again. This has an impact on prices between manufacturers, traders and end-customers. Margins can come under pressure if there is a lack of sales-drivers such as beneficial weather conditions.

The tyre demand is distributed across premium brands and lower-tier brands as well as budget tyres. The actual mix depends on the region, season and the economic situation of the tyre buyer. If the mix shifts, the average value of the basket of goods sold changes, and consequently so do revenue and margin.

Weather-dependend demand

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 characterised 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 characterised by strong sales: The weather in April and May is usually quite warm and motorists buy their new summer tyres. The third quarter is a transitional quarter between the summer and winter business, with sales volumes again being somewhat weaker. In most European countries, the last quarter generates the highest sales as motorists face difficult road conditions and become aware of the fact that they need new tyres.

Because both the summer and the winter tyre season extend over many months, the demand can shift between quarters due to an earlier or later onset of the season. In addition, base effects often influence year-on-year growth rates because weather conditions usually differ between subsequent years. The seasonal variations warp the long-term trend. They do not hint at a structural change in growth patterns, but simply reflect the weather-related demand.

Weather conditions vary considerably throughout the different countries. Thanks to its international business model, Delticom is often able to at least partially compensate for weaker sales in some countries with growth in other markets.

Regulatory effects

Legislation also influences demand. In Germany, for instance, car drivers are legally obliged to ensure their tyres are appropriate for weather conditions. Failure to do so entails the threat of fines and loss of insurance coverage. In parts of Scandinavia and the Alpine regions, car owners must generally fit winter tyres to their vehicles during particular periods of the year.

Last year, the "scrappage schemes" introduced by some European governments had a positive impact on new car registrations. In Germany, in particular, this economic measure proved highly successful over the course of the year. Consumers rushed to scrap their old cars and buy new ones, often switching to compact cars. As a consequence, such measures exerted a complex influence on replacement tyre demand.

Company Management and Strategy

As our core business we focus on selling replacement tyres in Europe. The product range is continuously being extended across an ever expanding geographical basis. The company does not maintain any outlets but solely sells online. We deliver goods from our own inventories and drop-ship from third party warehouses. Revenues and EBIT are equally important performance indicators in company management. They are supplemented by other key performance indicators along the value chain.

Management by Objectives

Financial objectives

Both the company as a whole and the different business areas are run using financial and non-financial objectives.

- Revenues and revenue growth of the Group are recorded along the primary segments E-Commerce and Wholesale. During the year, current sales and revenues are compared against the short-term and medium-term targets.
- Divisional managers and shop managers steer their business according to unit sales, revenues and costs directly attributable to sales, like transportation, stocking costs and marketing costs. Target agreements are also based on quarterly and yearly contribution margins.
- For Delticom as a whole, the key financial figure is EBIT.

Liquidity

Current and forward rolling budgeted liquidity additionally represents an important management metric in our day-to-day business. Liquidity management targets and instruments are covered in section *Organisation – Liquidity management*.

Last year greater use was also made of balance sheet and capital return figures in the context of value-oriented corporate management.

Net Working Capital

Particular emphasis is placed on net working capital, which draws together capital employed in trade receivables, inventories and trade payables in a single figure (see section *Finance and net assets – Working Capital*).

Capital Employed

The capital required for business operations, otherwise referred to as capital employed, is the sum of non-current assets, net working capital and net cash (see section *Finance and net assets – Balance sheet structure*). Capital employed amounted to € 59.3 million as of 31 December 2009 (previous year: € 50.7 million).

ROCE

Return on Capital Employed (ROCE) is used to monitor our return on capital. ROCE is calculated as EBIT (2009: € 29.4 million; 2008: € 16.4 million) as a ratio of capital employed. ROCE was raised from prior-year's 32.4% to 49.6%.

Non-financial objectives

Apart from financial objectives, management and employees use non-financial objectives to manage the business:

- Due to the great importance of own stock for margin and delivery capability, additions and disposals from warehouses are strictly controlled using flow of goods and warehouse management metrics.
- In warehousing and transportation logistics we use performance indicators like throughput, delivery time, aging structure and stock turn rates.
- The efficiency of online marketing has a considerable impact on the company's sales and results. Marketing success is measured with key figures from the area of web analytics and metrics related to search engine marketing.
- We negotiate so called "Service Level Agreements" (SLA) with our logistics and outsourcing partners. The SLAs define process-specific ratios and reporting thresholds.

Financial and non-financial performance indicators are aggregated in different views, summarised in reports and distributed automatically. The reporting forms the basis for discussions among Management Board, the controlling function and the individual departments. Cross-departmental meetings ensure a constant exchange of information in the company.

Key financial indicators are presented on the inside front cover of the annual report.

Strategy

Management intends to defend and extend the company's leading position in the European online tyre trade. The E-Commerce division will continue to make a strong contribution to our corporate growth over the coming years.

Focus

We focus on selling tyres to European private end customers and organically increase our reach, into other products, regions and customer groups. Since its IPO in October 2006, Delticom generally has the financial resources for additional growth through acquisitions of other companies. We openly evaluate opportunities as they arise.

Online only

Delticom only sells its products online, does not operate any bricks-and-mortar outlets, has few fixed assets and low personnel costs. Cost-effective online advertising allows us to reach different target groups. Further automation and additional outsourcing are going to streamline the organisation.

Optimised sourcing

A large part of revenues is generated by the sale of goods from the company's own warehouses (stock-and-ship). Buying in bulk in low season guarantees good purchasing conditions and allows us to deliver tyres to the end customers in high season. Drop-ship fulfilment – our suppliers shipping directly to our customers – completes our product range and supports the working capital management. Each method of delivery has its own advantages. Therefore we shall continue to use both.

Reliable partners

Improving our already good relationships to our partners is important to us. Over the past years dependable business ties have been established with manufacturers and wholesalers both in Germany and abroad. Reliable, long-standing parcel services deliver the goods in a timely and cost effective manner. Delticom's customers can access a network of thousands of fitting partners who stand ready to mount the tyres. Hotline services and parts of order processing have been outsourced to operations centres.

The company does not anticipate any significant growth in the wholesale division over the coming years. The division nevertheless allows the company to pursue important strategic objectives. Firstly, Delticom obtains market intelligence from the global tyre markets. Secondly, the company can also move larger volumes in a short period of time, allowing it to rapidly establish itself in new countries.

Organisation

Delticom is a lean company with 92 employees working mainly at the Hanover head office. We are supported by partners in the warehouses and transportation logistics. Manual routine work is outsourced to operation centres. The highly automated business processes form a company-wide, scalable value chain.

Legal Structure

As of 31 December 2009, the Delticom group of companies comprised the following subsidiaries.

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

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

Corporate Governance

As a German joint-stock corporation, Delticom operates a dual management system, with a Supervisory Board and a Management Board: The boards' common goal is to achieve a sustainable appreciation of corporate value.

Supervisory Board

The Supervisory Board appoints, supervises and advises the Management Board, and is directly included in decisions of fundamental significance for the company. As part of its supervisory and advisory function, the Supervisory Board also works closely together with the Management Board outside the scope of its meetings.

Management Board

The Management Board determines the company's strategy, which it coordinates with the Supervisory Board, and subsequently implements. It informs the Supervisory Board regularly, promptly and comprehensively about all relevant questions relating to planning, business development, risk position, risk management, and compliance with codes of conduct, laws and guidelines.

Management Board members bear joint responsibility for overall management. As the result of the business allocation plan, they also have clearly defined and delineated task areas for which they are individually responsible. Along with regular Management Board meetings, there is a constant exchange of information between Management Board members.

Corporate Governance Statement

The *Corporate Governance Statement* which can be downloaded from the website at www.delti.com/CG, provides further information about corporate governance, the working methodology of the Management and Supervisory boards, and practical aspects of corporate management.

Compensation System

The Supervisory Board is responsible for determining the structure of the compensation system as well as the compensation of the individual members of the Management Board. The Supervisory Board reviews the appropriateness of the compensation system on a regular basis. The total compensation of each of the Management Board members is determined on the basis of three criteria:

- a monthly base salary
- performance-related, variable remuneration
- variable components with a long-term incentive.

The performance-related components for all of the members of the Management Board are based on Delticom AG's operating results. In addition, Mr. Schuhardt, member of the Management Board, was allowed to participate in a stock option program as a variable component with a long-term incentive. As in the previous year, none of the members of the board were granted advances on their salaries or given loans during 2009.

Members of the Supervisory Board receive a fixed compensation without performance-related components.

Dependent company report (Section 312 Abs. 3 AktG – German Public Limited Companies Act)

According to Section 312 of the AktG, Delticom has prepared a dependent company report and concluded this report with the following declaration by the Management Board: “We declare that Delticom AG has received reasonable compensation for all of the transactions and activities listed in the report on relationships with affiliated companies according to the circumstances which were known to us on the date on which the transactions were performed, and that it was at no disadvantage from the fact that these activities were performed or not performed.”

Employees

92 employees

A total of 92 staff members were employed at Delticom as of December 31, 2009 (previous year: 86). We focused on employing new colleagues in the logistics area last year. Goods distribution to various warehouses, and goods delivery, represent central business processes within the company. We also added staff in the IT areas, with the aim of remaining innovative in the face of a rapidly changing environment.

Education and training

Delticom offers its staff both personal and professional development opportunities with targeted education and further training programs. Salaries are supplemented by performance bonuses wherever possible. Delticom is training up-and-coming junior staff both in its commercial and IT areas. The company provides an employee pension scheme for its staff members.

We offer training to junior staff both in business and IT areas. Four young people started an on-the-job training at Delticom AG last year. A total of nine trainees were employed as of the end of 2009 (previous year: 7).

Individual responsibility

Creative and motivated employees form the basis of our corporate success. Consequently, we grant our staff latitudes for independent action within the scope of daily work, and assign responsibilities accordingly. All staff members are expected to improve established processes with regard to costs, quality, throughput and scalability. Every employee is encouraged to initiate new and enhance existing processes and systems. Efficiency and successful teamwork are promoted by short communication and decision-making paths.

Employees' confidence in the company and mutual loyalty are essential to successful cooperation, including in difficult situations. This is the only way in which human capital can benefit corporate objectives.

IT infrastructure

Good work needs good tools. For Delticom, as an E-Commerce company, this means: high-speed Internet, and open but yet nonetheless secure browser and e-mail accounts installed on high-performance office computers and external home-based workplaces. Our network infrastructure also includes our outsourced operations centres.

Important business processes

Purchasing

Over the last few years, we have established stable business relationships with manufacturers and wholesalers (supplier capital). The purchasing department regularly forecasts prospective volumes by tyre brands and models, procures the goods and allocates deliveries to warehouses, shops and countries. In addition, the purchasing department sets selling prices of available stocks in line with demand.

Customer acquisition

We acquire most of our new customers through online marketing. This includes search engine marketing and optimization, affiliate marketing, and listings in price search engines. Other activities include regular newsletter campaigns and cooperations with multipliers such as the ADAC (Germany's largest automobile club). We acquired a total of 805 thousand new customers last year (previous year: 695 thousand, +15.8%).

Many end customers are still unaware of the fact that one can buy tyres simply, economically and securely. Our PR department is tasked to inform the customers and draw their attention to the online shops.

Customers Capital

Since the company's founding more than 3.4 million customers have made purchases in our online shops (previous year: 2.6 million, double counting not excluded). Our customer base represents a valuable form of capital: firstly, satisfied customers gladly return, secondly we are recommended to friends and acquaintances. Last year, 287 thousand existing customers (previous year: 214 thousand, +34.3%) made repeat purchases at Delticom. Given the long replacement cycle in the tyre business this is a pleasing figure which should rise further over the next few years.

Warehousing

Delticom carries own inventories in rented warehouses. The stock is handled by long-standing service providers. We have built up significant Process Capital with the investments into packaging machines, warehouse infrastructure, as well as into proprietary inventory management systems.

Transportation logistics

The products sold online are shipped to the customers by parcel service companies. The service partners collect the goods directly from the warehouse locations. We track rolling in, delivery and return shipments of articles with software which uses automated interfaces to integrate with our partner companies' systems.

Ordering process and order processing

At Delticom, the individual steps of the business processes are triggered largely by internally developed software. Some of the order processing and responding to customer enquiries has been outsourced to operations centres.

Research and Development

Proprietary software

Highly specific proprietary software solutions have played a key role in the company's success over the past few years. This software largely automates the order and delivery process at low costs. Existing solutions are maintained and extended on an ongoing basis. Suggestions and change requests are prioritised in an inter-departmental steering committee and implemented by the Software Development department accordingly.

Test markets

As Delticom operates on an international basis, the impact of innovations in the shops (such as different order routes, types of payment and service offers) have first to be assessed in test markets before allowing the changes to be rolled out on a global basis. Additionally, Delticom always enters new geographical markets with a test phase. Only after successful completion of the tests the business is ramped up in the respective country. We regularly adjust our processing and customer communication to regional specifics.

Liquidity management

For the time being, our liquidity management's main aim is to avoid entering into any interest-bearing liabilities at any stage during the year. Being debt-free has been a sign of balance sheet quality predating the beginning of the economic and credit crisis. It is also one of the cornerstones of our business relationships with major suppliers. We are technically able to pursue such an objective because Delticom's business model is highly profitable without being capital intensive. Since its IPO in 2006, Delticom has had access to significant financial resources (liquidity as of 31 December 2006: € 34.7 million), despite the long-standing policy of fully distributing profits.

Corporate treasury function

The seasonality in the tyre trade, amplified by the strong underlying growth of the company, result in broad fluctuations in our cash position over the course of the year. In order to remain as independent as possible from external capital providers in the future we have established a corporate treasury function, tasked with the day-to-day liquidity management. Among others, it uses the following instruments:

- **Payments settlement processes.** Delticom's online shops operate in 35 countries. This results in small-scale payment transactions with partner banks in both Germany and abroad. We use cash pooling wherever possible and focus on avoiding current-account liabilities.
- **Letters of credit.** Some goods are purchased using letters of credit.
- **Hedging.** Currency exposure from trading is hedged centrally. Over time, we adjust hedges in order to match incoming and outgoing cash flows as well as possible, taking the latest available information into consideration.
- **Trade accounts payable to suppliers.** Payment terms conceded by suppliers are monitored by the corporate treasury function. The department also decides whether and which liabilities should be repaid ahead of schedule.
- **Money market investments.** We routinely monitor interest rates for fixed-term deposits and other investment types such as government bonds and money market funds. In all investment matters we restrict ourselves to issuers with high credit rating, and distribute our investments among various counterparties to minimise default risk.

- **Liquidity reserve.** We retain some of our available liquidity as a liquidity reserve. This is intended, primarily, as a risk provision for extraordinary expenses, and, secondly, to allow fast action should acquisition opportunities arise. The liquidity reserve is at least equivalent to the volume of securities held as current assets in the balance sheet. Depending on market situation, the liquidity reserve also includes fixed-term deposits counting as cash and cash equivalents.
- **Credit lines.** We have arranged cash lines with some of our banking partners. Some existing bank guarantees from letters of credit can be converted into cash lines if required.

Liquidity planning

Liquidity management is based on the annual budget as approved by the Management Board at year-end for the following year. The budget forms the framework for rolling medium-term plans which match cash inflows and outflows. Liquidity planning is supplemented by a catalogue of measures that defines threshold values and cash safety levels for escalation procedures.

Over the course of last year liquidity planning was structured in more detail and further automated. As a result we were able to gradually reduce our cash safety levels, in line with the recovery of the financial markets and the economy-wide credit situation.

General conditions in 2009

The year 2009 witnessed not only the low point of the global recession, but also the start of a tentative recovery. Although the tyre market was initially unable to decouple itself from the crisis, strong and sustained snowfalls across the whole of Europe towards the year-end provided the basis for a good winter tyre season.

Macroeconomic development

Economy bottomed out in 2009

The global economy recovered more rapidly than expected from its sharp plunge in the winter half-year 2008/2009. Private consumption initially proved supportive to the economy, which in France, Italy, and particularly Germany – along with the state economic packages – primarily reflected scrappage incentives for new car purchases. In the second year-half, the Euro zone then found its way out of the recession in line with higher export demand.

Only slight decline in employment

Although the economic crisis has left its mark on the labour market, a feared massive loss of employment across Europe due to the economic collapse failed to materialise. Consequently, experts attributed the robust consumer sentiment in Germany until well into the second half of the year as being primarily due to the relatively low level of unemployment. The sharp price drop for oil and foodstuffs provided relief to household budgets, even where employees had seen their income fall.

Retail sales comparatively less hard hit

All in all, most European citizens remained unaffected by the crisis, although they became more cautious and saved more, due to uncertain future prospects. In the end, however, European retail sales were less affected by the crisis compared to other sectors.

Tyre markets

Stable prices prevented a worse outcome

2009 was a mixed year for the European tyre sector. Tyre dealers restocked only hesitantly following two poor years. The replacement tyre business trailed behind expectations in the first year-half. Price levels, however, remained largely stable.

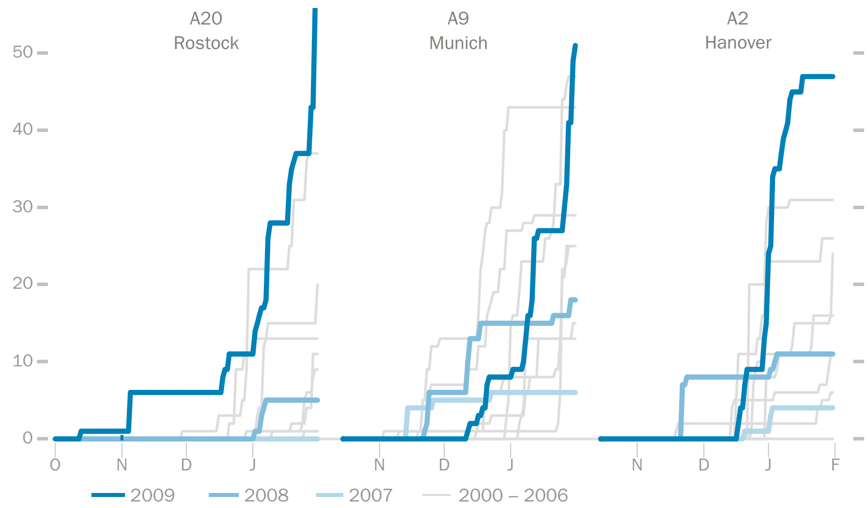
Tyre dealers initially felt the pinch of the scrappage premiums in Germany and elsewhere: new car buyers were absent from summer replacement tyre demand. Following the massive fourth-quarter snowfalls across the whole of Europe, however, the situation reversed: many motorists, including new car owners, needed to adapt their tyres to difficult road conditions.

Strong winter season with several peaks

This effect was particularly marked in Germany. As the image below shows, snow initially fell uncommonly early in the east, which gave rise to a first sales peak in October. After a comparatively mild November, the weather then worsened again in December, this time particularly in the north and south of Germany. Consequently, the winter tyre business received a further strong boost at year-end, resulting in a second seasonal peak.

Snowfalls on German Interstates

cumulated snow heights, source: German meterological service (selected measuring stations)



Business performance and earnings situation

The course of business in the financial year 2009 was a very successful one for Delticom, even more so if viewed in the context of the bruised economy. The prime reason for the positive development was the unusually favourable, snowy winter weather in the closing quarter. For the whole year revenues increased by 20.2% to € 311.3 million and EBIT by 78.8% to € 29.4 million. With an EBIT margin of 9.4% the profitability has improved once again.

Revenues

The following table shows a multi-year comparison of the revenues in the two segments E-Commerce and Wholesale:

Revenues by division

€ thousand

	2009	%	+%	2008	%	+%	2007	%
Revenues	**311,259**	**100.0**	**20.2**	**258,979**	**100.0**	**20.2**	**215,504**	**100.0**
Primary Segments								
E-Commerce	296,498	95.3	24.8	237,563	91.7	21.7	195,281	90.6
Wholesale	14,761	4.7	–31.1	21,416	8.3	5.9	20,223	9.4
Regions								
EU	254,749	81.8	15.6	220,428	85.1	16.7	188,899	87.7
Rest	56,509	18.2	46.6	38,550	14.9	44.9	26,605	12.3

E-Commerce up, Wholesale down due to recession

Revenues in the E-Commerce division were up year-on-year by 24.8%, from € 237.6 million to € 296.5 million. Due to recession effects, the revenues of the Wholesale division dropped by 31.1% to € 14.8 million, after prior-year revenues of € 21.4 million. The decline in Wholesale was more severe than expected but followed a long-term trend. Over the last years the share of E-Commerce revenues in percent of Group revenues has increased steadily. In the reporting period this share already amounted to 95.3%, compared to 91.7% in the previous year.

In almost all 105 online shops in 35 countries Delticom recorded rising volume figures and further market penetration. The company recognised the bulk of its revenues in the EU countries, a total of € 254.7 million (+15.6%). 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. Over all non-EU countries the revenues totalled € 56.5 million (+46.6%). The US business shows positive development. The growth rates are significantly higher than those of the Group. Nonetheless the importance of the US as a pillar of growth will only develop within the medium to longterm.

H1 good growth despite strong prior-year basis

In the first quarter, Delticom boosted revenues by 19.8%, from € 42.6 million to € 51.0 million. A positive trend was also reported in the second quarter, with revenues coming in at € 88.1 million (Q2 08: € 78.9 million). The fact that growth in the second quarter of 11.6% was lower than in the first three months is due to weather-related weakness in demand, the strong basis of Q2 08 and the reversal of the Easter effect in 2009.

Q3: Wholesale slumped, E-Commerce up

In the third quarter revenues totalled € 62.4 million, which translated into a year-on-year growth of 16.3% over last year's revenues of € 53.7 million. The Wholesale division was hurt by the recession, with revenues dropping 56.1% down to € 3.5 million (Q3 08: € 7.9 million). E-Commerce posted quarterly revenues of € 59.0 million (Q3 08: € 45.8 million). The increase of 28.8% underlines the fact that E-Commerce is the main driver behind the Group's growth.

Q4: Record E-Commerce sales

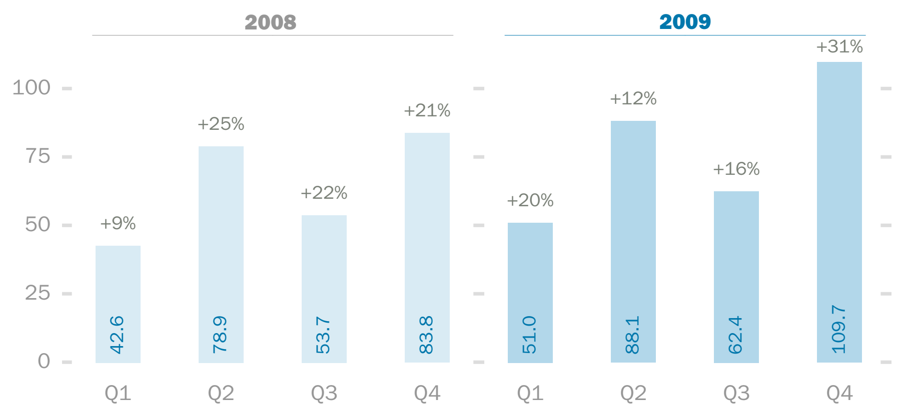
Sales in the fourth quarter were affected strongly by the weather conditions which were particularly favourable for tyre dealers. In the 2009/2010 winter season snow fell early in many European countries. This resulted in a first sales peak in October. Deviating from year-long patterns, December once again brought massive snowfall, even in regions where the winters are mild with hardly any snow. In Germany the scrappage scheme gave additional support to winter tyre sales. Other countries such as France and Italy also profited from comparable state-sponsored measures. Whereas the demand surged in many regions, the supply turned out to be limited, especially in smaller tyre dimensions. As in the preceding quarters prices therefore remained steady. In the closing quarter, revenues climbed owing to positive volume and price effects to € 109.7 million – a plus of 30.9% year-on-year over previous years' s value of € 83.8 million.

Seasonality

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

Revenues trend

quarterly revenues in € million



Expectations exceeded

Initially a revenues growth of 10% had been forecasted for 2009. Even at the time of our nine-monthly reporting in November – with good October sales in the books – we had no reason to revise our revenues target for the entire year, knowing that the strong Q4'08 was a difficult-to-beat comparable figure. Furthermore, up to the beginning of December we had to assume that the recession would finally work its way into consumer sentiment in the core sales regions and depress sales accordingly. Only following the surprisingly strong December snowfalls we observed that the yearly revenues surpassed our forecast substantially.

Key expense positions

Cost of sales

The cost of sales is the largest expense item which increased by 16.6% from € 193.7 million in 2008 to € 225.8 million in 2009 (72.5% of revenues), primarily due to higher revenues. The cost of sales in the E-Commerce division increased by 22.0% from € 174.7 million to € 213.1 million (71.9% of divisional revenues). In the Wholesale division, the cost of sales fell by 33.6% to € 12.6 million (previous year: € 19.1 million), corresponding to 85.7% of this division's revenues (previous year: 89.0%).

Personnel expenses

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 in 2009 despite increasing transaction volumes. As of 31 December 2009 Delticom employed 92 (31 December 2008: 86). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) remained basically unchanged at 1.9% (2008: 1.9%).

Depreciation

In order to prevent overageing, the condition of these warehoused tyres is reviewed regularly. Stocks identified during this process are then sold at a discount price in our online shops – naturally with an explanation for the price break. In the past years, Delticom has not had to write off any stock due to overageing. Depreciation pertains solely to the stated property, plant and equipment. Due to the low capital intensity of the business model, deprecation of fixed assets was relatively low at € 1.0 million (previous year: € 0.5 million).

Other operationg expenses

Overall the other operating expenses totalled € 53.5 million in the past financial year, an increase of € 7.0 million or 14.9% over the prior-year value of € 46.6 million.

Transportation costs

Among the other operating expenses, transportation costs is the largest line item. Tyres sold online are picked up at the delivery points by parcel services which then transport the tyres to the customers or fitting stations. As business volumes increases, so too do these transportation costs, from € 20.9 million by +28.2% to € 26.8 million. The share of transportation costs against revenues rose from 8.1% in 2008 to 8.6% in 2009, mainly due to more shipments to customers in non-domestic destinations. In addition, the transportation cost per tyre in the E-Commerce business is higher than in Wholesale. In correspondence to the increasing weight of E-Commerce versus Wholesale, the transportation costs increased as well. On the other hand, economies of scale arising from the centralised warehouse infrastructure drove down costs.

Stocking costs

Stocking costs went up in line with the growth in sales by 27.1% to 1.0% of revenues. The reason for the year-on-year deterioration of this expense position is that the share of revenues from stock-and-ship business slightly grew in comparison to drop-ship business (where no direct stocking costs accrue to Delticom). The share of revenues was unchanged at 1.0%. Due to the expansion of warehouse capacity rents and overheads increased by 50.2%, from € 1.5 million to € 2.2 million.

Marketing

In the reporting period, costs for advertising totalled € 7.7 million. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.5%, after 2.8% in the corresponding period of the previous year. In relation to the sales growth, the increase was disproportionally small. One of the reasons was the snowy winter which clearly illustrated the importance of appropriate tyres to safety-conscious drivers. Costs were also lower due to the fact that the client base has grown continuously over the course of the years, lowering the marketing expenses for referrals.

Operations centres

The hotline and selected parts of the customer and supplier processes are outsourced to external service providers. In the reporting period, the costs for those operations centres decreased year-on-year by –5.4%, from € 3.8 million to € 3.6 million. Some of the outsourcing partners have offices located in Eastern Europe. 2009 these countries were particularly badly hit by the recession. Consequently, the wage levels have barely risen. The costs were also deflated because we were able to automate selected manual workflows.

Bad debt losses

Compared to the previous year, bad debt losses came down from € 1.9 million to € 1.6 million, a drop of 18.5%. In the business with private end customers, 2009 fraud prevention has been raised to a higher level, using organisational and technical means. This had a positive effect on the development of bad debt losses. In Wholesale we were able to avoid bad debt to a good deal. Credit insurance was difficult to obtain and very expensive. To avoid the risk of being exposed to bad credit we therefore accepted the loss of business. Additionally strict credit checks were run on business end customers. To ensure a disciplined approach we have installed a credit department which is tasked to allot credit lines according to preset rules.

FX losses

A large portion of tyre purchases is made in foreign currency, usually US-Dollar. The FX exposure is hedged with forward contracts. FX losses are accounted for in the other operating expenses. In 2009 the FX losses amounted to € 2.8 million (previous year: € 3.2 million). In principle the FX losses are balanced with FX gains from the hedges whereby gains and losses might accrue differently to different periods due to the long duration of the underlying transaction and the corresponding hedge. In the reporting period, the balance from FX gains and losses was € –0.4 million.

Earnings position

The following table summarises key income and expense items from past years' profit and loss statements:

Abridged profit and loss statement

€ thousand

	2009	%	+%	2008	%	+%	2007	%
Revenues	**311,259**	100.0	20.2	**258,979**	100.0	20.2	**215,504**	100.0
Other operating income	4,315	1.4	34.0	3,221	1.2	89.4	1,701	0.8
Total operating revenue	**315,574**	101.4	20.4	**262,200**	101.2	20.7	**217,205**	100.8
Cost of goods sold	225,790	72.5	16.6	193,723	74.8	18.4	163,557	75.9
Gross profit	**89,784**	28.8	31.1	**68,477**	26.4	27.6	**53,648**	24.9
Personnel expenses	5,801	1.9	17.1	4,952	1.9	15.2	4,300	2.0
Other operating expenses	53,541	17.2	14.9	46,590	18.0	26.8	36,748	17.1
EBIT	**29,405**	9.4	78.8	**16,449**	6.4	34.0	**12,274**	5.7
Depreciation	1,037	0.3	113.3	486	0.2	49.3	326	0.2
EBITDA	**30,442**	9.8	79.8	**16,935**	6.5	34.4	**12,600**	5.8
Net financial result	163	0.1	–85.8	1,148	0.4	2.9	1,116	0.5
EBT	**29,568**	9.5	68.0	**17,596**	6.8	31.4	**13,390**	6.2
Income taxes	9,340	3.0	59.2	5,866	2.3	16.3	5,042	2.3
Consolidated net income	**20,228**	6.5	72.4	**11,731**	4.5	40.5	**8,348**	3.9

Insignificant other operating income

Other operating income increased in 2009 by 34.0% to € 4.3 million (previous year: € 3.2 million). Currency gains are shown with other operating income. In the reporting period they amounted to € 2.3 million (previous year: € 2.4 million). As outlined above, income and expenses are matched with corresponding positions from currency hedges.

Insurance compensations of € 0.4 million were another major single line item in other operating income (previous year: € 0.1 million).

Stable price levels and mix

Price levels developed favourably in the reporting period, both on the purchasing as well as on the selling side. Thanks to the increased purchasing volume Delticom benefited from economies of scale in the procurement function. In general, the demand situation for tyres developed advantageously, not least for the reasons of the strong winter tyre business. Ultimately, selling prices hardly came under pressure.

Gross profit and gross profit margin up

As a result, the gross profit advanced in the reporting period by 31.1% year-on-year, from € 68.5 million to € 89.8 million and the gross profit margin (gross profit in relation to total income) progressed from 26.1% to 28.5%.

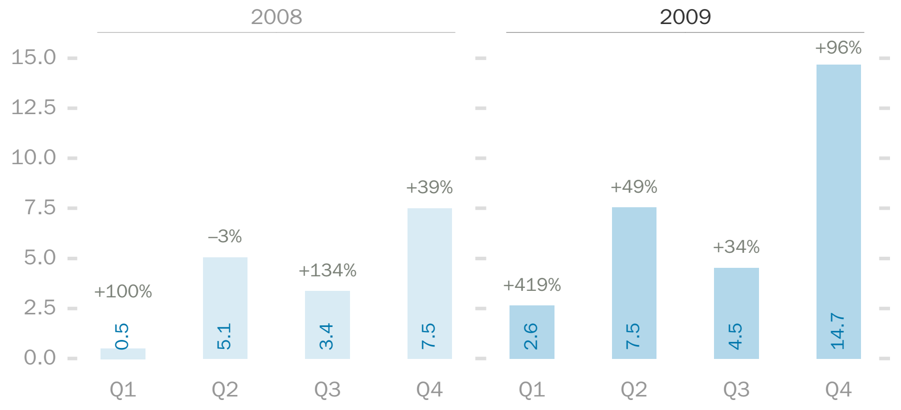
The two divisions – E-Commerce and Wholesale – operate at different gross profit margins. As usual, E-Commerce was able to achieve a better margin (2009: 28.5%, 2008: 26.7%) than Wholesale (2009: 14.7%, 2008: 11.6%). This had an additional positive contribution to the gross margin of the group, even more so as the growth in revenues in the E-Commerce division came in significantly higher than in Wholesale.

EBIT and profitability improved considerably

Earnings before interest and taxes (EBIT) improved during the reporting period to € 29.4 million (2008: € 16.4 million). This corresponds to an EBIT margin of 9.4% (2008: 6.4%). The forecast for the EBIT margin had to be hiked from 6% to 7% by as early as mid-year to account for the better business outlook resulting from the faster-than-expected recovery of the European economy. With a 2009 EBIT margin of 9% we have exceeded our target profitability significantly. As shown by the quarterly presentation in chart *EBIT*, the reason for that was again the unusually successful fourth quarter:

EBIT

quarterly, in € million



A wide variety of positive effects impacted on the fourth quarter: weather-related sales growth, supportive regulatory environment, demand-related price stability, advantageous mix in the high season. In addition and according to schedule, Delticom generated a greater share of revenues with own inventories, compared to the previous years. This increased our flexibility in price setting and helped us to meet the demand even at peak times, at good margins. In retrospect, the fourth quarter EBIT margin of 13.4% was unusually high (previous year: 9.0%). We expect that the built-in advantages of our business model will come together with favourable weather and supportive regulations in the future as well. It is clear, though, that those factors will not necessarily always build-up in our favour as in 2009.

Financial result nosedived

As expected, the sharp decline in Euro money market rates resulted in a significantly lower financial result of € 0.2 million (2008: € 1.1 million). This erosion was amplified by a policy change: In 2009 we broadened the scope of early payment of accounts payable, resulting in less funds to invest in the money markets compared to 2008.

Overdraft facilities were scarcely used and always settled quickly. The financial expenses of € 30 thousand (2008: € 11 thousand) resulted mainly from provisions and expenses related to Delticom's import/export business.

Tax rate lower than expected

The expenditure for income taxes was € 9.3 million (previous year: € 5.9 million). The tax burden decreased due to a deferred tax asset resulting from losses carried forward in the subsidiary Delticom North America Inc. Refunds from foreign tax authorities further ameliorated the tax situation. Consequently, the tax rate of 31.6% came in slightly lower than expected (prior year: 33.3%).

Net income and dividend

Consolidated net income for 2009 grew from € 11.7 million to € 20.2 million. This corresponds to earnings per share (EPS) of € 1.71 (undiluted, 2008: € 0.99), a step-up of 72.4%.

At Delticom's Annual General Meeting on 11 May 2010, the firm's Management Board and the Supervisory Board will propose a dividend of € 1.70 per share – an increase of 70.0% compared to the dividend for financial year 2008 of € 1.00.

Overall statement on the earnings position

In the past financial year the earnings situation of the company has developed very well, in spite of negative economic conditions. Revenues were up 20.2% to € 311.3 million. The E-Commerce division was even able to increase revenues by 24.8%. Due to heavy snowfalls and positive effects from "scrappage schemes" revenues in the fourth quarter grew by 30.9%.

The closing quarter was instrumental in the significant increase of profitability. Within the context of strong growth, stable prices and relatively lower fixed costs Delticom was able to improve the EBIT margin to 13.4% in the fourth quarter. Over the course of the year, EBIT progressed from € 16.4 million to € 29.4 million, a plus of € 13.0 million or 78.8%. With an EBIT-margin of 9.4% we have topped our forecast of 7% significantly.

In total the consolidated net profit amounted to € 20.2 million or € 1.71 per share – after a prior-year result of € 11.7 million an increase of 72.4%. Delticom has once again been able to continue the string of revenues and earnings increases, unbroken since the company's founding in 1999.

Financial and assets position

Delticom is debt-free and has a solid balance sheet. Despite investments and inventory build-up in our new large-scale warehouse, the liquidity level remains high. The low capital intensity of its business model ensures a good financial position for future growth.

Investments

In the reporting period, investments amounted to € 4.4 million, € 3.1 million or 238.7% more than the previous year.

Strategic significance of warehousing business

Delticom generates a significant part of its revenues through the sale from its own warehouses. Holding own stocks is essential to be able to make deliveries also at seasonal peaks, as was the case in the fourth quarter of 2009.

In order to take advantage of economies of scale and learning effects in warehousing logistics, we invested a substantial amount in the expansion of our warehouses' information, conveying and packaging technology in 2009, in close coordination with our logistics service providers. For this reason, reported investments of € 4.2 million in 2009 relate primarily to such capital equipment investments.

These investments streamline our warehouse processes: products can be prepared for dispatch more rapidly and at lower costs. In addition, warehouse infrastructure investments also simplify the way we work together with our transportation service providers. This pays off, particularly during seasonal peaks of the tyre trade. Tyre warehousing also allows us to achieve economies of scale in procurement and allows flexible utilisation of business opportunities in Germany and abroad.

New large-scale warehouse equipment investments

We aim to increase our own warehousing capacity in line with rising sales. In doing so, we expand the capacity in bigger steps, by renting new warehousing facilities; a gradual capacity expansion is not feasible. Along this line, 2009 saw a significant step-up increase in capacity owing to a new large-scale warehouse. As a consequence, our investments rose in parallel by € 3.0 million, or 253.2%. By contrast we had restricted ourselves to discontinue and combine existing warehouses in the previous year, leaving capacity basically unchanged. Consequently, the increase of investments from 2007 to 2008 had been only 2.9%. The situation in the current business year is comparable with 2008, as we do not forsee any major warehouses coming on line.

Intangible assets

Delticom also invested € 0.2 million in intangible assets. This mainly relates to web domains for E-Commerce shops with complementing product ranges.

As in previous years, all of Delticom's 2009 sales growth was organic. We nevertheless have access to sufficient financial resources to also make acquisitions if these opportunities arise.

Sharp rise from a low base in depreciation

In line with our gradual warehouse capacity expansion, scheduled depreciation rose by 113.3% from € 0.5 million in 2008 to € 1.0 million. Although investments rose at a disproportionately rapid rate during the reporting period, the low absolute level of depreciation underlines the capital intensity of Delticom's business.

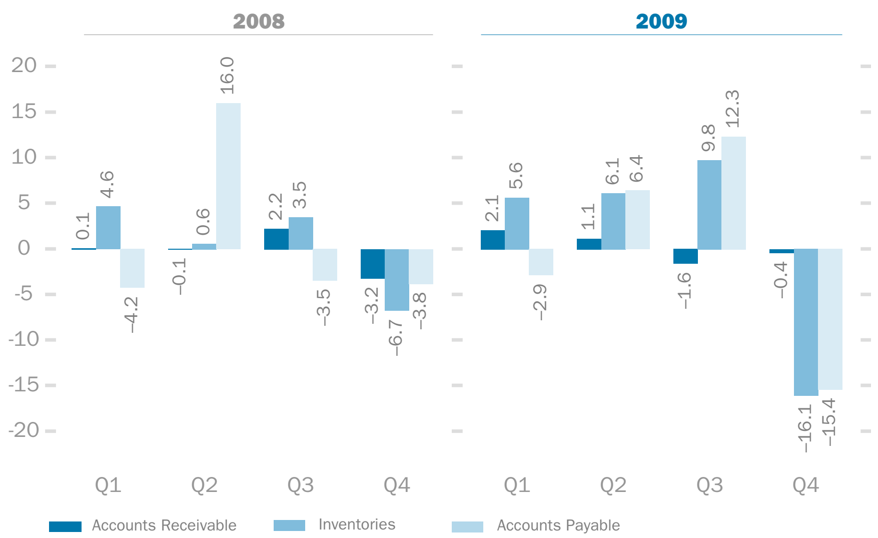
Working Capital

Working Capital Management

We define Net Working Capital as the balance of funds tied-up in inventories, accounts receivable and accounts payable. In 2009 the Net Working Capital was expanded from € 7.1 million to € 13.2 million. The reason for this was the very good liquidity situation at the beginning of the year. This helped us to do without financing the increase in inventories and accounts receivable fully with accounts payable in the course of the year. The chart *Working Capital* illustrates the changes in the components of Net Working Capital quarter-to-quarter for the last two years.

Working Capital

€ million



Receivables

For analysis purposes we subtract from accounts receivable the line items for payments received on account of orders and customer credit (both included in the balance sheet item of other current liabilities). This clearly demonstrates the actual commitment of capital.

Usually the receivables follow the seasonal pattern quite closely. Still, owing to the reporting date distorting effects are unavoidable. Owing to the heavy snowfalls in the last two December weeks and the resulting good business we closed the year with a volume of accounts receivable which was atypically high for that time of the season.

Notwithstanding those effects, the average Days Sales Outstanding (DSO, average receivables divided by average revenues per day) has become shorter, coming down from 8 to 7 days. The main reason for this is that the E-Commerce continues to gains importance vs. Wholesale. Quite naturally, in E-Commerce the payment terms are much shorter than what is customary in Wholesale. Furthermore, we have tightened the claims management in both divisions, resulting in a better quality in the receivables.

Net increase of inventories up to Q3

The inventories shown in the above chart correspond to the balance sheet item, less credit with suppliers (included in the balance sheet line item of other current receivables).

Years such as 2008, with moderate additions to warehouse capacities the ups and downs of the inventories roughly follow the seasons as shown in the quarterly revenues (see also chart *Revenues trend*), as do the quarterly changes. On the other hand, in the second quarter of 2009 we had the new large warehouse up and running. Therefore we were able to stock up to a greater extent, in order to improve preparation for the winter tyre business.

For the financial year 2009 as a whole the average Days Inventory Outstanding (DIO, average inventory level divided by average cost of sales per day) has slightly shortened from 70 to 66 days.

Payables

Traditionally, accounts payable is an essential source of financing in the tyre trade. Payment terms granted to Delticom by its suppliers are usually very good. However, from H2 08 to well into 2009 we were able to make good use of our relative balance sheet strength, by paying suppliers ahead of schedule.

As a result of this policy, the calculated average Days Payable Outstanding (DPO, average volume of accounts payable divided by average cost of sales per day) has been curtailed considerably over the course of the past financial year, from 64 to 59 days.

Having said that, the accounts payable show – like the other two components – the strong Q4 09 where a good part of the winter tyre stocks were sold and paid for.

Cash Conversion Cycle

Finally, the Cash Conversion Cycle (= DSO + DIO – DPO, as defined above) for the past financial year remained basically unchanged at 14 days.

Cash flow

Operating cash flow

The cash flow from ordinary business activities (operating cash flow) for the period under review was € 13.1 million. The decline of 21.3% from last year's € 16.7 million was due to the higher level of funds tied up in net working capital (€ 6.1 million or +85.8%), see section *Working Capital*.

Investing activities

During the reporting period, investments into property, plant and equipment amounted to € 4.2 million, thereof € 3.6 million resulting in cash outflow.

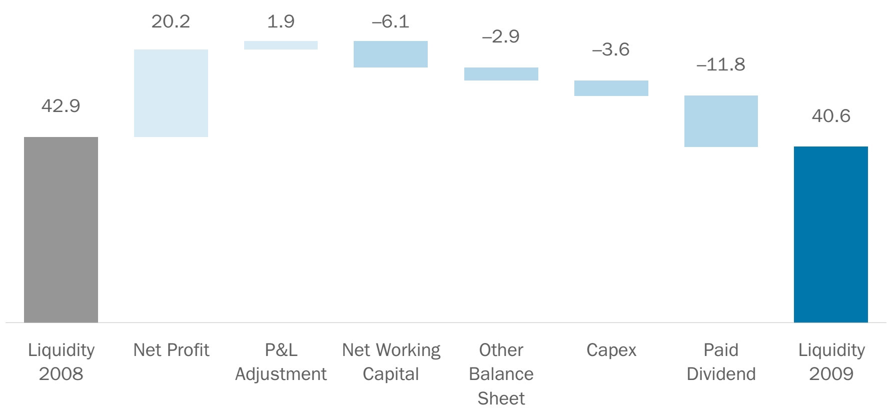
In spite of the intensified investments into property, plant and equipment, the cash flow from investment activities totalled € 7.0 million and was positive. This was due to some of the liquid assets being routinely designated to a "liquidity reserve" (see chapter *Organisation – Liquidity management*). According to IFRS rules, money market funds held in the liquidity reserve are not of cash or cash equivalents but rather accounted for as marketable securities. Changes in the composition of the liquidity reserve – if securities are involved – result in shifts between different balance sheet line items. The cash flow from investing activities comprises cash inflow from the sale of money market funds to the value of € 10.6 million.

Financing activities

The cash flow from financing activities corresponds to the outflow of funds on the occasion of the dividend payment of € 11.8 million for financial year 2008, equating to a dividend per share of € 1.00 (adjusted for the new number of shares after the stock split in June 2009, see chapter *Capital increase out of retained earnings – "stock split"*).

Liquidity Bridge

€ million



Liquidity according cash flow

Based on the cash flow, the chart *Liquidity Bridge* illustrates how the liquidity position changed in the course of the year.

The starting point is the liquidity position as of 31 December 2008 amounting to € 42.9 million. We add the consolidated net income and account for the cash flow by adding the balance of non-cash expenses and income totalling € 1.9 million. The year-on-year change of funds tied-up in Net Working Capital was € 6.1 million. An additional sum of € 2.9 million was committed to other balance sheet items. Subtracting the Capex and the cash outflow from paying out the dividend for the 2008 financial year we arrive at a liquidity total on 31 December 2009 of € 40.6 million.

Free cash flow

The free Cash flow (operating cash flow less Capex) came in 38.1% lower, totalling € 9.5 million for 2009 (previous year: € 15.4 million). Assuming that the Annual General Meeting follows the dividend recommendation of the Management and Supervisory Boards, the total cash-out resulting from the dividend payment will be more than double the 2009 free cash flow. The dividend recommendation is based on an in-depth analysis of the current liquidity situation, considering future funding needs for further growth. Nonetheless we are aware that dividend payouts cannot exceed free cash flow in the long run. The Management Board and the Supervisory Board of Delticom therefore reserve the decision for themselves to align the profit distribution with cash flow in the future.

Balance sheet structure

Abridged balance sheet

€ thousand

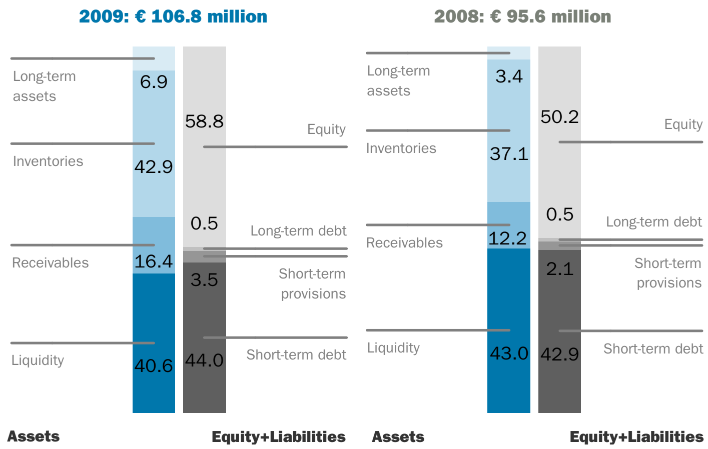
	2009	%	+%	2008	%	+%	2007	%
Assets								
Non-current assets	6,910	6.5	104.0	3,387	3.5	–5.4	3,579	4.1
Fixed assets	6,621	6.2	100.5	3,302	3.5	–5.7	3,503	4.0
Other non-current assets	289	0.3	240.4	85	0.1	11.6	76	0.1
Current assets	99,938	93.5	8.3	92,250	96.5	10.1	83,781	95.9
Inventories	42,858	40.1	15.4	37,134	38.8	4.4	35,581	40.7
Receivables and other current assets	16,438	15.4	35.2	12,157	12.7	–11.0	13,659	15.6
Liquidity	40,642	38.0	–5.4	42,959	44.9	24.4	34,540	39.5
Securities	3,039	2.8	–77.7	13,620	14.2		0	0.0
Cash and cash equivalents	37,603	35.2	28.2	29,339	30.7	–15.1	34,540	39.5
Assets	**106,848**	**100.0**	**11.7**	**95,637**	**100.0**	**9.5**	**87,360**	**100.0**
Equity and Liabilities								
Long-term funds	59,276	55.5	16.9	50,701	53.0	8.6	46,686	53.4
Equity	58,794	55.0	17.1	50,224	52.5	8.4	46,342	53.0
Long-term debt	482	0.5	0.9	478	0.5	38.9	344	0.4
Provisions	42	0.0	23.0	34	0.0	43.4	24	0.0
Liabilities	440	0.4	–0.9	443	0.5	38.6	320	0.4
Short-term debt	47,573	44.5	5.9	44,936	47.0	10.5	40,674	46.6
Provisions	3,542	3.3	70.2	2,080	2.2	–6.5	2,226	2.5
Liabilities	44,031	41.2	2.7	42,856	44.8	11.5	38,449	44.0
Equity and Liabilities	**106,848**	**100.0**	**11.7**	**95,637**	**100.0**	**9.5**	**87,360**	**100.0**

As of 31 December 2009 the balance sheet total amounted to € 106.8 million (31 December 2008: € 95.6 million). Other companies were not acquired either in 2008 nor in 2009.

The chart *Balance Sheet Structure* illustrates the low capital intensity of the business model.

Balance Sheet Structure

€ million



Low capital intensity despite higher warehouse capacity

On the assets side of the balance sheet the fixed assets grew by 100.5% to € 6.6 million. In the course of the expansion of warehouse capacity the predominant additions to fixed assets came from investments in property, plant and equipment, resulting in a value of € 5.4 million. Despite the steep incline, on 31 December 2009 in absolute terms the fixed assets were only 6.2% of the balance sheet total (previous year: 3.5%). In total, the non-current assets grew to € 6.9 million, a moderate increase of 104.0% against the low prior-year basis of € 3.4 million.

The biggest single line item in the other non-current assets were deferred taxes of € 154.3 thousand. These tax assets were formed for the first time, resulting from losses carried forward in the subsidiary Delticom North America Inc.

Inventories up as planned

Biggest line item in the current assets was again the inventories. The increase of € 5.7 million or 15.4% to € 42.9 million (prior-year: € 37.1 million) came in relatively lower than the growth in revenues (+20.2%). This was mainly due to the fact that we were able to sell a good deal of warehoused winter tyres in the fourth quarter.

Receivables remained at low level

At year-end the accounts receivable amounted to € 10.1 million, up from last-year € 8.5 million by 19.8%. Compared to the 2008/2009 winter season, good sales in the last weeks of December 2009 resulted in a relatively strong build-up of receivables, most of them being balanced in the meantime.

As part of the other current assets of € 6.3 million the refund claims from taxes increased by 143.0%, from € 1.6 million to € 3.9 million. This was the driving force behind the relatively strong increase by 35.2% in the total receivables position of € 16.4 million (previous year: € 12.2 million).

Strong liquidity position

Cash and cash equivalents registered additions of € 8.3 million. On the other hand, short-term money market funds retracted by € 10.6 million. Consequently, the total liquidity as shown on the balance sheet came down by € –2.3 million and totalled € 40.6 million on 31 December 2009 (prior year: € 43.0 million).

In relation to revenues current assets grew disproportionally by 8.3%. The share of balance sheet total came down accordingly, from 96.5% to 93.5%.

Marginal long-term liabilities, no interest-bearing debt

Delticom does not have any interest-bearing debt. The debt shown above is composed of non-current provisions in the order of € 42 thousand (previous year: € 34 thousand) and deferred tax liabilities of € 440 thousand (prior-year: € 443 thousand). As a result, non-current liabilities of € 482 thousand were only marginally higher than the prior-year value of € 478 thousand. Therefore, the share of non-current liabilities of the balance sheet total remains slim at 0.5%.

Equity and equity ratio up

On the liabilities side of balance sheet the equity position grew by € 8.6 million or 17.1% from € 50.2 million to € 58.8 million. The structure of the liabilities and shareholders' equity shows an upturn in the equity ration, from 52.5% to 55.0%.

As a result, Delticom is funded long-term to a greater or lesser extent completely by equity alone. As of 31 December 2009 the coverage ratio of fixed assets and inventories totalling € 49.5 million to long-term funding was 83.5% (prior year: 79.8%).

On 19 June 2009 each shareholder received as part of a stock split for each share two bonus-shares (see chapter *Capital increase out of retained earnings – "stock split"*). Delticom AG had to increase the capital out of retained earnings by € 7.9 million. The company did not receive any funds from this corporate action.

Slight increase of current liabilities

The current liabilities increased by € 2.6 million or 5.9% to € 47.6 million. As part of this, short-term provisions increased by € 1.5 million or 70.2% to € 3.5 million (prior-year: € 2.1 million), thereof provisions for taxes valuing € 2.9 million which rose with the improved net profit (previous year: € 2.1 million).

As part of the € 44.0 million in short-term liabilities as of 31 December 2009, € 36.6 million were recorded as accounts payable, corresponding to a share of 34.3% of balance sheet total. Compared to the position of € 36.2 million from the prior-year period, the additions to accounts payable were € 0.5 million or 1.3% – a small hike, especially if viewed against the backdrop of heighted purchasing volume.

In the other current liabilities of € 7.4 million (previous year: € 6.7 million) € 2.2 million fall upon payments received on account of orders (previous year: € 1.8 million) and € 1.3 million on customer credits (prior-year: € 1.2 million). Like the accounts receivable, both items were inflated by year-end effects arising from the strong selling in the last days of 2009.

Off-balance-sheet items

Apart from the assets shown on the balance sheet, Delticom also uses off-balance-sheet assets. This pertains mainly to certain leased or rented goods (operate lease). Details can be found in the notes in chapter *Other notes – Contingent liabilities and other financial commitments*. Delticom routinely sells receivables which have been fully written-off to debt collection agencies. The history of write-offs is included in the notes in chapter *Notes to the balance sheet – Current assets – (15) Receivables*.

Overall statement on the financial and assets position

Significant financial flexibility

Delticom boasts a healthy financial and assets position. At € 40.6 million, our liquidity remains high (previous year: € 42.9 million), despite investments in our new large-scale warehouse infrastructure. Our balance sheet strength had a positive impact on our working capital management last year: we increased inventories, and were able to pay off many liabilities ahead of schedule.

Solid balance sheet as basis for further growth

As in previous years, Delticom remains debt-free. This sends an important signal to our partners, particularly in this day and age of scarce credit. Our equity ratio rose from 52.5% to 55.0%. As illustrated by the non-current assets amounting to just 6.2% of total assets, our capital-intensity remained low. With its scalable business model, the company is well structured financially for its future growth.

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. At present we do not identify any individual risks which might endanger the Group as a going concern.

Definitions

Risks and opportunities

Delticom defines risks as events that make it difficult or even impossible for us to achieve our business objectives within a given timeframe. These events may be of an internal or external nature to the company. Key risk areas include market shares, revenue expectations, margins and levels of customer satisfaction.

We do not operate a separate opportunities management system.

Risk management

In our risk management function, we formulate and monitor measures that are meant to

- reduce potential damage (e.g. FX forwards and insurances),
- reduce the probability of occurrence (e.g. through opting for a low-risk course of action or launching of monitoring systems), or
- avoid risks.

As part of risk management, decisions can also be made to consciously enter into risks. We do this in the cases where the related opportunities outweigh the potential risks, and where we are in a position to cope with potential worst-case damages.

Early risk detection system

Our early risk identification system consists of all organisational processes that precede actual risk management. This system is tasked to

- identify material and critical going-concern risks at an early stage,
- analyse and assess these risks,
- determine responsibilities for risk monitoring and
- communicate risks to the right people in time.

As early risk identification and risk management go hand-in-hand, both concepts are summarised below under "risk management" in its broader sense.

Risk assessment

24-month observation horizon

The classification and measurement of risk is derived by comparison to our business goals. Objectives are regularly set as part of our strategic (five-year timeframe) and budget planning (current and following year). We apply a standard 24-month observation horizon for risk management.

Reporting thresholds

The company's equity is used as the calculation basis for reporting thresholds. As of 31 December 2009, we differentiated between going-concern risks (€ 10 million), significant risks (€ 2.5 million), and low risks (€ 0.2 million).

Gross risk

In our analysis, we always initially regard risks as gross risks, in other words, excluding countermeasures. Countermeasures are assessed as to how effectively they avoid, reduce or devolve risk (event risk and loss amount) to third parties.

Net risk

Net risks are then derived by subtracting expected effects of specific countermeasures from gross risk value. Expected loss amounts are derived from gross and net risks by weighting them according to event risks, and regularly prioritising them.

Risk management organisation

Delticom's risk management is based on these three pillars: Risk Support Team, Risk Management, and Management Board.

Risk Support Team

The functional areas and departments are the smallest organisational units within Delticom's risk management function. As a Risk Support Team, functional area managers identify and assess the relevant risks. They propose and subsequently implement action plans.

Risk manager

The Risk Manager is a member of the company-wide Project Management function. He has authority to issue guidelines for methods and codes of conduct in the context of risk management. He also coordinates risk reporting at Delticom and reports directly to the responsible member of the Management Board.

Management Board

The Management Board ensures comprehensive risk reporting in collaboration with the Risk Manager. In line with the requirements of corporate law, the Management Board ensures appropriate risk management and controlling within the company, in close cooperation with the Supervisory Board. The Management Board approves suitable risk mitigation measures.

Communication and reporting

The Risk Manager is responsible for regular risk reporting. In addition, all staff members are also required to report risks directly to the Management Board as part of ad hoc reporting, if deemed necessary.

Software

Delticom employs special software that satisfies all statutory requirements in order to support its risk management function.

Risk inventory

The Risk Manager conducts an annual risk inventory. It is then adjusted to changes in risk situations over the course of the year. As part of assembling the risk inventory, all functional and corporate areas assess whether new risks have arisen compared with short- and medium-term planning. At the same time, a check is conducted as to whether and how approved measures have already successfully limited known risks, and whether there is any further requirement for action. As part of this, the Risk Support Team helps the Risk Manager to integrate area-specific developments into the assessment.

Key individual risks

Macroeconomic risks

Customers are "trading down" in recession times. We regard it as likely that unemployment will rise over the next months. This could hurt consumption.

In view of the threat to their quality of living, consumers pay greater attention to prices. This development is typically of benefit to discount retailers and online vendors of which Delticom is one. Faced with lower household income, many tyre buyers do not simply want the same tyre at a lower price. They might even turn to lower-tier brands and budget tyres, which in turn leads to a decline in demand for premium brands. While such a trend would not necessarily impact unit sales volume negatively, it would nevertheless drive down the value of each transaction by means of lower prices.

As a consequence (if unit sales growth is not sufficient) revenues may come down. This does not have to lead to lower margins, though. We will pay close attention to inventory levels, prices and product mix in the months ahead.

Lower average mileage driven during recessions. In the event that the income situation of end customers continues to deteriorate, motorists might limit the amount of use of their vehicles during periods of crisis. In this scenario tyre wear is reduced and the purchase of replacements is delayed. Some car owners will even delay buying replacement tyres in spite of being aware of dangerously low tread on their tyres.

On the other hand, periods of economic downturn see the declines in the sale of so-called “big ticket items” such as automobiles. Such a development benefits Delticom, for as consumers hold onto their vehicles for longer periods of time, their need for replacement tyres grows accordingly.

Prices can fall during recessions. A permanently lower demand would put serious pressure on prices. Such a scenario does not carry a high probability but the damage to Delticom could be substantial. Typically we strive to achieve stable profit margins, even at the expense of short-term declines in revenue. Delticom has sufficient cash at its disposal to be able to resist a sustained downturn in prices.

Sector-specific risks

The replacement tyre trade is subject to seasonal fluctuations. Because of this unpredictable factor, differences in performance between quarters and year-over-year are unavoidable. As Delticom continues to internationalize its activities, we expect a diminishing effect of these seasonal factors on our performance – in many European markets, winter tyres do not play a significant role in the mix. During times of lower revenues, Delticom will continue to both hone its cost structure and penetrate business segments less affected by seasonal factors.

Unfavourable weather conditions can lead to the build-up of excess inventories at Delticom. Delticom purchases part of its forecast sales quantities before the season starts. We warehouse these tyres, in order to be able to deliver tyres to our customers even at seasonal high times. Delticom generates a large share of its revenues by selling from own inventories. In the case the sales slump, the inventories levels might stay high, with increased risk of overageing.

In order to prevent overageing, the condition of warehoused tyres is reviewed regularly. Stocks older than a predefined threshold are then offered at a discount in our online shops (with an explanation for the price break), or sold in our Wholesale business. In the past years, Delticom has not had to write down any stock due to overageing. There are no liquidity risks: the company has sufficient financing to be able to make payment even during periods of high inventory levels.

Regional or global excess inventories along the supply chain might burden price levels. Excess inventories along the supply chain occur frequently, mainly due to weather-related demand. This may lead to price distortions on the market. Since replacement tyre purchases cannot be delayed indefinitely, the supply chain usually settles down in the following season. We take the overall Europe-wide supply situation into account in our purchasing function, and we regularly assess warehousing and pricing policy alternatives.

Financial Risks

As a globally operating company, Delticom invoices and pays invoices in currencies which are not the Euro. This results in currency risks. Delticom hedges against these risks by using suitable financial instruments, in particular forward contracts. Guidelines govern the use of permissible hedging instruments and strategies. The effectiveness of these hedges is monitored by the corporate treasury function on a regular basis. In addition, Delticom works with banking partners who have many years' experience in the import/export business.

A strong Euro can erode Delticom's competitive position in countries with weaker currencies. Delticom also sells its products to end-customers outside the Euro zone. This generates economic currency risks that we counter as far as possible through the procurement of tyres in foreign currencies. To the extent that the corresponding market is strategically significant, we also examine complex hedging strategies in the instance of a continued depreciation of a foreign currency. In the USA, Delticom operates exclusively using drop-ship fulfilment. This creates a natural hedge for end-customer business; we accept the residual currency translation risk.

Customers find themselves with payment difficulties as a result of the worsened economic conditions. Recessions have a perceptible impact on business with both private and commercial customers as payment practices deteriorate in difficult periods. As far as it is possible, Delticom works to limit defaults through the use of credit insurance. In addition, we have further tightened our credit issuing practices and are working together with industry specialists to assess credit risk and facilitate debt collection. We try to limit the default risk in Wholesale as far as possible by means of credit insurances.

Strategic risks

Delticom operates in a competitive market with low entry barriers. The price level and thus the margins achieved can drop considerably as a result of competitive pressure. However, there are considerable barriers to grow to a size comparable to Delticom. Good buying prices and a streamlined cost basis allow a high level of price flexibility. Increasing internationalisation at Delticom diversifies country risk: This is because it can be assumed that prices could come under pressure for a short period in individual countries, but not over the whole of Europe.

Misjudgements of future market trends may result in market share losses. In the tyre trade, there is always the risk that future sales volumes are forecasted incorrectly. The E-Commerce channel is reporting strong growth and is gaining market shares overall. If we misjudge the speed of this trend, we could lose market share relative to our online competitors. Due to our strategic orientation, we regard both the sales and earnings growth as objectives of equal value (see section *Corporate management and strategy – internal management system*). We accept the risk stemming from the fact that growth in business volume can only accelerate to the extent that the supporting processes can be adapted at the same speed.

We operate on an international scale but are lean in terms of company culture and organisation. We therefore cannot expand our lead over competitors or even maintain market shares at all times and in all places. We limit our market share dilution by gradually further developing our organisation and staff, as well as our partners in Germany and abroad.

Delticom's business activities are based on the sustained acceptance of the Internet as channel for buying tyres. Specialty tyre retailers and the other distribution channels play a key role in the tyre trade. This will not change in future: Many motorists will continue to buy their tyres from bricks-and-mortar tyre retailers. However, as is also the case for other merchandise, online tyre sales have already reached a sizeable dimension. Delticom's own revenue growth, as well as that of the competitors, suggest that acceptance of the Internet as a sales venue is neither declining nor stagnating, but rather continues to grow.

Procurement risks

Changes in input prices at the manufacturing level. Changes in commodity prices, in particular for oil and rubber, play a significant role in sell-in pricing (manufacturers to retailers). Fluctuation of raw material pricing only factor into tyre manufacturers' calculations four to six months down the line, and are then only partially passed on downstream to tyre retailers.

Suppliers may run into commercial and financial difficulties. In our global purchasing function, we minimize immediate default risks through letters of credit. As a tyre dealer, a factor that contributes to the low risk is that we offer a broad brand portfolio. If any supplier is unable to fulfil their obligations in a particular tyre model, we can always procure the tyres from other parties.

New regulations may require suppliers to increase their prices. US Congress imposed punitive duties on Chinese tyre imports last year. This led to a shift in the market structure because Chinese tyres (although still sold) were substituted by attractively priced tyres from other regions. Certain tyre types may also suffer supply shortages for other regulatory reasons. For example, in 2009 demand for small tyres has disproportionally grown due to scrappage schemes. As a dealer, Delticom tries to pass on price increases to customers as far as possible.

Personnel risks

Untrained staff and insufficient monitoring of customer orders can lead to customers receiving erroneous information and increase the rate of errors in order processing. This could result in a drop of customer satisfaction and lead to lower sales. Delticom's specialist staff trains the employees who work in our customer management operations centres. Independent of our specialist departments, auditing processes have been set up to monitor and ensure compliance with agreed service levels. As part of its "S@ferShopping" audit, TÜV Süd conducts an annual inspection of all Delticom processes and systems, including customer satisfaction.

Departure of key staff might negatively impact our business success. All corporate areas of Delticom depend on key personnel to a significant degree. As a market leader, we have created important know-how. We run the risk that this know-how is diluted when personnel leaves us to join our competitors. This risk is taken into account when structuring employment contracts. We place an emphasis on performance-related compensation.

IT risks

Delticom's business operations depend on the functioning and stability of complex IT systems to a high degree. At Delticom, all important IT systems, service providers and suppliers are set up in a redundant fashion. If service providers or suppliers suffer IT breakdowns, at least one further service provider or supplier can always take over related tasks. In the event of our computing centre breaking down we can rapidly migrate to a backup facility.

An emergency manual with an extensive catalogue of escalation measures helps us to react rapidly and in a structured manner in emergency cases.

Our computing centres are secured against unauthorised access, and operate essential fire prevention measures. Firewalls and other technical measures safeguard Internet access to our systems.

As the result of its IT-supported business transactions, Delticom has access to sensitive information about customers, partners and suppliers. For customers, it is important that their personal information is kept private. In our online shops we provide our customers with detailed information about data protection and privacy. We treat personal data and other sensitive information with meticulous care, taking into account all statutory regulations. Stringent rules and technical safeguards ensure that customer data does not fall into the wrong hands. Independent authorities routinely inspect Delticom's IT security. Since data protection is a central theme in E-Commerce, we also support research institutions who are involved with legal and technical IT and software security issues.

With respect to our suppliers, purchasing and payment terms represent confidential information. In protecting our relations we do not simply rely on procedural instructions but also safeguard inventory management and pricing systems with technical access controls.

Overall statement on the risk situation

Delticom has an extensive, well integrated and well functioning early risk detection and risk management system. In the last financial year, risk potential was identified at an early stage and reported promptly to the Management Board which allowed targeted countermeasures to be rapidly implemented. Systems and processes in the area of risk and opportunities management have proved successful; they are being further developed on an ongoing basis.

At present we can not identify any individual risks which might jeopardise the company as a going concern. The sum of the individual risks does not pose a threat to Delticom's continued existence.

Description of key characteristics of the accounting-related internal controlling system and risk management system with respect to the (Group) accounting process (§ 289 Paragraph 5 and § 315 Paragraph 2 Number 5 HGB – German Commercial Code)

Amending the statements with regards to the risk management made above, key characteristics of the internal controlling and risk management system with respect to the (Group) accounting process can be described as follows:

Organisation

The accounting-related internal controlling system covers the controlling, legal, accounting and corporate treasury functions, whose areas of responsibility are clearly delineated within the controlling system.

The controlling system comprises all requisite principles, procedures and measures to ensure that accounting is effective, economically efficient and duly complying with relevant statutory regulations.

Role of the Management and Supervisory Boards

The Management Board is responsible for implementation and compliance with statutory regulations. It reports regularly to the Supervisory Board on Delticom AG's overall financial position. The Supervisory Board oversees the efficacy of the internal controlling system. In accordance with the agreement, the auditor immediately reports to the Chairman of the Supervisory Board on all key findings and occurences arising from the audit which are of significance to the work of the Supervisory Board.

Group accounting

Due to the great importance of Delticom AG in the Group the accounting process is organised centrally. Delticom AG's Group accounting function prepares the consolidated financial statements according to International Financial Reporting Standards (IFRS). For this purpose, we have set up Group guidelines for the following topics:

- general accounting principles and methods
- regulations relating to balance sheet, income statement, statement of total income, notes to the financial statements, management report, cash flow statement and segment reporting
- requirements arising from prevailing European Union legislation
- specific formal requirements for consolidated financial statements
- groups of consolidated companies

The Group guidelines also contain specific instructions as to how Group intercompany transactions should be mapped, invoiced, and how corresponding balances should be cleared.

IT-supported work processes

The consolidated companies' financial statements are compiled using IT-supported working processes. These include an authorisation concept, audit routines and version controls. Along with manual process controls applying the "four eyes" principle, we also use software to enforce parallel process controls. We utilise an integrated bookkeeping and consolidation system for the actual calculations.

Outlook

In retrospective, the year 2009 proved better than expected for both the overall economy and the tyre business. January snowfalls gave Delticom a good start into the current year. Despite this, however, it will be the summer tyre business ahead of us which will ultimately determine the extent to which we are going to achieve our 2010 targets. For the current financial year we anticipate a growth in revenues of up to 10% and an EBIT margin of 8%.

Significant events after the reporting date

There were no events of particular significance after the reporting date of 31 December 2009.

Current trading during the first weeks of 2010 has been good. The main reason is that the weather continues to be very winterly. The winter tyre season nevertheless comes to an end in January and February. In countries such as Germany, Switzerland, Austria, and in Scandinavia, the changeover season (where car owners switch from winter to summer tyres) usually begins in March with rising temperatures. The summer tyre season stretches well into the second quarter. As a consequence, we are as yet unable to make a statement about summer tyre business sales and price trends on the basis of business progress to date.

Forecast report

Explanation of deviations from 2009 forecast

Surprisingly stable consumer sentiment

When looking back, our 2009 forecasts proved to be significantly wide off the mark. At the start of the year, we expected a 6% EBIT margin for the full year, since we had to anticipate pricing pressure in the second half-year in the wake of the recession. In the first half-year, the labour market, the income situation of European consumers, and their spending propensity, remained surprisingly stable. Beneficial consumer sentiment brought good sales to Delticom's summer business, accompanied by stable prices.

EBIT margin hiked from 6% to 7%

By mid-year, economists started to revise their macroeconomic growth forecasts upwards. At this point, they assumed that consumers would not feel the full brunt of the recession until the fourth quarter – later than originally anticipated. Following good half-year results, this led us to raise our EBIT margin forecast to 7% in July.

Uncommonly good winter season

The early start to the 2009/2010 winter season brought excellent sales and profits. Although October was very cold with heavy snowfall, an uncommonly mild

November fell short of expectations. By the end of November we were already reasonably sure to meet our revenues and earnings targets. Still, we did not see reason to believe that we would be able to exceed them by a substantial margin. From December onwards, however, frequent and adequate snowfalls in Germany, Italy, France, Switzerland, Austria, and Scandinavian countries manifested in demand surges. Since we had stocked up well in preparation for the season, we were still able to achieve good margins in December.

Although strong revenue growth has also been accompanied by significant market share gains, it would nevertheless be premature to conclude that Delticom had already embarked on a steeper growth curve. In the end, the scope of our success above and beyond our budget was instead largely due to the weather. In addition, demand was exacerbated by regulatory effects such as scrappage premiums. Given the credit crisis, the company's relative balance sheet strength certainly also had an advantageous effect on its revenue and earnings. To speak of one-off effects in this context would be misleading, because weather, new regulations and our continued balance sheet strength will play a role in our company's successes in the future. It is of course impossible to predict, however, when so many favourable effects will coincide again in a single year.

Future macroeconomic environment

Anaemic upturn

Following the sharp plunge in the past recession, most economists currently assume that the European economy will stabilise this year. A self-sustaining boom is nevertheless far from view. Many countries will only recover at a moderate rate. As a consequence, growth will be uneven and characterised by many uncertainties.

Unemployment burdens consumption

Despite the prevailing uncertainty about economic growth, and aided by barely detectable inflation levels, consumption has remained remarkably robust to date. Rising unemployment will nevertheless continue to feed job loss fears over coming months. For this working people will also remain cautious. They will save more and consume less.

Future sector-specific development

Tyre trading relatively non-cyclical

Large companies in the Retail sector nevertheless assume stable conditions for 2010. This is due to the fact that historically retail has been less cyclical than other sectors of the economy. This also, and particularly, applies to the replacement tyre trade. Even in difficult times motorists can skimp on mobility and safety only to a limited extent.

Market observers remain cautious

Despite the strong winter tyre business, the economic crisis continues to make itself felt in the tyre trading business, and sentiment remains gloomy. This may be the reason why, for example, the German Tyre Dealers Association (BRV) anticipates for 2010 a decline of unit sales of between 5% and 6% in Germany (current as of January 2010).

Unclear price trends

With the rise in raw materials prices (oil and natural rubber) in the second half of 2009, manufacturers' cost positions have again worsened in early 2010. Some major producers have announced price increases. If the tyre trade was confronted with a general weakness in demand it could be more difficult to pass on prices along the supply chain to end-consumers than it is usually the case. The upcoming summer season will show weather the price discipline of the manufacturers remains as strong as it was in 2009, especially in view of a possibly continued capacity underutilisation.

Trading-down more likely

Even if, as expected, consumer sentiment worsened only moderately, motorists would nevertheless trade down from expensive to more attractively priced tyre brands, probably to an increasing extent than at present. We believe, however, that in this scenario major fluctuations in the pricing and volume structure are unlikely. Only if tyre demand remained weak in the long term would there be significant scope for a major setback in volumes, prices and margins.

2010 forecast

Online trading gains market shares

Compared to other product groups the share of tyres sold online is still relatively small. Considering catch-up effects we expect sales to grow also in 2010, as in the years before. In addition, E-Commerce also means attractive prices. This should provide strong support to online tyre trading, even and especially against a backdrop of a weaker consumer climate. We believe that we will continue to gain market shares from other sales channels in 2010.

Revenue rises by up to 10%

Despite the high prior-year base, we are consequently expecting revenue growth of up to 10% for the current financial year. The demand surge for winter tyres due to Europe-wide scrappage premiums will not be repeated this year; that the next winter will experience as much snowfall as last winter remains to be seen. On the other hand, we hope that the harsh 2009/2010 winter will have shown motorists how important it is to drive tyres which are suitable for the winter road conditions. This could help the final quarter of 2010 to approach last year's revenue levels at least. Having said that, how near we get to this year's +10% will ultimately depend on the year-on-year increase in revenues in the summer season.

EBIT margin of 8%

As an online tyre dealer, we benefit from the increasing number of those car owners who are looking for attractively priced tyres. However, should this trading-down give way into ongoing demand weakness then even a superior sales volume would probably not allow us to fully compensate falling prices.

Although this macroeconomic risk is not wholly unlikely to materialise, we nonetheless assume an EBIT margin of 8% – an ambitious target, but one that can be attained given a good course of business. Due to such uncommonly difficult prior-year comparables, from today's perspective we would also be content if 2010 earnings per share fell slightly short of the previous year's result of € 1.71.

Further development

We currently do not intend to put any further large-scale warehouses into operation in 2010. We will expand capacity in line with revenue in the medium term, though. This also means that capex will continue to increase in the medium term.

Delticom's business model is resilient, the company is debt-free and has a strong balance sheet. These factors combine to keep our risks controlled and allow us to seize opportunities flexibly.

In the medium-term we continue to expect low double-digit annual growth rates, both for revenues and earnings. We expect that Delticom will continue to grow at a rate above the market trend.

The Delticom share

The Delticom share (WKN 514680, ISIN DE0005146807, stock market symbol DEX) closed 2009 on the high of € 27.61 and achieved a performance of +125.9% over the course of the year. DEX is a stable member of the German small- and midcap index SDAX, not least due to the considerable increase in trading volume following the stock split in June 2009.

Stock markets 2009

DAX anticipated end of recession

In the first quarter the financial crisis and the recession continued to shape the development of the stock markets. The DAX started at a level of 4,973 points into the year. On 06 March 2009 it marked a low at 3,666 point, the lowest level since 2004. On the back of improving business prospects the investors came back to the market. The rest of the year was characterised by a stable upward trend with low volatility. The DAX closed the year at 5,957 points, after hitting the yearly high of 6,012 points on 29 December 2009. In total, the DAX climbed 2009 by 984 points or 19.8%.

SDAX gained ground after bad 2008

The German small- and midcap index SDAX mostly followed suite: It started at 2,837 points and was able to improve by 712 points over the course year, closing at 3,549 points. With a plus of 25.1% the SDAX outperformed the DAX. On the other hand, the SDAX had to gain ground as 2008 smallcap shares had to accept heavier losses than the largecaps.

Development of the Delticom share (DEX)

Benchmarks

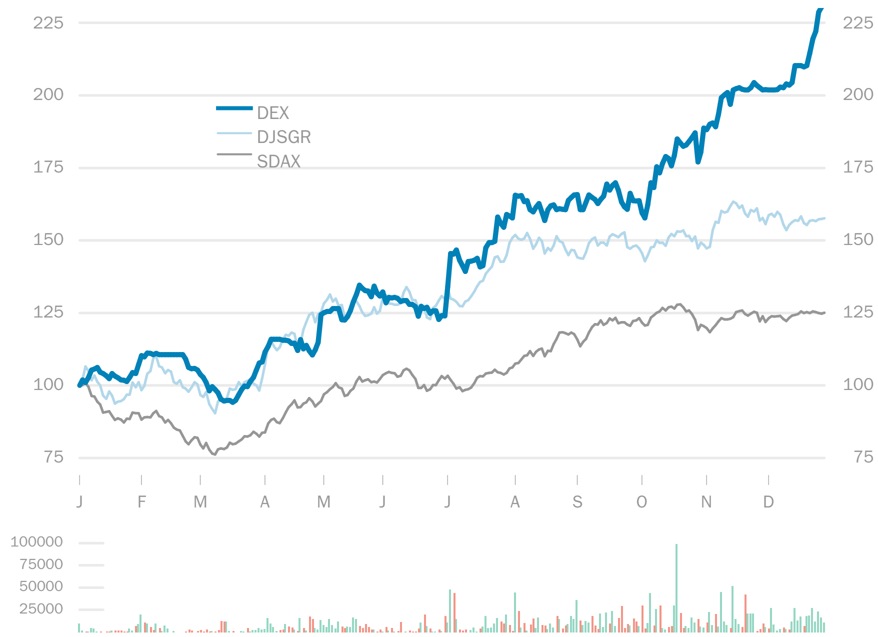
The first choice as benchmark is the SDAX – Delticom has been a member since 22 December 2008. Apart from this, we use the Dow Jones STOXX Total Market Index General Retailers (DJSGR) as an additional benchmarkt for DEX. The DJSGR contains leading European non-food general retailers.

Alternatively we could compare DEX with the DAX sector index CXPR which tracks the performance of German retailers; DEX is one of its components. Because of the high non-domestic share of sales, Delticom is affected by the development of the business conditions in many European countries. We therefore feel that DJSGR is the more complete and thus a better benchmark.

As customary, we use the performance index which takes dividend payments into account for both SDAX and DJSGR. When comparing the performance of DEX to the benchmarks we therefore take the dividend for 2008 into consideration, amounting € 3 per share as decided on the Annual General Meeting on 19 May 2009. In addition, we adjust the share price history before 22 June 2009 to the 1:3 stock split (see section *Capital increase out of retained earnings – "stock split"*). The chart *Share performance* shows the performance of DEX, SDAX and DJSGR since the beginning of 2009 over the course of the year.

Share performance

indexed, traded volume in shares (XETRA)



DEX performance

Looking back at a good winter season 2008/2009, DEX traded in a narrow band around the year's opening price of € 13.00, mostly unaffected by the downtrend of the benchmarks. On 17 March 2009 DEX hit the low at € 11.20. After that the share price climbed steadily, parallel to the recovery of the general stock markets. After we had hiked the guidance for the EBIT margin in the beginning of July 2009, DEX was able to hold on a slight lead over SDAX and DJSGR.

In the fourth quarter – first after the early snow in October, later in the wake of strong snowfalls in Europe in December – the financial press increasingly covered DEX as a "winter winner". This had a favourable impact on the share price and helped DEX to gain ground against SDAX and DJSGR. DEX closed the year on 30 December 2009 on the high of € 27.61. Including the dividend this corresponded to a total performance of +125.9%. The market capitalisation of DEX increased from € 153.9 million at the beginning to € 326.9 million to the end of the year.

Capital increase out of retained earnings – "stock split"

1:3 in June 2009

In accordance with the resolution of the Annual General Meeting on 19 May 2009, by means of a capital increase out of retained earnings, shareholders in Delticom AG were allocated two free shares for each registered share ("stock split"). The company did not receive any new funds from this corporate action. With the stock split the number of shares tripled from 3,946,480 to 11,839,440. The first notation after the stock split happened on 22 June 2009.

Trading volume increased

The objective of the stock split was to make DEX more attractive for private investors. The traded volume in DEX increased from the middle of the year on. We assume that the increase can be at least partially explained by fact that DEX was "cheaper" post-split, and thus easier to trade for private individuals.

Index membership

SDAX Ranking improved

On 22 December 2008 DEX was included in the SDAX. Membership in the index is determined by the Deutsche Börse according to a ranking published as *Cash Market: Monthly Index Ranking – MDAX*. The ranking depends on free float market capitalisation and traded volume of shares included in MDAX and SDAX. Over the course of last year DEX improved in the criterion "free float market capitalisation" from 89 to 77 and in the criterion "traded volume" von 120 to 87.

Apart from SDAX, DEX is included in the calculation of the following indices:

- DAX International Mid 100
- GEX (German Entrepreneur Index)
- DAXPlus Familiy Index
- NISAX20

Earnings per share and dividend recommendation

Undiluted earnings per share are € 1.71 (2008: € 0.99). Diluted earnings per share are € 1.70 (previous year: € 0.99).

The calculation of the earnings per share was based on net income after taxes totalling € 20,228,075.06 (previous year: € 11,730,508.91) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,925,814 shares (previous year: 11,867,591 shares).

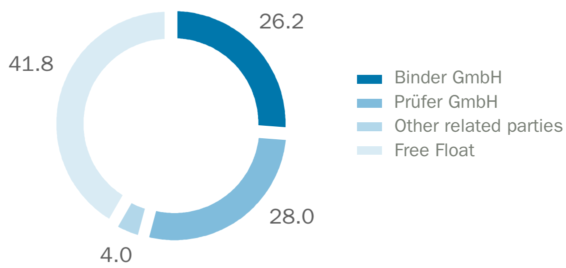
For the purposes of comparison the number of shares was adjusted for the stock split on 19 June 2009 (see chapter *Capital increase out of retained earnings – "stock split"*).

Shareholder structure

There were no material changes in the shareholder structure of Delticom AG in 2009.

Shareholder structure

Shareholding in % of the 11,839,440 shares outstanding, as of 31 December 2009



The shares of Prüfer GmbH and Binder GmbH are attributed to the company founders Andreas Prüfer and Rainer Binder. As in previous years, Andreas Prüfer as Head of the Supervisory Board and Rainer Binder as CEO have again increased their shareholding in 2009.

Coverage

In total 9 analysts (previous year: 6) from renowed banks and brokers regularly offer their views on the course of Delticom's business and future prospects (in the order in which they initiated coverage, with recommendations as of 09 March 2010):

- Frank Schwope, NORD/LB (Hold)
- Jürgen Pieper, Bankhaus Metzler (Buy)
- Marcus Sander, Sal. Oppenheim (Buy)
- Andreas Inderst, Exane BNP Paribas (Outperform)
- Lars Dannenberg, Berenberg Bank (Buy)
- Paul Diamond, Nomura (Buy)
- Aleksej Wunrau, BHF-Bank (Strong Buy)
- Tim Rokossa, Deutsche Bank (Buy)
- Robert Heberger, Merck Finck & Co. (Buy)

Investor relations activities

Since the IPO we have attached great importance to the ongoing dialogue with institutional and private investors, as well as analysts and the financial press. The aim of our investor relations activities is to pass on comprehensive company-specific information to interested parties quickly and reliably. This extends to the timely publication of company news and the precise depiction of developments in management reports and investor presentations. We accompany the release of financial statements with conference calls.

Apart from the yearly analyst conference on the occasion of the German Equity Forum in Frankfurt, the Management Board presented business developments and strategy during 10 road shows and conferences in Frankfurt, London, Edinburgh, Paris, Zurich and Geneva. Furthermore, we had many one-on-one talks with investors.

The Internet is an important part of financial communications. On www.delti.com/Investor_Relations we offer annual- and quarterly reports as well as investor and analyst presentation for download.

The investor relations department gladly answers any further questions:

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Phone: +49-511-93634-8903
E-Mail: melanie.gereke@delti.com

Stock key information

		2009	2008
Number of shares	shares	11,839,440	11,839,440
Share capital	€	11,839,440	11,839,440
Share price on 02 January 2009[1]	€	13.00	16.43
Share price on 31 December 2009[1]	€	27.61	13.00
Share price high/low[1]	€	27.61/11.92	16,43 / 11,72
Share performance[1]	%	112.4	–20.9
Market capitalisation[2]	€ million	326.9	153.9
Average trading volume per day (XETRA)	shares	9,163	7,093
EPS (undiluted)	€	1.71	0.99
EPS (diluted)	€	1.70	0.99
P/E ratio[2]		16.2	13.1
Dividend per share[3]	€	1.70	1.00
Dividend amount[4]	€ million	20.1	11.8
Payout ratio (IFRS)	%	99.5	100.9
Payout ratio (HGB)	%	99.8	100.2
Dividend yield[2]	%	6.2	7.7

(1) based on closing prices
(2) based on official closing price at end of year
(3) per share, conditional on approval at the Annual General Meeting
(4) based on number of shares outstanding at end of year

Information Required Under Takeover Law § 315 Section 4 HGB (German Commercial Code)

The following section presents the information under takeover law required within the meaning of Section 315 (4) of the HGB (German Commercial code).

Composition of subscribed capital

After going public on 26 October 2006, Delticom's subscribed capital comprised 3,946,480 no-par value registered shares, each with a proportionate interest of €1 in the company's share capital. The subscribed capital tripled after the capital increase out of retained earnings and the resulting issuance of new shares, decided upon during the General Meeting on 19 May 2009. As a result the subscribed capital comprises 11,839,440 shares, each with a proportionate interest of €1 in the company's share capital. The relating amendment of the articles of incorporation was entered in the commercial register of the Hanover local court on 10 June 2009.

Delticom AG's shareholders are neither restricted by German legislation nor by the company's articles of incorporation on their decision to buy or sell shares. Only the statutory prohibitions on voting rights apply.

The shareholder Binder GmbH and Prüfer GmbH are the only shareholders with an interest of more than 10%. The interest in Delticom AG in terms of Section 22 I S. 1 Nr. 1 WpHG (Securities Act) for Binder GmbH can be attributed to Rainer Binder and for Prüfer GmbH to Andreas Prüfer. In addition, Binder GmbH and Prüfer GmbH have entered in a pool contract in terms of Section 22 II S. 1 WpHG.

There are no shares with special rights which grant the holders controlling powers. There is also no specifically designed control of voting rights for employees holding an interest in the share capital and who do not directly exercise their control rights.

Employees do not participate in equity so that employees cannot directly exercise their controlling rights.

Members of the Management Board are appointed and dismissed according to Sections 84 et seq. of the Aktiengesetz (AktG – German Public Limited Companies Act).

Changes to the articles of incorporation are governed by Sections 179ff of the AktG.

The Management Board's powers in regard to the issue of shares are set out in Article 5 "Amount and Constitution of the Share Capital" of Delticom's articles of incorporation and in Sections 71 et seq. of the AktG.

Authorised capital II/2006

The Management Board was also authorised by resolution of the shareholders' meeting on 30 August 2006, subject to the approval of the Supervisory Board, to increase the company's share capital by a maximum of € 698,240.00 (authorised capital II/2006) by no later than 29 August 2011, through one or more issues of new no-par value registered shares against cash or non-cash contributions in full or in partial amounts. The authorised capital II/2006 was entered in the commercial register on 01 September 2006.

Contingent capital I/2006

The General Meeting on 30 August 2006 authorised the Management Board or the Supervisory Board in lieu of the Management Board to the extent that options are granted to members of the Management Board, to grant options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company's Management Board and its employees, on one or several occasions up to 29 August 2011. By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by € 100,000 by issuing a total of up to 100,000 new no-par value registered shares (contingent capital I/2006). Contingent capital I/2006 serves exclusively to grant shares to the holders of options issued by the company on the basis of the authorisation granted by the General Meeting on 30 August 2006 for the granting of options. The contingent capital I/2006 was entered in the commercial register on 01 September 2006. As a result of the capital increase out of retained earnings by means of the issuance of new shares, decided upon the General Meeting on 19 May 2009, the contingent capital I/2006 increased proportionally to the share capital to € 300,000. The capital increase and the amendment of the articles of incorporation relating to the contingent capital I/2006 were entered in the commercial register of the Hanover court on 10 June 2009.

Contingent capital II/2006

The General Meeting on 30 August 2006 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants up to 29 August 2011 on one or several occasions, with a total nominal amount of up to € 150,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 1,448,240 no-par value registered shares of the company with a proportionate interest in the share capital totalling € 1,448,240.00 ("new shares") according to the details of the terms and conditions for the convertible bonds or bonds with warrants. This authorisation may be exercised in whole or in part. By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by up to € 1,448,240.00 by issuing up to 1,448,240 new no-par value registered shares (contingent capital II/2006). Contingent capital II serves exclusively to grant new shares to the holders of conversion rights or options that are issued according to the authorisation of the General Meeting on 30 August 2006 to issue convertible bonds or bonds with warrants by Delticom AG or by companies in which Delticom AG directly or indirectly holds a participating interest. Contingent capital II/2006 was entered in the commercial register on 01 September 2006. As a result of the capital increase out of retained earnings by means of the issuance of new shares, decided upon the General Meeting on 19 May 2009, the contingent capital II/2006 increased proportionally with the share capital to € 4,344,720. The capital increase and the amendment of the articles of incorporation relating to the contingent capital II/2006 were entered in the commercial register of the Hanover court on 10 June 2009.

Authorisation for the Management Board to issue shares

By way of a resolution by the general meeting on 19 May 2009, the company was authorised to acquire own shares of up to 10% of its share capital. This resolution is valid for 18 months. The authorisation may be exercised in full or in part, on one or several occasions, for one or for several purposes by the company or by third parties for the company's account. The shares are acquired, at the Management Board's discretion, via the stock exchange or via a public purchase offer or via a public request to issue this type of offer. The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10% above or below the price identified in the XETRA trading system (or a comparable successor system) on the stock market day in the opening auction. If shares are acquire via a (i) public purchase offer or a (ii) public request to issue a purchase offer, the offered purchase price or the thresholds for the offered purchase price range per share (without incidental acquisition costs) may not be more than 10% above or below the respective value of a share of the company. The respective value for (i) the price identified in the closing auction in XETRA trading (or a comparable successor system) on the stock market trading day prior to the date the offer is announced, and for (ii) the price identified in the closing auction in XETRA trading (or a comparable successor system) on the last stock market day prior to the date on which the offers were accepted by the company. If there are significant differences between the relevant prices after the purchase offer is published, the offer can be adjusted. The Management Board is authorised to use the acquired own shares for all purposes permitted by law: In particular, it can withdraw the shares or sell them off the stock exchange or via an offer to shareholders or against non-cash contributions. Shareholders' subscription rights can be excluded under certain conditions.

Key conditioned agreements of the company

According to the option terms and conditions, in the event of a change in control at the company the stock options of the Management Board member Frank Schuhardt are immediately exercisable, provided options have not yet been vested. Options which have not yet been vested lapse without substitution. The first tranche of stock options amounting to 15,810 shares was issued on 22 November 2007. All options which are part of the stock option plans vest after 2 years. As a result, those options from the first tranche are vested and are immediately excercisable in the event of a change in control.

Consolidated Financial Statements of Delticom AG

Table of contents

Consolidated Financial Statements of Delticom AG

Consolidated Income Statement

€ thousand	Notes	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Revenues	(1)	**311,259**	**258,979**
Other operating income	(2)	4,315	3,221
Total operating revenue		**315,574**	**262,200**
Cost of goods sold	(3)	–225,790	–193,723
Gross profit		**89,784**	**68,477**
Personnel expenses	(4)	–5,801	–4,952
Depreciation of intangible assets and property, plant and equipment	(5)	–1,037	–486
Other operating expenses	(6)	–53,541	–46,590
Earnings before interest and taxes (EBIT)		**29,405**	**16,449**
Financial expenses		–30	–11
Financial income		194	1,159
Net financial result	(7)	**163**	**1,148**
Earnings before taxes (EBT)		**29,568**	**17,596**
Income taxes	(8)	–9,340	–5,866
Consolidated net income		**20,228**	**11,731**
Thereof allocable to:			
Shareholders of Delticom AG		20,228	11,731
Earnings per share (basic)	(9)	1.71	0.99
Earnings per share (diluted)	(9)	1.70	0.99

Statement of Recognised Income and Expenses

€ thousand	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Consolidated Net Income	**20,228**	**11,731**
Changes in the financial year recorded directly in equity		
Changes in currency translation	4	–100
Changes in value of financial assets in the “available-for-sale assets” category		
Changes in current value recorded directly in equity	33	61
Recognition of settled hedging transactions with effect on income	–60	0
Deferred tax on current changes without effect on income	9	–19
Other comprehensive income for the period	**–15**	**–59**
Total comprehensive income for the period	**20,213**	**11,671**

Consolidated Balance Sheet

Assets

€ thousand	Notes	31.12.2009	31.12.2008
Non-current assets		**6,910**	**3,387**
Intangible assets	(10)	1,198	1,166
Property, plant and equipment	(11)	5,424	2,136
Deferred taxes	(12)	154	0
Other receivables	(13)	134	85
Current assets		**99,938**	**92,250**
Inventories	(14)	42,858	37,134
Accounts receivable	(15)	10,148	8,468
Other current assets	(16)	6,289	3,688
Securities	(17)	3,039	13,620
Cash and cash equivalents	(18)	37,603	29,339
Assets		**106,848**	**95,637**

Shareholders' Equity and Liabilities

€ thousand	Notes	31.12.2009	31.12.2008
Equity		**58,794**	**50,224**
Subscribed capital	(19)	11,839	3,946
Share premium	(20)	24,112	31,809
Other components of equity	(21)	–101	–86
Retained earnings	(22)	200	200
Net retained profits	(23)	22,744	14,355
Liabilities		**48,054**	**45,414**
Non-current liabilities		**482**	**478**
Non-current provisions	(24)	42	34
Deferred tax liabilities	(25)	440	443
Current liabilities		**47,573**	**44,936**
Provisions for taxes	(24)	2,915	2,053
Other current provisions	(24)	627	28
Accounts payable	(26)	36,645	36,192
Other current liabilities	(28)	7,386	6,664
Shareholders' equity and liabilities		**106,848**	**95,637**

Consolidated Cash Flow Statement

€ thousand	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Earnings before interest and taxes (EBIT)	**29,405**	**16,449**
Depreciation of intangible assets and property, plant and equipment	1,037	486
Changes in other provisions	607	–299
Net gain on the disposal of assets	–2	1
Changes in inventories	–6,482	–1,553
Changes in receivables and other assets not allocated to investing or financing activity	–4,504	1,494
Changes in payables and other liabilities not allocated to investing or financing activity	1,372	4,510
Interest received	194	1,159
Interest paid	–30	–11
Income tax paid	–8,482	–5,578
Cash flow from operating activities	**13,115**	**16,657**
Proceeds from the disposal of property, plant and equipment	2	0
Payments for investments in property, plant and equipment	–3,411	–1,180
Payments for investments in intangible assets	–187	–106
Proceeds from the disposal of financial assets	0	1,000
Changes in liquidity reserve	10,581	–13,579
Cash flow from investing activities	**6,985**	**–13,865**
Dividends paid by Delticom AG	–11,839	–7,893
Cash flow from financing activities	**–11,839**	**–7,893**
Changes in cash and cash equivalents due to currency translation	4	–100
Cash and cash equivalents at the start of the period	29,339	34,540
Changes in cash and cash equivalents	8,264	–5,202
Cash and cash equivalents - end of period	**37,603**	**29,339**
For information only:		
Liquidity - start of period	**42,918**	**34,540**
Changes in cash and cash equivalents	8,264	–5,202
Changes in liquidity reserve	–10,581	13,579
Liquidity - end of period	**40,601**	**42,918**

Statement of Changes in Shareholders' Equity

€ thousand	Subscribed capital	Share premium	Reserve from currency translation	Revaluation Reserve	Accumulated profits / losses: Retained earnings	Accumulated profits / losses: Net retained profits	Accumulated profits / losses: total	Total equity
as of 1 January 2008	**3,946**	**31,706**	**–27**	**0**	**200**	**10,518**	**10,717**	**46,342**
Increase in share premium due to stock options		103						103
Dividends paid						–7,893	–7,893	–7,893
Total comprehensive income for the period			–100	41		11,731	11,731	11,671
as of 31 December 2008	**3,946**	**31,809**	**–128**	**41**	**200**	**14,355**	**14,555**	**50,224**
as of 1 January 2009	**3,946**	**31,809**	**–128**	**41**	**200**	**14,355**	**14,555**	**50,224**
Capital increase from company funds	7,893	–7,893						
Increase in share premium due to stock options		196						196
Dividends paid						–11,839	–11,839	–11,839
Total comprehensive income for the period			4	–19		20,228	20,228	20,213
as of 31 December 2009	**11,839**	**24,112**	**–124**	**23**	**200**	**22,744**	**22,943**	**58,794**

Notes to the Consolidated Financial Statements of Delticom AG

Table of contents

Notes to the Consolidated Financial Statements of Delticom AG

Segment reporting

Segment results

2008

€ thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**237,563**	**21,416**	**0**	**258,979**
Other operating income	708	128	2,386	3,221
Cost of goods sold	–174,673	–19,051	0	–193,723
Gross profit	**63,598**	**2,493**	**2,386**	**68,477**
Personnel expenses	–2,058	–404	–2,489	–4,952
Depreciation and amortization	–271	0	–215	–486
thereof property, plant and equipment	–197	0	–176	–373
thereof intangible assets	–75	0	–38	–113
Other operating expenses	–40,514	–843	–5,233	–46,590
thereof bad debt losses and one-off loan provisions	–1,857	–49	0	–1,906
Segment result	**20,754**	**1,246**	**–5,551**	**16,449**
Net financial result				1,148
Income taxes				–5,866
Consolidated net income				**11,731**

2009

€ thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**296,498**	**14,761**	**0**	**311,259**
Other operating income	1,421	62	2,831	4,315
Cost of goods sold	–213,143	–12,647	0	–225,790
Gross profit	**84,775**	**2,177**	**2,831**	**89,784**
Personnel expenses	–2,466	–398	–2,938	–5,801
Depreciation and amortization	–857	–1	–179	–1,037
thereof property, plant and equipment	–743	–1	–137	–881
thereof intangible assets	–114	0	–42	–156
Other operating expenses	–47,955	–781	–4,804	–53,541
thereof bad debt losses and one-off loan provisions	–1,449	–104	0	–1,553
Segment result	**33,498**	**997**	**–5,090**	**29,405**
Net financial result				163
Income taxes				–9,340
Consolidated net income				**20,228**

Segment assets, segment liabilities and segment investments

as of 31 December 2008:

€ thousand	E-Commerce	Wholesale	not allocated	Group
Segment assets				
Intangible assets, property, plant and equipment and financial assets	2,986	3	313	3,302
Other non-current assets	85	0	0	85
Total non-current assets	**3,071**	**3**	**313**	**3,387**
Inventories	37,058	77	0	37,134
Accounts receivable	3,425	5,043	0	8,468
Cash and cash equivalents	6,740	0	22,599	29,339
Other assets	757	38	2,893	3,688
Total current assets	47,980	5,158	25,492	78,630
Total segment assets	**51,050**	**5,161**	**25,806**	**82,017**
Deferred taxes				0
Securities				13,620
Total assets				95,637
Segment liabilities				
Non-current segment liabilities	**0**	**0**	**34**	**34**
Other current provisions	0	0	28	28
Accounts payable	34,569	1,569	53	36,192
Other current borrowing	5,457	46	1,160	6,664
Current segment liabilities	**40,026**	**1,616**	**1,241**	**42,883**
Total segment liabilities	**40,026**	**1,616**	**1,275**	**42,918**
Deferred taxes and tax liabilities				2,496
Total segment assets				45,414
Segment investments				
Intangible assets	86	0	20	106
Property, plant and equipment	1,094	4	83	1,180
Total investments	1,180	4	103	1,286

as of 31 December 2009:

€ thousand	E-Commerce	Wholesale	not allocated	Group
Segment assets				
Intangible assets, property, plant and equipment and financial assets	6,234	4	384	6,621
Other non-current assets	134	0	0	134
Total non-current assets	**6,368**	**4**	**384**	**6,756**
Inventories	42,468	390	0	42,858
Accounts receivable	6,677	3,471	0	10,148
Cash and cash equivalents	33,647	0	3,956	37,603
Other assets	911	2	5,376	6,289
Total current assets	83,704	3,864	9,331	96,899
Total segment assets	**90,072**	**3,868**	**9,715**	**103,655**
Deferred taxes				154
Securities				3,039
Total assets				106,848
Segment liabilities				
Non-current segment liabilities	**0**	**0**	**42**	**42**
Other current provisions	537	0	90	627
Accounts payable	35,439	1,134	72	36,645
Other current borrowing	6,390	39	956	7,386
Current segment liabilities	**42,366**	**1,174**	**1,118**	**44,658**
Total segment liabilities	**42,366**	**1,174**	**1,160**	**44,700**
Deferred taxes and tax liabilities				3,354
Total segment assets				48,054
Segment investments				
Intangible assets	168	0	20	188
Property, plant and equipment	4,078	2	89	4,169
Total investments	4,246	2	109	4,356

General notes

Delticom AG (hereinafter referred to as the "company") is the parent company of the Delticom group (hereinafter referred to as the "Delticom"). Delticom AG is entered in the commercial register of Hanover local court. Delticom's address is Brühlstrasse 11, 30169 Hanover, Germany.

The company's activities are grouped under the divisions of E-Commerce and Wholesale.

Most of the group's revenues are generated by the E-Commerce division. Delticom sells tyres and other products over 105 online shops to private and business customers. The online shop which generates the most revenues is ReifenDirekt – a well-known brand in the German speaking Internet community.

The group offers its product range in 35 countries, with a focus on the EU and other European countries such as Switzerland and Norway. Delticom also sells tyres outside Europe, with the main focus on the USA.

Delticom generates a large share of its revenues by selling from own inventories. This stock-and-ship business strengthens the relationships with manufacturers and enhances the supply capability, while generating good margins. Using drop-ship fulfilment, the company also sells goods from the warehouses of manufacturers and wholesalers: Either the tyres are transported directly from the supplier to the customer, or Delticom lets parcel services carry out the delivery.

The online shops present the entire product range in a consistent look and feel. Hotlines in the different languages and the global fitting partner network secure a high level of service quality.

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad.

The Management Board has authorized these consolidated financial statements for publication on 19 March 2010. The consolidated financial statements will be published and submitted to the operators of the electronic federal gazette, to make these public.

All calculations were carried out with full accuracy. As a consequence, the tables can show rounding differences.

Key accounting and valuation policies

General principles

Delticom AG prepares exempting consolidated financial statements in compliance with IFRS according to the option provided by Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code).

Delticom's consolidated financial statements for the fiscal year 2009 were prepared according to the accounting standards prescribed by the International Accounting Standards Board (IASB) that were mandatory on the balance sheet date according to the EU Directive, based on the historical costs principle, restricted by financial assets and financial liabilities (including derivative financial instruments) carried at their fair value and recognised in income. The requirements of the standards and interpretations (SIC / IFRIC) applied were fulfilled without exception and lead to the financial statements providing a true and fair view of the Delticom's financial position and results of operations.

The consolidated financial statements were prepared in euros (€). This is both Delticom's functional and reporting currency. As a rule, the information on the amounts in the consolidated notes are in thousands of euros (€ thousand) to the extent that nothing is stated to the contrary.

Impact of new or changed standards:

Standard / interpretation		Mandatory application	EU commissions use on 31.12.09	Impact
IAS 1	Presentation of the financial statements	01.01.09	yes	New order of statements
IFRS 1 IAS 27	Cost of a subsidiary	01.01.09	yes	none
IFRS 2	Amended: Share-based payment, vesting conditions and cancellations	01.01.09	yes	none
IFRS 4	Insurance contracts	01.01.09	yes	none
IFRS 7	Amended: Reclassifications of financial assets	01.07.08	yes	none
IFRS 7	Changed: Enhancing disclosures about fair value and liquidity risk	01.01.09	yes	Changes in notes relating to IFRS 7
IFRS 8	Operating segments	01.01.09	yes	Changes in segment reporting
IAS 32 IAS 1	Amended: Puttable instruments and obligations arising on liquidation	01.01.09	yes	none
IAS 23	Borrowing costs	01.01.09	yes	none
IFRIC 9 IAS 39	Reassessment of Embedded Derivatives	01.01.09	yes	none
IFRIC 11 IFRS 2	Group and treasury share transactions	01.03.07	yes	none
IFRIC 13	Customer loyalty programmes	01.07.08	yes	none
IFRIC 14 IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction	01.01.09	yes	none
	Improvements to IFRSs (2008)	01.01.09	yes	none

New or amended standards not applied:

Standard / interpretation		Mandatory application	EU commissions use on 31.12.09	Impact
IFRS 1	First-time adoption of International Financial Reporting Standards	01.01.10	yes	none
IFRS 1	Additional exemptions for first-time adopters	01.01.10	no	none
IFRS 1 IFRS 5	Improvements 2008	01.01.10	yes	none
IFRS 2	Group cash-settled share-based payment transactions	01.01.10	no	none
IFRS 3 IAS 27	Business combinations	01.01.10	yes	Presentation of consolidated accounts
IFRS 9	Financial Instruments: classification and measurement	01.01.13	no	not known
IAS 24	Related party disclosures	01.01.11	no	none
IAS 32	Classification of rights issues	01.01.11	yes	none
IAS 39	Exposures qualifying for hedge accounting	01.01.10	no	none
	Improvements 2009	01.01.10	no	no major
IFRIC 12	Service concession arrangements	01.01.10	yes	none
IFRIC 14	The limit on a defined benefit asset – amendments	01.01.11	no	none
IFRIC 15	Agreements for the construction of real estate	01.01.10	yes	none
IFRIC 16	Hedges of a net investment in a foreign operation	01.01.10	yes	none
IFRIC 17	Distributions of non-cash assets to owners	01.01.10	yes	none
IFRIC 18	Transfers of assets from customers	01.01.10	yes	none
IFRIC 19	Extinguishing financial liabilities with equity instruments	01.01.10	no	none

Group of consolidated companies

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

Consolidation methods

Subsidiaries are all companies for which the company has control of the financial and business policy, as a rule accompanied by voting rights of more than 50%. They are included from the date on which they can be controlled; they are deconsolidated when this is no longer possible.

Acquired subsidiaries are accounted for using the purchase method. Acquisition costs correspond to the fair value of the assets paid, the equity instruments issued and the debts resulting or taken over on the date of exchange plus the costs that can be directly allocated to the acquisition. Assets, liabilities and contingent liabilities that can be identified as part of a business combination are valued at their fair value on the date of exchange during initial consolidation, irrespective of the scope of the minority interests.

The amount by which the acquisition costs exceed the Group's share of the net assets measured at their fair value is carried as goodwill. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, the difference is taken directly to the income statement.

The consolidated financial statements are based on the financial statements prepared according to uniform accounting and valuation methods for the companies included in the consolidated financial statements. The balance sheet date for the single-entity financial statements for the companies included in the consolidated financial statements is the same as the balance sheet date for the consolidated financial statements.

All intra-group receivables and liabilities or provisions were eliminated during the consolidation of debts netting. Revenues from deliveries and services as well as interest payments and other income between the consolidated companies are offset against the expenses due in this regard (consolidation of income and expenses). There were no minority interests in equity and the earnings of subsidiaries that are controlled by the parent company.

Segment reporting

A business segment is a group of assets and operating activities that provides products or services, and that differs from the other divisions with regard to its opportunities and risks.

The company's activities that result in revenues and other income are grouped under the divisions of Wholesale and E-Commerce. As a result, Delticom is a two-segment company. In the Wholesale division, the company sells tyres from manufacturers, including under its own brand, to wholesalers. In the E-Commerce division, tyres are sold to dealers, workshops and end users via 105 shops (previous year: 100) in 35 countries. There are no other divisions that could constitute segments with a separate reporting requirement. As in previous years, there were no inter-segment revenues. These segments are managed internally via the Wholesale and E-Commerce divisions. Segment reporting is also in line with this breakdown.

Currency translation

Transactions denominated in foreign currency are converted in the individual statements of Delticom AG and its subsidiaries at the exchange rates prevailing on the date of the transaction. Monetary items in the balance sheet denominated in foreign currency are carried using the exchange rate on the balance sheet date, with any gains or losses recognised in income.

The items included in the financial statements of each company of the Group are measured based on the currency which is the currency of the primary economic environment in which the company operates (functional currency).

The foreign companies which form part of the Delticom Group are, as a rule, independent sub-units, whose financial statements are translated to euros using the functional currency concept.

All assets and liabilities are translated using the exchange rate on the balance sheet date. Equity is carried at historical exchange rates. The items on the income statement are translated to euros using the weighted average annual rate of exchange. The resulting currency translation differences are taken directly to equity and carried under the reserve for currency translation differences, where they remain until the corresponding subsidiary exits the consolidated Group.

Country	Mid rate on 31.12.2009 € 1 =	Weighted yearly average rate € 1 =
UK	0.8932 GBP	0.8917 GBP
USA	1.4303 USD	1.3904 USD
Romania	4.2393 RON	4.2223 RON

Estimates and assumptions

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses and contingent liabilities carried in these statements. The assumptions and estimates are for the most part related to the stipulation of useful life, accounting and valuation of provisions, as well as the certainty of realising future tax relief. The assumptions on which the respective estimates are based are discussed for the individual items of the income statement and balance sheet. Actual values may vary in individual cases from the assumptions and estimates made. Any such deviations are recognised in income when they come to light.

Accounting and valuation principles

Intangible assets acquired for a fee are capitalised at cost plus the costs required to make these usable and are, to the extent that they have a definite useful life, written down over their useful life using the straight-line method on a pro rata basis. Costs that are associated with the maintenance of software are recognised as expenses when these are incurred.

The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life in years
Similar rights and assets (domains)	20
Software	3-5

Property, plant and equipment is carried at cost less accumulated scheduled depreciation and impairment costs. Cost includes the purchase price including directly attributable incidental acquisition costs that are incurred to render the asset usable. Discounts, bonuses and rebates are deducted from the purchase price. Assets are depreciated using the straight-line method on a pro rata basis.

Subsequent costs are only recorded as part of the costs of the asset if it is probable that the future economic benefits will flow to the Group and the costs of the asset can be reliably identified. All other repairs and maintenance are recognised in income in the income statement in the fiscal year in which they are incurred.

The remaining book values and economic useful lives are reviewed on each balance sheet date and adjusted accordingly. If the book value of an asset exceeds its estimated recoverable amount, it is written down to the latter immediately. If the reasons for non-scheduled depreciation performed in previous years no longer apply, the asset is written up accordingly.

Gains and losses from the disposal of assets are calculated as the difference between the income from the sale and the book value and recognised in income.

The scheduled straight-line depreciation is mostly based on the following useful lives:

	Useful life years
Leasehold improvements	33
Machinery	4-15
Equipment	3-15
Office fittings	3-15

Leases are classified as finance leases if the major risks and opportunities associated with the ownership of the leased asset from use of the leased asset are transferred to Delticom.

Assets from finance leases are capitalised at the lower of the fair value of the leased asset and the cash value of the minimum lease payments. The lease instalments are broken down into an interest component and a repayment component to give constant interest for the liabilities from the lease. Lease liabilities are carried as non-current liabilities without considering interest.

The property, plant and equipment to be carried under finance leases is written down over the shorter of the asset's useful life or the term of the lease. If assets in a finance lease are transferred to a lessee, the cash value of the lease payments is carried as a receivable. Leasing income is recognised over the term of the lease using the annuity method. In 2009 Delticom did not enter into any such leases.

All leases that do not meet the criteria of a finance lease are classified as operating leases, with the assets accounted for by the lessor.

The **financial instruments** carried on the balance sheet (financial assets and financial liabilities) within the meaning of IAS 32 and IAS 39 comprise specific financial investments, trade accounts receivable, cash and cash equivalents, trade accounts payable and certain other assets and liabilities resulting from contractual agreements.

Financial assets are broken down into the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets recognised. The classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets upon initial recognition.

The category *financial assets at fair value through profit or loss* has two sub-categories: financial assets that have been held for trading from the outset, and financial assets that have been classified at fair value through profit or loss from the outset. A financial asset is allocated to this category if it was, in principle, acquired with the intention to sell it over the short term, or if the financial asset was designated accordingly by the management. Derivatives also fall in this category, to the extent that these are not hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Group directly provides money, goods or services to a debtor without the intention of negotiating these receivables.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group's management has the intention and ability to hold these to maturity.

Available-for-sale financial assets are non-derivative financial assets that are classified as being available for sale and are not allocated to another category.

These financial instruments are carried under non-current assets to the extent that management does not intend to sell these within 12 months of the balance sheet date.

As a rule, sales and purchases of financial assets are accounted for on the date of the transaction – this is the date on which the company becomes a contracting party.

When these financial assets or liabilities are accounted for the first time, they are carried at cost which corresponds to the fair value of consideration taking into account transaction costs.

Financial assets that do not belong to the category *at fair value through profit or loss* are initially carried at their fair value plus transaction costs. They are booked out when the rights to payments from the investment have expired or been transferred, and the Group has mostly transferred all of the opportunities and risks that are associated with ownership.

Financial assets in the categories *available-for-sale* and *fair value through profit or loss* are measured at their fair value after initial recognition. *Loans and receivables* and *held-to-maturity* financial investments are carried at amortised cost using the effective interest method.

Realised and non-realised gains and losses from changes to the fair value of assets in the category *fair value through profit or loss* are recognised in income in the period in which they arise. Non-realised gains or losses from changes to the fair value of non-monetary securities in the *available-for-sale* category are taken to equity, to the extent that there is no impairment. If assets in this category are sold, the accumulated adjustments to the fair value included in equity are to be recorded in income in the income statement as gains or losses from financial assets.

An impairment test is performed on each balance sheet date to review whether there are objective reasons for impairment of a financial asset or a group of financial assets. For equity instruments classified as *available-for-sale*, a significant or lasting reduction in the fair value below acquisition costs of these equity instruments is treated as an indicator that the equity instruments are impaired.

As a rule, **inventories** are carried at the lower of cost or market and, if necessary, taking into account any write-downs for restricted marketability.

Costs are calculated based on the average cost method (weighted average). In the average cost method, acquisition or production costs for comparable assets are ascertained in that a weighted average is formed of the costs of the inventories present at the start of the period and the acquisitions at measured at cost during the period. The market price is the selling price during the course of normal business less selling costs. Borrowing costs are not capitalised as costs.

Trade accounts receivable and **other receivables** are initially carried at their fair value and then at amortised cost using the effective interest rate method and less impairment. Impairment is recognised for trade accounts receivable if there is objective evidence that it will not be possible to collect the due receivable in full. The amount of the impairment is the difference between the book value of the receivable and the discounted value of the estimated future cash flows from this receivable, discounted using the effective interest rate. The carrying amount of the receivables is determined using special impairment account. Impairment is recognised as expense. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

Cash and cash equivalents are carried at their nominal amounts. This item is used to disclose bank balances that are exclusively current in nature, as well as cash in hand. Cash and cash equivalents denominated in foreign currency are translated using the exchange rate on the balance sheet date.

Deferred taxes were calculated in line with IAS 12. As a rule, deferred tax assets are formed for temporary differences between the carrying amounts in the tax base and the consolidated financial statements to the extent that it is probable, that in future taxable results will be available against which the temporary difference can be used. In addition, deferred taxes are also formed for losses carried forward which are expected to be realized in future. As a rule, deferred tax liabilities are formed for all taxable temporary differences between the carrying amounts in the tax base and the consolidated financial statements.

Deferred taxes are recorded directly under equity if the tax relates to items that are credited or charged directly to equity in the same or in a different period.

Deferred taxes are measured using the tax rates and tax regulations that apply on the balance sheet date or which have mostly been passed by law and which are expected to apply on the date the deferred taxes are realized or the deferred tax liability is expected to be paid. Deferred taxes for German companies are measured at a tax rate of 31.93% (previous year: 31.93%).

Deferred tax receivables and liabilities are netted to the extent that there is a legally enforceable right to set off the deferred tax receivables against the deferred tax liabilities and the deferred taxes are for the same tax authority.

Deferred tax receivables and deferred tax liabilities are carried under non-current assets or non-current liabilities according to IAS 1.70. Deferred tax assets and liabilities cannot be discounted according to IAS 12.53.

The German companies are subject to trade tax of 16.1% (previous year: 16.1%) of trade income, which had been deductible from the corporation tax base through to 2007. In the reporting period, the corporation tax rate was 15.0% (previous year: 15.0%) plus the solidarity surcharge of 5.5% (previous year: 5.5%) on corporation tax.

Foreign income taxes are calculated based on the applicable laws and regulation in the respective individual countries. The respective national tax rates are used.

Income tax provisions are netted with corresponding refund claims if these are in the same tax jurisdiction and are of the same type and term.

Provisions are only carried if the company has a current (legal or de facto) obligation to third parties as a result of a past event and it is probable that fulfilment of the obligation will lead to an outflow of resources, and the amount of the obligation can be reliably estimated. Provisions are formed taking into account all recognisable risks at the expected fulfilment amount and are not offset against any recourse claims.

Provisions are reviewed on each balance sheet date and adjusted to the current best estimate. If there is a material interest effect from the date of fulfilment of the obligation, the provision is carried at its cash value. To the extent that no reliable estimate is possible in individual cases, no provision is formed – instead a contingent liability is carried.

Trade accounts payable and **other liabilities** are initially carried at their fair values including transaction costs and measured in subsequent periods at amortised cost. The difference between the disbursement rate and the repayment amount is carried in the income statement over the term of the respective agreement using the effective interest rate method. Items denominated in foreign currency are measured at the mean rate of exchange on the balance sheet date.

Income is recognised if it is probable that the economic benefits associated with the corresponding transaction will accrue to the enterprise and the amount of the revenues can be reliably measured. As a rule, income from services is recognised on a pro rate basis over the period in which the service is performed. Revenues are carried less any price reductions and bulk rebates. For sales of trading goods, revenues are realised when the customer takes economic ownership, the latter does have to coincide with transfer of legal ownerhips. Deliveries of trading goods where a return is likely (judged on the basis of past experience) are not recognised in income.

Expenses are recognised if it is probable that the economic benefits associated with the corresponding transaction will flow out of the enterprise and the amount of the expenses can be reliably measured. Borrowing costs are carried exclusively in the income statement. These are not capitalised as a cost component.

Interest is carried in line with the effective interest on assets and liabilities.

Scheduled amortisation / depreciation is performed in line with the useful lives of intangible assets and property, plant and equipment. **Value adjustments** for assets (impairment test) at amortised cost are carried under extraordinary amortisation / depreciation. On each balance sheet date, Delticom performs an impairment test for its intangible assets and property, plant and equipment to ascertain whether there are signs of impairment. If any such signs can be recognised, the recoverable amount is estimated in order to ascertain the amount of the impairment.

If the recoverable amount for an individual asset cannot be estimated, the estimate is performed at the level of the cash-generating unit to which the asset belongs. Extraordinary amortisation / depreciation is performed if the benefits accruing from the asset are lower than its carrying amount. The benefit accruing from an asset is the higher of the net selling price less costs of sale and the capitalised earnings value. The present value is given by the cash value of the cash flows to be allocated to the asset in future. If the reason for previous impairment no longer applies, the asset is written-up.

Capital risk management

The Group manages its capital with the aim of maximizing income for its stakeholders by optimizing the equity/borrowing ratio. This also serves the purpose of reducing the costs of procuring capital. This ensures that all of the companies in the Group can operate as a going concern.

In order to maintain or optimise its capitalisation, the Group must adjust the amount of its dividend payments, make capital repayments to shareholders, issue new shares or sell assets to reduce liabilities.

Notes to the income statement

(1) Revenues

Other income is carried under other operating income.

for the period from 01 January 2008 to 31 December 2008:

€ thousand	EU Countries	USA and others	Total
E-Commerce	202,649	34,914	237,563
Wholesale	17,780	3,636	21,416
Total	**220,428**	**38,550**	**258,979**

for the period from 01 January 2009 to 31 December 2009:

€ thousand	EU Countries	USA and others	Total
E-Commerce	241,362	55,136	296,498
Wholesale	13,388	1,373	14,761
Total	**254,749**	**56,509**	**311,259**

(2) Other operating income

€ thousand	2009	2008
Income from exchange rate differences	2,334	2,387
Insurance compensation	380	128
Book gains from the disposal of assets	2	0
Other	1,599	707
Total	**4,315**	**3,221**

Currency gains include gains from exchange rate changes between the time the transaction occurs and the date of payment and valuation on the balance sheet date. Currency losses from these translations are carried under other operating expenses.

(3) Cost of sales

The cost of sales amounted to € 225.8 million (previous year: € 193.7 million) result exclusively from the sale of trading goods.

(4) Personnel expenses

€ thousand	2009	2008
Wages and salaries	5,134	4,368
Social security contributions	643	561
Expenses for pensions and other benefits	24	23
Total	**5,801**	**4,952**

Statutory pension insurance in Germany is a defined contribution plan. As a result of statutory requirements, Delticom makes contribution payments to the statutory pension insurance scheme. Delticom does not have any additional obligations other than payment of contributions. The contributions, € 340 thousand (previous year: € 301 thousand) are recognised under personnel expenses when due.

In 2009, Delticom had an average of 87 employees (previous year: 81 employees).

(5) Amortisation of intangible assets and depreciation of property, plant and equipment

€ thousand	2009	2008
Intangible assets	156	113
Property, plant and equipment	881	373
Total	**1,037**	**486**

No extraordinary amortisation / depreciation was required as a result of impairment testing (IAS 36).

(6) Other operating expenses

€ thousand	2009	2008
Transportation costs	26,810	20,908
Warehousing costs	3,189	2,508
Credit card fees	2,135	1,794
Bad debt losses and one-off loan provisions	1,553	1,906
Marketing costs	7,691	7,220
Operations centre costs	3,556	3,758
Rents and overheads	2,214	1,474
Financial and legal costs	1,829	2,031
IT and telecommunications	603	516
Expenses from exchange rate differences	2,763	3,178
Other	1,199	1,297
Total	**53,541**	**46,590**

The rental payments carried stem from a rental agreement for office premises and parking spaces in Brühlstrasse 11, Hanover and warehouses locations. The rental agreements meet the definition of an operating lease.

Future lease payments are discussed under "Other information".

(7) Financial result

€ thousand	2009	2008
Financial expenses	30	11
Financial income	194	1,159
Total	**163**	**1,148**

The financial result only contains interest for those financial instruments that were not measured at their fair value on the balance sheet.

(8) Income taxes

The income taxes recognised in income result from:

	2009			2008		
€ thousand	Germany	Abroad	Total	Germany	Abroad	Total
Current income taxes	9,520	–27	9,494	5,752	10	5,762
thereof out-of-period	–12	0	–12	128	0	128
Deferred income taxes	5	–158	–154	104	0	104
Total	**9,525**	**–185**	**9,340**	**5,856**	**10**	**5,866**

In the year under review, income taxes of € 11 thousand (previous year: € 19 thousand) were carried directly under equity.

Deferred tax assets and liabilities are formed in connection with the following items and issues:

€ thousand	2009 Deferred tax assets	2009 Deferred tax liabilities	2008 Deferred tax assets	2008 Deferred tax liabilities
Loss carryforwards	154	0	0	0
Intangible assets	3	26	0	28
Property, plant and equipment	0	72	0	35
Inventories	36	230	0	169
Receivables	0	93	7	42
Financial assets	0	11	–7	19
Cash an cash equvialents	0	62	0	0
Provisions	0	23	3	–22
Liabilities	0	85	0	181
Other equity and liabilities	124	1	7	0
Total	**317**	**603**	**10**	**453**
Balancing	–163	–163	–10	–10
Value on the balance sheet	**154**	**440**	**0**	**443**

The following overview shows the reconciliation of the anticipated tax result with the actual income tax result:

€ thousand	2009	2008
Profit before income taxes	29,568	17,596
Delticom AG income tax rate	31.93%	31.93%
Expected tax expense	**9,441**	**5,619**
Differences from anticipated income tax expense		
Adjustment to different tax rate	16	–18
Non-capitalised deferred taxes on tax loss carryforwards	15	125
Capitalised deferred taxes on loss carryforwards	–146	0
Non-capitalised deferred taxes on temporary differences	0	59
Non-deductible operating expenses	27	34
Creditable foreign withholding tax	0	–78
Non-period ongoing taxation	–12	128
Other tax effects	–1	–2
Total adjustments	**–101**	**247**
Actual tax expense	**9,340**	**5,866**

The adjustment to the different tax rate is based on lower income tax rates for foreign subsidiaries. No deferred tax assets were formed for non-recoverable foreign loss carriedforwards totalling € 89 thousand; these can be carried forward for 5 years. For recoverable foreign loss carryforwards totalling € 395 thousand deferred tax assets amounting to € 146 thousand formed. These can be carried forward for between 15 and 20 years.

(9) Earnings per share

Basic earnings per share totalled € 1.71 (previous year: € 0.99). The diluted earnings per share totalled € 1.70 (previous year: € 0.99).

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 November 2007, 37,500 potential shares from the tranche dated 08 May 2008, 37,500 potential shares from the tranche dated 25 November 2008 and 15,000 potential shares from the tranche dated 30 March 2009. As the exercise price for the tranche dated 22 November 2007 was higher than the average share price since the option was issued on 22 November 2007, this tranche was not included in the diluted earnings per share.

The exercise prices for the tranches 08 May 2008, 25 November 2008 and 30 March 2009 were below the average share prices since the options were issued on 08 May 2008, 25 November 2008 and 30 March 2009. As a result these tranches are included in the diluted earnings per share.

The calculation of the earnings per share was based on net income after taxes totalling € 20,228,075.06 (previous year: € € 11,730,508.91) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,925,814 shares (previous year: 11,867,591 shares).

Notes to the balance sheet

Non-current assets

(10) Intangible assets

€ thousand	Domains	Software	Total
Acquisition costs			
as of 1 January 2008	1,166	185	1,351
Additions	23	83	106
Disposals	0	0	0
Reclassifications	0	0	0
as of 31 December 2008	1,189	267	1,456
Accumulated depreciation			
as of 1 January 2008	114	64	177
Additions	59	54	113
Disposals	0	0	0
Reclassifications	0	0	0
as of 31 December 2008	172	118	290
Residual carrying amounts as of 31 December 2008	**1,017**	**150**	**1,166**

€ thousand	Domains	Software	Total
Acquisition costs			
as of 1 January 2009	1,189	267	1,456
Additions	40	147	187
Disposals	0	1	1
Reclassifications	0	0	0
as of 31 December 2009	1,229	414	1,643
Accumulated depreciation			
as of 1 January 2009	172	118	290
Additions	60	96	156
Disposals	0	–1	–1
Reclassifications	0	0	0
as of 31 December 2009	232	213	445
Residual carrying amounts as of 31 December 2009	**997**	**201**	**1,198**

(11) Property, plant and equipment

€ thousand	Land, similar rights and buildings including buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2008	0	0	2,065	0	2,065
Additions	257	21	845	58	1,180
Disposals	0	0	–99	0	–99
Reclassifications	0	388	–388	0	0
as of 31 December 2008	257	409	2,423	58	3,147
Accumulated depreciation					
as of 1 January 2008	0	0	735	0	735
Additions	0	54	319	0	373
Disposals	0	0	–98	0	–98
Reclassifications	0	18	–18	0	0
as of 31 December 2008	0	72	938	0	1,010
Amortised cost as of 31 December 2008	**257**	**337**	**1,485**	**58**	**2,136**

€ thousand	Land, similar rights and buildings including buildings on third party land	Technical machinery and equipments	Other equipment, factory and office equipment	Payments made on account	Total
Acquisition costs					
as of 1 January 2009	257	409	2,423	58	3,147
Additions	0	1,146	2,789	234	4,169
Disposals	0	0	–5	0	–5
Reclassifications	0	184	0	–184	0
as of 31 December 2009	257	1,739	5,207	107	7,311
Accumulated depreciation					
as of 1 January 2009	0	72	938	0	1,010
Additions	85	85	711	0	881
Disposals	0	0	–4	0	–4
Reclassifications	0	0	0	0	0
as of 31 December 2009	85	157	1,645	0	1,887
Amortised cost as of 31 December 2009	**172**	**1,582**	**3,562**	**107**	**5,424**

Property, plant and equipment includes office equipment for the leased offices in Brühlstrasse 11 in Hanover as well as packaging machines and warehouse equipment.

(12) Deferred taxes

Deferred tax assets amounting to € 154 thousand (previous year: € 0 thousand) will be realised after more than 12 months.

(13) Other non-current receivables

Receivables are primarily to Oberzolldirektion Bern (Upper Excise Office Bern, Switzerland) and the Eidgenössische Steuerverwaltung Bern (Swiss Tax Administration, Bern). These are converted at the exchange rate on the balance sheet date. The receivables are non-current.

Current assets

(14) Inventories

€ thousand	2009	2008
Tyres	42,366	35,632
Other accessories	493	1,502
Total	**42,858**	**37,134**

Inventories comprise merchandise which is underway for which sales transactions had been concluded in part on the balance sheet date totalling € 4,347 thousand (previous year € 3,016 thousand) as well as stored goods totalling € 38,511 thousand (previous year: € 34,118 thousand) intended for sale via E-Commerce. Inventories are carried taking into account the agreed terms of delivery according to Incoterms 2000. During fiscal year 2009, € 143,447 thousand of inventories were carried as expenses (previous year: € 105,332 thousand). There were no write-ups during the assessment year. All inventories are free of pledges.

(15) Accounts receivable

€ thousand	2009	2008
Accounts receivable	10,148	8,468
thereof receivables with associated companies and related parties (category: persons in key positions)	1,146	111

€ thousand			Not written down and overdue since the following periods					
Trade receivables	Carrying amount	Overdue on balance sheet date and not written down	< 30 days	30 to 60 days	60 to 90 days	90 to 180 days	> 180 days	Written down
as of 31.12.2009	10,148	2,565	2,189	314	12	38	12	304
as of 31.12.2008	8,468	3,779	2,334	585	439	279	142	263

The write-downs for trade receivables were as follows:

€ thousand	2009	2008
Write-downs – balance on January 1	**1,816**	**1,141**
Additions (expenses for write-downs)	1,355	1,763
Reversals	–318	0
Expenses for writing off receivables	–1,383	–1,088
Write-downs – balance on December 31	**1,471**	**1,816**

€ thousand	2009	2008
Income from the receipt of written-off receivables	2	73

(16) Other current receivables

€ thousand	2009	2008
Refund claims from taxes	3,863	1,590
Credits with suppliers	401	753
Deferrals	395	197
Other cash an cash equivalents	1,009	952
Other current receivables	621	197
Total	**6,289**	**3,688**

The other current receivables comprise € 188 thousand receivables from foreign exchange contracts (foreign exchange forward contract) (previous year: € 0 thousand).

(17) Securities

Money market funds is carried under securities.

(18) Cash and cash equivalents

Bank balances which are exclusively current in nature, as well as cash in hand are reported as cash and cash equivalents.

Cash and cash equivalents are broken down as follows:

€ thousand	2009	2008
Cash	2	1
Bank balances	37,601	29,338
Total	**37,603**	**29,339**

Equity

(19) Subscribed capital

After going public on 26 October 2006, Delticom’s subscribed capital comprised 3,946,480 no-par value registered shares, each with a proportionate interest of € 1.00 in the company’s share capital. The subscribed capital tripled after the capital increase out of retained earnings and the resulting issuance of new shares, decided upon the General Meeting on 19 May 2009. As a result the subscribed capital comprises 11,839,440 shares, each with a proportionate interest of € 1.00 in the company's share capital. The relating amendment to the articles of incorporation was entered in the commercial register of the Hanover local court on 10 June 2009.

The Management Board's powers with regard to the issue of shares are set out in Article 5 "Amount and Constitution of the Share Capital" of Delticom's articles of incorporation and in Sections 71 et seq. of the AktG. The Management Board was also authorized by resolution of the shareholders' meeting on 30 August 2006, subject to the approval of the Supervisory Board, to increase the company's share capital by a maximum of € 698,240.00 (authorized capital II/2006) by no later than 29 August 2011, through one or more issues of new no-par value registered shares against cash or non-cash contributions in full or in partial amounts. The authorized capital II/2006 was entered in the commercial register on 01 September 2006.

The General Meeting on 30 August 2006 authorized the Management Board or the Supervisory Board in place of the Management Board to the extent that options are granted to members of the Management Board, to grant on one or several occasions up to 29 August 2011, options for the subscription of up to 100,000 new no-par value registered shares of the company to the members of the company‘s Management Board and its employees.

By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by € 100,000.00 by issuing a total of up to 100,000 new no-par value registered shares (contingent capital I/2006). Contingent capital I/2006 serves exclusively to grant shares to the holders of options issued by the company on the basis of the authorization granted by the General Meeting on 30 August 2006 for the granting of options. The contingent capital I/2006 was entered in the commercial register on 01 September 2006.

On the occasion of the capital increase out of retained earnings, which had been decided on the the Annual General Meeting on 19 May 2009, the newly stock issues increased the contingent capital I/2006 to € 300,000.00, proportionally with the share capital. The capital increase and the amendment of the articles of incorporation relating to the contingent capital I/2006 was registered with the Hanover Local Court on 10 June 2009.

In the fiscal year 15,000 option rights were issued to a member of the Board.

The General Meeting on 30 August 2006 authorized the Management Board, with the approval of the Supervisory Board to issue on one or several occasions bearer or registered convertible bonds or bonds with warrants up to 29 August 2011 with a total nominal amount of up to € 150,000,000.00 with or without a limited duration and to grant the holders of these convertible bonds or bonds with warrants conversion rights or options to subscribe to a total of up to 1,448,240 no-par value registered shares of the company with a proportionate interest in the share capital totalling € 1,448,240.00 ("new shares") according to the details of the terms and conditions for the convertible bonds or bonds with warrants. This authorization may be exercised in whole or in part.

By way of a resolution by the General Meeting on 30 August 2006, the company's share capital was conditionally increased by up to € 1,448,240.00 by issuing up to 1,448,240 new no-par value registered shares (contingent capital II/2006). Contingent capital II serves exclusively to grant new shares to the holders of conversion rights or options that are issued according to the authorization of the General Meeting on 30 August 2006 to issue convertible bonds or bonds with warrants by Delticom AG or by companies in which Delticom AG directly or indirectly holds a participating interest.

Contingent capital II / 2006 was entered in the commercial register on 01 September 2006. As a result of the capital increase out of retained earnings by means of the issuance of new share, decided upon the General Meeting on 19 May 2009, the contingent capital I/2006 increased proportionally with the share capital to € 4,344,720.00. The capital increase and the amendment of the articles of incorporation relating to the contingent capital II/2006 were entered in the commercial register of the Hanover court on 10 June 2009.

By way of a resolution by the general meeting on 19 May 2009 the company was authorised to acquire own shares of up to 10% of its share capital. This resolution is valid for 18 months. The authorisation may be exercised in full or in part, on one or several occasions, for one or for several purposes by the company or by third parties for the company's account. The shares are acquired, at the Management Board's discretion, via the stock exchange or via a public purchase offer or via a public request to issue this type of offer.

The compensation per share paid for the acquisition of shares via the stock exchange (without incidental acquisition costs) may not be more than 10% above or below the price identified in the XETRA trading system (or a comparable successor system) on the stock market day in the opening auction. If shares are acquire via a (i) public purchase offer or a (ii) public request to issue a purchase offer, the offered purchase price or the thresholds for the offered purchase price range per share (without incidental acquisition costs) may not be more than 10% higher or lower than the respective value of a share of the company.

The respective value for (i) the price identified in the closing auction in XETRA trading (or a comparable successor system) on the stock market trading day prior to the date the offer is announced, and for (ii) the price identified in the closing auction in XETRA trading (or a comparable successor system) on the last stock market day prior to the date on which the offers were accepted by the company. If there are not insignificant differences between the relevant prices after the purchase offer is published, the offer can be adjusted.

The Management Board is authorized to use the acquired own shares for all purposes permitted by law: In particular, it can withdraw the shares or sell them off the stock exchange or via an offer to shareholders or against non-cash contributions. Shareholders subscription rights can be excluded under certain conditions.

(20) Share premium

The share premium contains the amounts generated in excess of the nominal value when issuing no-par value bearer shares and the expenses resulting from the stock options plan.

Due to capital increase out of retained earnings, which had been decided on the the Annual General Meeting on 19 May 2009, and the resulting issue of new stock the capital reserve decreased by € 7,992,960.00.

In the context of a **stock option program** Delticom AG has granted a member of the Management Board equity-settled options. This commitment is based on the option conditions dated 09 August 2007.

As a rule, the options can be exercised in a six-week period in each case after the announcement of the final quarterly results or the final results of the previous fiscal year.

Exercising an option is conditional upon the unweighted average of the closing price of the company's shares on the five stock market days prior to the first day of the respective exercise period in which the option was exercised being at least 120% of the exercise price.

	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	30.03.2009	25.11.2008	08.05.2008	22.11.2007
Term	10 years	10 years	10 years	10 years
Blackout period	2 years	2 years	2 years	2 years
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Number of options issued	15,000	37,500	37,500	15,810
Number of exercised options issued	0	0	0	0
Number of expired options issued	0	0	0	0
Outstanding on 31.12.2009	15,000	37,500	37,500	15,810
Excersisable on 31.12.2009	0	0	0	15,810

	4th tranche	3rd tranche	2nd tranche	1st tranche
Fair value per option on the date granted	€ 3.18	€ 3.27	€ 3.75	€ 6.47
Total fair value of the options totaled on the date granted	€ 47,700.00	€ 122,500.00	€ 140,750.00	€ 102,291.00
Expenses from the stock option program to be taken into account in fiscal year 2009	€ 17,892.00	€ 61,248.00	€ 70,320.00	€ 46,883.50
Expected time to maturity of issued stock options	3.36 years	3.70 years	4.25 years	4.71 years
Expected annual dividend yield	5.00%	5.00%	5.00%	3.00%
Risk-free interest rate	1.80%	2.57%	4.31%	3.90%
Stock price at issue date	€ 13.63	€ 12.83	€ 13.41	€ 19.65
Exercise price	€ 12.88	€ 12.23	€ 13.19	€ 19.81
Expected volatility	42.00%	44.00%	45.00%	45.00%

The options' fair values were calculated using a binomial model. In so doing, possible developments in Delticom AG's share price were modelled using a binomial decision tree.

The expected volatility was calculated on the basis of historic stock prices of Delticom AG shares. The expected maturity relates to the remaining time to the expiration of the contract of the Board member. The risk-free interest rate was calculated on the basis of a (hypothetical) default-free zero coupon bond without for the appropriate times to maturity.

(21) Gains and losses recognised directly in equity

The accounting currency translation differences for the subsidiaries Delticom Tyres Ltd. and NETIX S.R.L. and Delticom North America Inc. were transferred to the adjustment item for currency translation.

The revaluation reserve from financial instruments totals € 23 thousand (previous year: € 41 thousand). The reduction has its reason in the realisation of the gains from disposal of the securities in income.

(22) Retained earnings

Retained earnings exclusively comprise the legal reserve, which Delticom AG must form according to Section 150 of the Aktiengesetz (AktG – German Public Limited Companies Act).

(23) Net retained profits

Profits carried forward are included in the consolidated net retained profits. The changes can be seen in the statement of changes in shareholders' equity.

Liabilities

(24) Provisions

Provisions had the following breakdown:

€ thousand	01.01.2009	Taken up	Reversal	Additions	31.12.2009
Provisions for taxes	2,053	606	0	1,468	2,915
Other non-current provisions	34	0	0	8	42
Other provisions	28	0	0	599	627
Total	**2,115**	**606**	**0**	**2,075**	**3,584**

Other provisions include, for example, costs for anticipated cancellations of E-Commerce customer orders which will be returned within the right-of-return period, as well as disposal charges to be paid. Other current receivables and provisions for taxes are due within less than one year. Non-current provisions are due in more than one year.

Non-current provisions are used to carry the costs of fulfilling the statutory archive requirements for business documents. The discount rate is 5.5% (previous year: 5.5%).

Provisions for taxes mostly relate to income taxes for the year under review and are not discounted.

(25) Deferred tax liabilities

Deferred tax liabilities are realized after more than 12 months in the amount of € 83 thousand (previous year: € 63 thousand)

(26) Trade accounts payable

€ thousand	2009	2008
Accounts payable	36,645	36,192
thereof liabilities with associated companies and related parties (category: persons in key positions)	304	22

All trade accounts payable have a remaining term of up to one year.

(27) Additional notes concerning financial instruments

Book values, carrying amounts and fair values by measurement category:

€ thousand	Valuation categories acc. to IAS 39	**Book Value 31.12.08**	Balance sheet valuation according to IAS 39			**Fair Value 31.12.08**
			amortized cost	Fair value not affecting income	Fair value – affecting income	
Assets						
Cash and cash equivalents	LaR	29,339	29,339			29,339
Accounts receivable	LaR	8,468	8,468			8,468
Other receivables	LaR	85	85			85
Other original financial assets						
Held-to-Maturity Investments	HtM	4,060	4,060			4,020
Available for Sale Financial Assets	AfS	9,560		9,560		9,560
Derivative financial assets						
Derivates not used for hedging (Held for Trading)	FAHfT	10			10	10
Liabilities						
Accounts payable	FLAC	36,192	36,192			36,192
Derivative financial liabilities						
Derivates not used for hedging (Held for Trading)	FLHfT	212			212	212
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		37,892	37,892			37,892
Held-to-Maturity Investments (HtM)		4,060	4,060			4,020
Available for Sale Financial Assets (AfS)		9,560		9,560		9,560
Financial Assets Held for Trading (FAHfT)		10			10	10
Financial liabilities measured at amortised cost (FLAC)		36,192	36,192			36,192
Financial Liabilities Held for Trading (FLHfT)		212			212	212

€ thousand	Valuation categories acc. to IAS 39	**Book Value 31.12.09**	Balance sheet valuation according to IAS 39			**Fair Value 31.12.09**
			amortized cost	Fair value not affecting income	Fair value – affecting income	
Assets						
Cash and cash equivalents	LaR	37,603	37,603			37,603
Accounts receivable	LaR	10,148	10,148			10,148
Other receivables	LaR	535	535			535
Other original financial assets						
Available for Sale Financial Assets	AfS	3,039		3,039		3,039
Derivative financial assets						
Derivates not used for hedging (Held for Trading)	FAHfT	188			188	188
Liabilities						
Accounts payable	FLAC	36,645	36,645			36,645
Other current liabilities	FLAC	1,350	1,350			1,350
Derivative financial liabilities						
Derivates not used for hedging (Held for Trading)	FLHfT	108			108	108
Thereof cumulated according valuation categories IAS 39						
Loans and receivables (LaR)		48,286	48,286			48,286
Available for Sale Financial Assets (AfS)		3,039		3,039		3,039
Financial Assets Held for Trading (FAHfT)		188			188	188
Financial liabilities measured at amortised cost (FLAC)		37,995	37,995			37,995
Financial Liabilities Held for Trading (FLHfT)		108			108	108

€ thousand	2009	2008
Loans and receivables (LaR)	–1,651	63
Held-to-Maturity Investments (HtM)	25	18
thereof interests	25	18
Available for Sale Financial Assets (AfS)	64	61
Financial Assets and Liabilities Held for Trading (FAHfT + FLHfT)	90	–141
Financial liabilities measured at amortised cost (FLAC)	–3	32
Sum	**–1,475**	**32**

The fair value of cash and cash equivalents, short-term receivables, accounts payable as well as other short-term assets and liabilities corresponds to the book value, due to the short time to maturity. The securities in the available-for-sale category are listed on the stock exchange. They are valued on the basis of the market price on the reporting date. The book value of the derivative financial instruments equals the fair value.

The maximum default risk can be seen from the carrying amount of each financial asset in the balance sheet, including derivative financial instruments, excluding the impairments on these assets on the balance sheet date. As the counterparties for the derivatives are well-known banks, the Group's management believes that those will be able to fulfil their obligations.

Securities *available for sale* contained in the other non-derivative financial assets amount to € 3,039 thousand. They are listed on the stock exchange and thus valued using the market price on the balance sheet date (Level 1 of the fair-value hierarchy). The financial instruments in category *assets held for trading* total € 188 thousand and those designated to the category *liabilities held for trading* total € 108 thousand. We have classified both in the fair-value hierarchy level 2. A classification of level 2 has the necessary condition that there is a comparable financial instrument which is priced on the stock exchange. If not, at least if must be possible to objectively derive the parameters needed to calculated the value from other regulated markets. Financial instruments where significant input parameters into the valuation method cannot be based on observable markets (level 3 of the fair-value hierarchy) were not held.

Net profits and losses from *loans and receivables* comprise changes in the write-downs, effects on net income due to disposals, reversals of impairment losses recognised in profit or loss of the loands and receivables, as well as effects from currency translation.

Net profits from financial investments *held-to-maturity* recognise interest income only.

Net profits from *assets available-for-sale* comprise the changes in value amounting to € 92 thousand (previous year: € 60 thousand), accounted for in the other operating income. In addition, the net profits from assets in that category contain changes in the revaluation reserve of € –60 thousand (previous year: € 0 thousand) which are recognised in the income statement on the occasion of selling those securities.

Net profits and losses from financial assets and liabilities *held-for-trading* contain changes in market value of those derivative financial instruments where we do not employ hedge accounting, as well as profits and losses at maturity in the course of the year.

Net profits and losses from *financial liabilities carried at amortised cost* arise from gains or losses from the disposal or from currency translation.

(28) Other current liabilities

These mostly relate to advance payments received, customer credit balances, VAT, social insurance contributions, and payroll and church taxes. In addition, liabilities were recognised using best possible estimates.

In addition, this item includes liabilities from currency hedge contracts totalling € 108 thousand (currency forwards) (previous year: € 212 thousand).

All current liabilities are due within one year.

€ thousand	2009	2008
Sales tax (VAT)	2,795	2,490
Payments received on account of orders	2,227	1,819
Customer credits	1,350	1,247
Social security contributions	13	1
Income and church tax	137	111
Current accounts	0	0
Other current liabilities	864	996
Total	**7,386**	**6,664**

Other liabilities include interest-bearing current account overdrafts from banks totalling € 0 thousand (previous year: € 28 thousand).

Other notes

Contingent liabilities and other financial commitments

There were no contingent liabilities from issuing or transferring checks and bills of exchange and the issue of guarantees, warranties or other securities for third parties.

The key financial liabilities comprise:

€ thousand	2009	2008
Order commitments for goods	2,777	3,327
Other financial commitments	40,022	11,662
Total	**42,799**	**14,989**

Delticom rents office premises and parking spaces in Brühlstrasse 11, Hanover, as well as warehouses for trading goods in 3 locations. The rental agreement meet the definition of an operating lease according IAS 17.3. The agreement for the office premises in Brühlstr. 11 runs until 31 December 2012. The agreements for the warehouses run until 31 August 2010, 31 December 2015 and 31 March 2019.

In addition, there are operating leases for three cars. The car leases end in July and September 2011 after a 36-month term and in June 2011 after a 24-month term.

The future accumulated minimum lease payments from these operating leases total:

€ thousand	2009	2008
up to one year	3,301	1,456
2 years to 5 years	10,582	3,334
more than 5 years	9,170	1,349
Total	**23,053**	**6,139**

Accounting for derivative financial instruments

Delticom uses derivative financial instruments for operational hedging purposes only.

The derivatives do not fulfil the conditions for hedge accounting within the meaning of IAS 39.71. All derivatives are carried at their fair values. The valuation is performed taking into account current ECB reference rates and forward premiums and discounts.

The remaining maturities of the forward exchange transactions were all less than 6 months on the balance sheet date (previous year: 7 months).

Risk Management

For the principles of risk management we refer to section *Risk Report* in the Management Report.

Currency risk

Delticom has international operations, which means that the company is exposed to market risks as a result of changes in foreign exchange rates. Currency risks result primarily from holdings of cash and cash equivalents and trade payables and receivables. To reduce theses risks Delticom uses derivative financial instruments. The company hedges purchase agreements in foreign exchange (mostly USD). These contracts are either used to stock up the company's own warehouses or to match a corresponding sale transaction in EUR. If needed, the Wholesale division hedges sales contracts in foreign currencies. Purchase contracts denominated in foreign exchange which match sales contracts in the same currency are not hedged. Sales contracts in foreign exchange from operations in the E-Commerce division are not hedged.

In order to illustrate market risks, IFRS 7 calls for sensitivity analyses which show the impact of hypothetical changes in relevant risk factors on the results and the equity position. Currency risks within the meaning of IFRS 7 arise from holding assets and liabilities denominated in foreign exchange.

The following table shows the positive and negative impact of changes of 10% up or down in the value of the Euro compared to the various currencies. The information provided is to be understood as results before tax.

Currency	1 unit FX = Euro (as of 31.12.2009)	Profit in thousand €	Loss in thousand €
CHF	0.6718	160	–160
DKK	0.1344	63	–63
GBP	1.1196	16	7
RON	0.2359	8	–8
SEK	0.0974	51	–51
USD	0.6992	–758	904
Others	N/A	6	–6

Interest rate risk

For cash and cash equivalents there exists a cash flow risk from the interest earned on the holdings. Due to the low level of interest rates the sensitivities were calculated by a parallel movement of the yield curve by 50 basis points. For the scenario of an increase of the interest rates by 50 basis points the holdings would earn € 68 thousand, for a downward move of 50 basis points they would lose € –68 thousand. In relation to the amount of cash and cash equivalent held, the interest-rate sensitivity is low. The reason for that is that most of the cash is carried in accounts which do not bear interest.

Other price risks

The securities are exposed to price risk. If the value of the securities rose by 10%, the equity would rise by € 304 thousand. In case the value securities dropped by 10%, the equity would drop in turn by € –304 thousand. Above changes in the equity position exclude effects from deferred taxes. The sensitivities were calculated using a hypothetical change in price of the listed securities by +/- 10%.

Liquidity risk

Delticom defines liquidity risk as the risk to fail on existing or future payment obligations as a result of a lack of availability of cash and cash equivalents. Liquidity risk is managed centrally within the Delticom Group. A sufficient amount of cash and cash equivalents are always kept available in order to be able to meet all planned payment obligations throughout the Group on their respective due dates. In addition, a liquidity reserve is maintained for unplanned lower receipts or additional expenditure.

Liquidity is mostly held in the form of call money and fixed-term deposits as well as money-market funds. In addition, bank credit lines are also available.

Credit risk

In its Wholesale division, Delticom supplies tyres and rims to retail companies with varying creditworthiness. There can be temporary concentrations of risk for some customers, which could depress the Group's earnings position and liquidity situation. Delticom has therefore negotiated credit insurances and uses commission business for certain customers. These instruments restrict the financial impact on the company and eliminate any dangers to its going concern. The total credit-insured gross receivables in the Wholesale division amounted to € 2,699 thousand (previous year: € 4,351 thousand). For the E-Commerce division they totalled € 224 thousand (previous year: € 0 thousand). The deductibles for credit-insured receivables lie between 20% and 25%.

Related party disclosures

For **information on persons in key positions** please see the information provided in "Executive bodies of the company".

A list of all the **subsidiaries** included in the consolidated financial statements can be found in the sections on the group of consolidated companies and shareholdings. Transactions between the company and its subsidiaries which are related parties were eliminated during consolidation and are not discussed in these notes.

The following are **shareholders with a significant influence** on the Group within the meaning of IAS 24:

- Binder GmbH (number of shares 3,107,784, 26.25% interest)
- Prüfer GmbH (number of shares 3,312,292, 27.98% interest)

The shareholder Binder GmbH and Prüfer GmbH are the only shareholders with an interest of more than 10%. The interest in Delticom AG in terms of Section 22 I S. 1 Nr. 1 WpHG (Securities Act) for Binder GmbH can be attributed to Rainer Binder (CEO), Hanover, and for Prüfer GmbH to Andreas Prüfer (Chairman of the Supervisory Board), Hanover. In addition, Binder GmbH and Prüfer GmbH have entered in a pool contract in terms of Section 22 II S. 1 WpHG.

Sale of goods

€ thousand	2009	2008
to associated companies and related parties (category: persons in key positions)	2,291	706

Purchase of goods

€ thousand	2009	2008
from associated companies and related parties (category: persons in key positions)	1,450	465

All transactions with related parties are conducted at arms-length.

Executive bodies

The company's executive bodies are the General Meeting, the Supervisory Board and the Management Board.

2009 the **Management Board** had the following members:

- Rainer Binder, Hanover: CEO, Wholesale, procurement, pricing and marketing
- Philip von Grolman, Hemmingen: logistics, North America, IT/software development
- Frank Schuhardt, Hannover: finance, controlling, investor relations and operations center

The Management Board's remuneration comprises a non-performance related component, a performance-related component, and a component which acts as a long-term incentive.

	Non-performance related compensation		Performance-related compensation		Long-term incentive	
€ thousand	2009	2008	2009	2008	2009	2008
Rainer Binder	284	285	161	110	0	0
Philip von Grolman	128	125	81	36	0	0
Andreas Prüfer	0	100	0	38	0	0
Frank Schuhardt	261	209	233	36	48	263

The remuneration of € 48 thousand carried under long-term incentives for Frank Schuhardt comprises the total fair value of the options granted as of the balance sheet date. This figure was calculated using a binomial model.

During fiscal year 2009, the **Supervisory Board** was composed as follows:

- Andreas Prüfer, entrepreneur, Hanover: Member of the Supervisory Board and Chairman.
- Alan Revie, entrepreneur, Hamilton / UK: Member of the Supervisory Board
- Michael Thöne-Flöge, entrepreneur, Peine: Deputy Chairman of the Supervisory Board

In fiscal year 2009, remuneration totalled € 35 thousand (previous year: € 10 thousand) for Andreas Prüfer, € 10 thousand (previous year: € 10 thousand) for Michael Thöne-Flöge and € 5 thousand (previous year: € 5 thousand) for Alan Revie.

Dividend

The General Meeting on 19 May 2009 resolved to pay a dividend in the amount of € 11,839,440.00 from Delticom AG's 2008 net retained profits (€ 1.00 per share, previous year € 1.00 per share) and to carry forward the remaining amount of € 453,818.12 to new account.

Proposal for the appropriation of profits

The Management Board proposes to distribute an amount of € 20,127,048.00 or € 1.70 per share from Delticom AG's net retained profits of € 20,618,669.60, carrying € 491,621.60 forward to new account.

Shareholdings

Name, registered office, country	Fixed capital interest % 2009	2008
Delticom Tyres Ltd., Oxford, United Kingdom	100	100
NETIX S.R.L., Timisoara, Romania	100	100
Reifendirekt GmbH, Hanover, Germany	100	100
Delticom North America Inc., Wilmington, Delaware, USA	100	100
Pnebo Gesellschaft für Reifengrosshandel und Logistik mbH, Hanover, Germany	100	100

Auditor's fees

In fiscal years 2009 and 2008, the following fees were recorded for the auditor Pricewaterhouse Coopers AG Wirtschaftsprüfungsgesellschaft, Hannover:

€ thousand	2009	2008
Audits of the financial statements	79	87
Other confirmation and valuation services	24	23
Tax consultancy services	8	19
Other services	23	1
Total	**135**	**130**

Declaration of conformity on the application of the recommendations of the "German Corporate Governance Code Government Commission"

The Managing and Supervisory Boards issued the declaration required by Section 161 of the Aktiengesetz (AktG – German Public Limited Companies Act) on 06 March 2009, and made accessible to shareholders on our Web site: www.delti.com.

Notes to the cash flow statement

The consolidated cash flow statement was prepared according to IAS 7. The cash flow statement allows an assessment of the Group’s ability to generate cash and cash equivalents. The cash flows are broken down into cash flows from operating activities, investing activities and financing activities. The cash flows from operating activities are presented using the so-called indirect method, in which the net income is adjusted by non-cash items. Cash and cash equivalents comprises cash and bank balances. In addition to these, the liquidity position also includes securities.

Responsibility Statement

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

Hanover, 09 March 2010

(The Management Board)

Auditors' Report

Translation of the auditor's report issued in German language on the consolidated financial statements prepared in German language by the management of Delticom AG, Hanover.

We have audited the consolidated financial statements prepared by the Delticom AG, Hanover, comprising the income statement, the statement of recognised income and expenses, the balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from 01 January 2009 to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Management Board.

Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer IDW (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations. In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 09 March 2010

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Günter Benz	Helmuth Schäfer
Financial Auditor	Financial Auditor

Abridged Financial Statements of Delticom AG (HGB – German Commercial Code)

Balance Sheet

Assets

€ thousand	31.12.2009	31.12.2008
Fixed assets	**6,947**	**3,459**
Intangible assets	1,124	1,078
Property, plant and equipment	4,920	1,770
Financial assets	903	612
Current assets	**97,224**	**90,519**
Inventories	42,038	36,568
Accounts receivable	9,737	8,156
Receivables from affiliated companies	965	625
Other receivables and other assets	5,530	3,630
Securities	3,006	13,520
Cash and cash equivalents	35,948	28,020
Deferred item	**209**	**197**
Assets	**104,380**	**94,175**

Shareholders' Equity and Liabilities

€ thousand	31.12.2009	31.12.2008
Equity	**57,519**	**49,193**
Subscribed capital	11,839	3,946
Share premium	24,861	32,754
Retained earnings	200	200
Balance sheet profit	20,619	12,293
Provisions	**4,801**	**3,615**
Provisions for taxes	2,913	2,042
Other Provisions	1,889	1,574
Liabilities	**42,060**	**41,367**
Liabilities to banks	0	28
Payments received on account of orders	2,020	1,727
Accounts payable	35,732	35,984
Payables to affiliated companies	0	1
Other liabilities	4,308	3,627
Shareholders' Equity and Liabilities	**104,380**	**94,175**

Income Statement

€ thousand	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Revenues	**303,047**	**253,486**
Other operating income	5,478	5,228
Cost of goods sold	–220,470	–191,264
Personnel expenses	–5,586	–4,834
Depreciation	–1,313	–491
Other operating expenses	–51,674	–45,533
Income from participating interests	121	0
Income from loans	0	10
Other interest received and similar income	217	995
Impairment losses on financial assets	–105	–22
Paid interest and similar expenses	–30	–11
Result from ordinary business activities	**29,683**	**17,565**
Taxes on income and profit	–9,518	–5,744
Other taxes	0	0
Annual surplus	20,165	11,820
Profit carried forward	454	473
Balance sheet profit	**20,619**	**12,293**

Financial Calendar

20.04.2010	Publication of provisional Q1 revenues
10.05.2010	3-monthly report 2010
11.05.2010	Annual General Meeting 2010
20.07.2010	Publication of provisional H1 revenues
10.08.2010	6-monthly report 2010
19.10.2010	Publication of provisional 9M revenues
09.11.2010	9-monthly report 2010
22. – 24.11.2010	German Equity Forum Frankfurt

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