Semi-Annual Report 2012

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 41 countries, among others the *ReifenDirekt* domains in Germany, Switzerland and Austria, mytyres.co.uk in UK and 123pneus.fr in France. 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 30,000 service partners (8,300 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key Figures

		01.01.2012 – 30.06.2012	01.01.2011 – 30.06.2011	–/+ (%, %p)
Revenues	€ million	193.3	198.3	–2.5
Total income	€ million	195.3	201.4	–3.0
Gross margin[1]	%	26.4	26.9	–0.5
Gross profit	€ million	53.2	56.5	–5.9
EBIT	€ million	13.2	18.7	–29.2
EBIT margin[2]	%	6.9	9.4	–2.6
Net income	€ million	8.8	12.7	–31.0
Earnings per share[3]	€	0.74	1.08	–31.1
Total assets	€ million	182.2	143.5	+26.9
Inventories	€ million	135.1	103.3	+30.7
Investments[4]	€ million	0.4	4.5	–91.0
Capital Employed[5]	€ million	52.8	52.1	+1.3
Return on Capital Employed[6]	%	25.1	35.9	–10.8
Equity	€ million	49.4	51.9	–4.8
Equity ratio	%	27.1	36.2	–9.0
Return on equity	%	17.8	24.6	–6.8
Liquidity position[7]	€ million	7.7	6.2	+24.5
Operating cash flow	€ million	–0.5	–30.2	
Free cash flow[8]	€ million	–0.9	–34.7	

(1) Gross profit ex other operating income in % of revenues
(2) Consolidated earnings before interest and taxes (EBIT) to revenues
(3) Undiluted
(4) Investments in tangible and intangible assets
(5) Capital Employed = total assets – current liabilities
(6) ROCE = EBIT / Capital Employed
(7) Liquidity position = cash and cash equivalents + liquidity reserve
(8) Free cash flow = Operating cash flow – Capex

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Interim Management Report of Delticom AG

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Economic Environment

Macroeconomic developments

The first half of the year saw sustained turbulence on the financial markets. The escalation of the Euro crisis left its mark on the real economy: weak growth, austerity measures imposed by governments and high unemployment burdened the overall economic situation in many countries. Over the course of the preceding months the increasing recession risks were balanced with lessening inflation pressures. At the start of the third quarter the European Central Bank reduced the base rate to below 1 % – for the first time in history.

The current crisis threatens to infect core European countries, as evidenced by weakening leading indicators. In Germany, employment still remains at a high level. Therefore, despite the increasingly prevalent fears about the future, consumer sentiment still remains favourable. High petrol prices left a dent in households' disposable income, though.

Development of the tyre market

The slowing economic growth was not without consequences for the tyre manufacturers. OEM business in Europe was sluggish. This coincided with substantially lower demand for replacement tyres from European retailers. In the past months some manufacturers have reacted by adjusting capacity.

At the start of the year, raw materials prices rose again. However, the situation at the end of the first quarter eased somewhat. Lower procurement costs for natural rubber and crude oil helped tyre manufacturers to at least partially offset the decline in volumes.

European tyre retailing has suffered from the weak market environment over the last few months. Across Europe, the summer tyre replacement business has fallen substantially short of expectations. First figures for Germany are now available in the form of a trend analysis from a retailer survey by the German association of tyre dealers (BRV, Bundesverband Reifenhandel und Vulkaniseur-Handwerk e. V.). According to this survey a decline in revenues of around 15 % has to be anticipated for the first five months of the current year.

Business performance and earnings situation

Revenues

Group

Delticom, Europe's leading online tyre retailer, generates the bulk of its revenues through sales of replacement tyres for cars, motorcycles, trucks and industrial vehicles. In H1 12 the company recognised revenues of € 193.3 million, a decrease of –2.5 % after € 198.3 million in the prior-year period.

E-Commerce

Revenues in the E-Commerce division with its 127 online shops came down year-on-year by –2.7 %, from € 190.1 million to € 184.9 million. The share of divisional revenues amounted to 95.7 %, compared to 95.9 % in the previous year. In H1 12 the company was able to acquire a total of 360 thousand new customers (H1 11: 411 thousand, –12.2 %). During the same period 266 thousand existing customers (H1 11: 258 thousand, +3.4 %) made repeat purchases at Delticom.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. In the reporting period divisional revenues rose by 2.1 % to € 8.4 million, after prior-year revenues of € 8.2 million.

Revenues by division and region

in € thousand

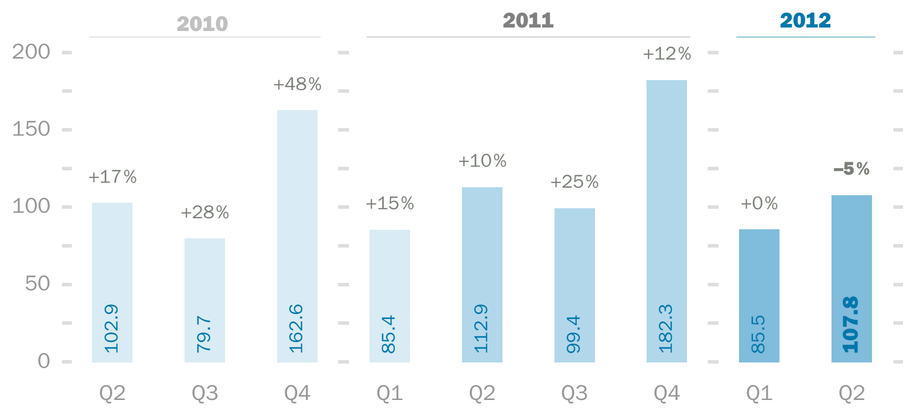
	H112	%	+%	H111	%	+%	H110	%
Revenues	**193,270**	**100.0**	**–2.5**	**198,293**	**100.0**	**11.8**	**177,317**	**100.0**
Primary Segments								
E-Commerce	184,910	95.7	–2.7	190,108	95.9	12.0	169,686	95.7
Wholesale	8,360	4.3	2.1	8,185	4.1	7.3	7,631	4.3
Regions								
EU	139,945	72.4	–7.6	151,386	76.3	6.7	141,828	80.0
Rest	53,325	27.6	13.7	46,906	23.7	32.2	35,489	20.0

Seasonality

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

Revenues trend

quarterly revenues in € million



Due to this year's lack of snow across Europe, winter tyre sales at the beginning of 2012 were weaker than in the previous year. The European summer tyre trade in Q2 also lagged behind expectations. In the second quarter, Delticom was able to generate revenues of € 107.8 million (Q2 11: € 112.9 million) – a decrease of –4.6 %.

Regional split

The group offers its product range in 41 countries. In H1 12 revenues in EU countries totalled € 139.9 million (–7.6 %). Operations in Europe are not limited to EU member states but also includes countries such as Switzerland and Norway.

Delticom also sells tyres outside Europe, especially in the USA. Across all non-EU countries the revenue contribution for H1 12 was € 53.3 million (+13.7 %).

Key expense positions

Cost of goods sold

The cost of goods sold (COGS) is the largest expense item; it considers the purchase price of sold tyres. Group COGS decreased in the reporting period by –1.9 % from € 144.9 million in H1 11 to € 142.2 million (73.6 % of revenues), primarily due to lower revenues. COGS in the E-Commerce division declined by –2.2 % from € 137.7 million to € 134.7 million. In the Wholesale division, COGS rose by 3.2 % to € 7.5 million (H1 11: € 7.2 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. Transportation costs of € 16.2 million were flat year-on-year. The share of transportation costs against revenues increased from 8.2 % in H1 11 to 8.4 %.

Warehousing

Due to the expansion of warehouse capacity, rents and overheads increased by 63.5 %, from € 1.9 million to € 3.0 million. Stocking costs came in at € 1.6 million, 23.9 % lower than prior-year's € 2.2 million. This was mainly due to taking qualified part-time and temporary workers on the payroll.

Personnel expenses

In the reporting period Delticom employed an average of 142 staff members (H1 11: 108). The reason for this stepping up was the buildup of qualified staff for our new warehouse facility which was opened in Q2 last year. Personnel expenses amounted to € 4.4 million (H1 11: € 3.5 million). Compared to the prior-year period, the personnel expenses ratio increased to 2.3 % (staff expenditures as percentage of revenues, H1 11: 1.8 %).

Marketing

Marketing expenses in H1 12 amounted to € 4.3 million, after € 3.9 million in H1 11. The ratio of marketing expenses to revenues was 2.2 % (H1 11: 2.0 %). In order to support the sales of summer tyres in the peak season, Q2 12 marketing spent of 2.1 % of revenues was higher than last year's 1.7 %.

Depreciation

In line with our gradual warehouse capacity expansion and the parallel investments into warehousing infrastructure, depreciation rose by 63.7 % from € 0.8 million in 2011 to € 1.3 million. The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings position

Gross margin

After the season had already experienced a difficult start due to poor weather conditions, second quarter summer tyre sales fell yet again significantly short of tyre trade expectations. Despite difficult market conditions gross margin in

H1 12 came in with 26.4 % after 26.9 % in H1 11. Quarterly gross margin (trade margin ex other operating expenses) came down from 27.7 % in Q2 11 to 26.9 %.

Part of this decline is attributable to the price pressure arising from weak end-customer demand. Still, for Delticom the main driver for the gross margin trend over the past months has been the development of own summer tyre stocks which have been cut back significantly, in line with deteriorating selling conditions. As a result, the share of spot drop-ship business with third parties increased, which usually carries a lower gross margin then selling from own stocks.

Currently Delticom holds fewer summer tyres on stock than in the preceding years.

Other operating income

Other operating income decreased in H1 12 by –33.7 % to € 2.1 million (H1 11: € 3.1 million), thereof gains from exchange rate differences to the order of € 1.0 million (H1 11: € 2.3 million) which are mainly driven by fluctuations in the EUR/USD exchange rate. FX losses from trade payables and hedges have to be accounted for as line item in the other operating expenses (H1 12: € 2.5 million, H1 11: € 2.7 million).

Gross profit

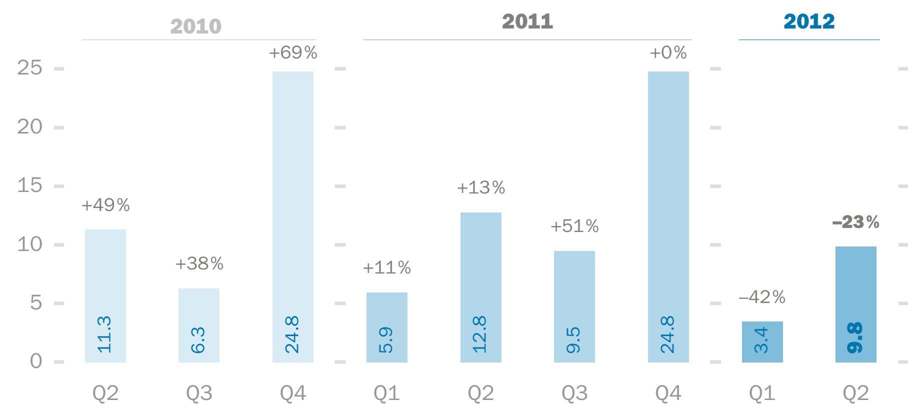
Altogether, the gross profit worsened in the reporting period by –5.9 % year-on-year, from € 56.5 million to € 53.2 million. Gross profit in relation to total income (€ 195.3 million, H1 11: € 201.4 million) totalled 27.2 % (H1 11: 28.0 %).

EBIT

The chart *EBIT* shows the preceding quarters.

EBIT

quarterly, in € million



EBIT

Earnings before interest and taxes (EBIT) decreased in the reporting period by –29.2 % to € 13.2 million (H1 11: € 18.7 million), primarily due to higher personnel costs and rents. This translates into an EBIT margin (EBIT in percent of revenues) of 6.9 % (H1 11: 9.4 %). Second quarter EBIT saw a decline of 23.1 %, from prior-year's € 12.8 million to € 9.8 million. The quarterly EBIT margin was 9.1 % (Q2 11: 11.3 %).

Financial result

The persistently low Euro money market rates led to a poor financial income of € 23 thousand (H1 11: € 92 thousand). In the reporting period the company made use of credit lines to help funding inventories. As a result, financial expenses in H1 12 increased to € 109 thousand (H1 11: € 13 thousand). The financial result totalled € –86 thousand (H1 11: € 79 thousand).

Income taxes

In H1 12 the expenditure for income taxes was € 4.4 million (H1 11: € 6.0 million). This equates to a tax rate of 33.2 % (H1 11: 32.1 %).

Net income H1 12

Consolidated net income totalled € 8.8 million after € 12.7 million in H1 11. This corresponds to earnings per share (EPS) of € 0.74 (undiluted, H1 11: € 1.08), a decline of –31.1 %.

Abridged P+L statement

in € thousand

	H112	%	+%	H111	%	+%	H110	%
Revenues	**193,270**	100.0	–2.5	**198,293**	100.0	11.8	**177,317**	100.0
Other operating income	2,068	1.1	–33.7	3,118	1.6	–7.7	3,377	1.9
Total operating income	**195,338**	101.1	–3.0	**201,411**	101.6	11.5	**180,694**	101.9
Cost of goods sold	142,171	73.6	–1.9	144,922	73.1	12.0	129,427	73.0
Gross profit	**53,167**	27.5	–5.9	**56,488**	28.5	10.2	**51,267**	28.9
Personnel expenses	4,374	2.3	25.4	3,489	1.8	9.3	3,191	1.8
Other operating expenses	34,212	17.7	2.2	33,486	16.9	8.5	30,867	17.4
EBIT	**13,247**	6.9	–29.2	**18,700**	9.4	12.6	**16,600**	9.4
Depreciation	1,332	0.7	63.7	814	0.4	33.7	609	0.3
EBITDA	**14,580**	7.5	–25.3	**19,514**	9.8	13.4	**17,209**	9.7
Net financial result	–86	0.0	–209.3	79	0.0	83.9	43	0.0
EBT	**13,161**	6.8	–29.9	**18,779**	9.5	12.8	**16,643**	9.4
Income taxes	4,370	2.3	–27.6	6,033	3.0	12.4	5,368	3.0
Consolidated net income	**8,791**	4.5	–31.0	**12,746**	6.4	13.0	**11,275**	6.4

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

Financial and assets position

Balance sheet structure

As of 30.06.2012 the balance sheet total amounted to € 182.2 million (31.12.2011: € 166.4 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

Abridged balance sheet

in € thousand

	30.06.12	%	+%	31.12.11	%	+%	31.12.10	%
Assets								
Non-current assets	15,792	8.7	–5.3	16,669	10.0	63.9	10,169	6.8
Fixed assets	15,124	8.3	–6.1	16,098	9.7	66.8	9,654	6.5
Other non-current assets	669	0.4	17.1	571	0.3	10.8	516	0.3
Current assets	166,360	91.3	11.1	149,695	90.0	7.6	139,178	93.2
Inventories	135,056	74.1	26.8	106,492	64.0	103.9	52,227	35.0
Receivables	23,617	13.0	12.4	21,006	12.6	9.9	19,117	12.8
Liquidity	7,687	4.2	–65.4	22,197	13.3	–67.3	67,834	45.4
Securities	0	0.0		0	0.0	–100.0	1,036	0.7
Cash and cash equivalents	7,687	4.2	–65.4	22,197	13.3	–66.8	66,798	44.7
Assets	**182,152**	**100.0**	**9.5**	**166,364**	**100.0**	**11.4**	**149,348**	**100.0**
Equity and Liabilities								
Long-term funds	52,795	29.0	–33.3	79,108	47.6	10.8	71,387	47.8
Equity	49,397	27.1	–34.6	75,480	45.4	5.8	71,341	47.8
Long-term debt	3,398	1.9	–6.3	3,628	2.2	7879.6	45	0.0
Provisions	42	0.0	38.1	30	0.0	–33.9	45	0.0
Liabilities	3,356	1.8	–6.7	3,597	2.2		0	0.0
Short-term debt	129,357	71.0	48.2	87,256	52.4	11.9	77,961	52.2
Provisions	2,356	1.3	–64.1	6,560	3.9	–21.7	8,379	5.6
Liabilities	127,001	69.7	57.4	80,696	48.5	16.0	69,582	46.6
Equity and Liabilities	**182,152**	**100.0**	**9.5**	**166,364**	**100.0**	**11.4**	**149,348**	**100.0**

Inventories

Among the current assets, inventories is the biggest line item. Since the beginning of the year Management grew the stock by € 28.6 million or 26.8 % to € 135.1 million (31.12.2011: € 106.5 million). In the corresponding prior-year period the increase in inventory value had amounted to € 51.1 million.

Receivables

Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the reporting date, the accounts receivable amounted to € 10.5 million, up 3.4 % (31.12.2011: € 10.1 million).

Payables

The accounts payable were increased from € 68.2 million by € 28.1 million or 41.2 % to € 96.4 million, in parallel with inventories. As part of the € 127.0 million in short-term liabilities as of 30.06.2012, € 96.4 million were recorded as accounts payable, corresponding to a share of 52.9 % of balance sheet total.

In H1 12 Delticom raised additional € 21.7 million short-term financial liabilities to help funding the inventory.

Working capital

The net working capital on 30.06.2012 amounted to € 45.4 million (30.06.2011: € 44.5 million). Since the beginning of the year, working capital grew by just € 1.0 million or 2.2 % to € 45.4 million (31.12.2011: € 44.4 million). In the corresponding prior-year period the increase in working capital value had amounted to € 42.7 million.

Liquidity position

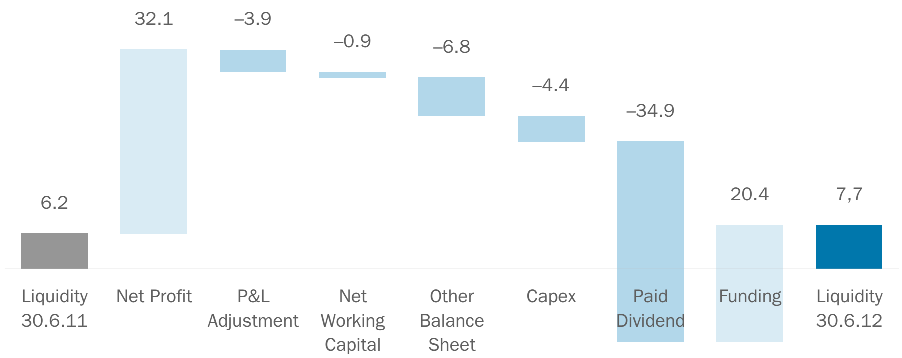
Liquidity (cash and cash equivalents plus liquidity reserve) as of 30.06.2012 totalled € 7.7 million (30.06.2011: € 6.2 million, 31.12.2011: € 22.2 million). The company’s net cash position (liquidity less liabilities from current accounts) amounted to € –18.0 million (30.06.2011: € 0.9 million).

Cash flow

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

Liquidity Bridge

in € million



Operating cash flow

In light of the positive development in net working capital the cash flow from ordinary business activities (operating cash flow) for the period under review was significantly better than last year, at € –0.5 million (H1 11: € –30.2 million).

Investments

The majority of racks, forklifts and packaging machines for the new warehouse were purchased in 2011. This year's investments into property, plant and equipment have therefore just been € 0.3 million, significantly less than last year (H1 11: € 4.4 million). Taken together with the investments into intangible assets amounting to € 68 thousand, in H1 12 a total of € 0.4 million of the investments (*capex*) resulted in a cash outflow (H1 11: € 4.5 million).

Financing activities

The dividend payment for fiscal year 2011 amounted to € –34.9 million. Taken together with the € 21.7 million short-term financial liabilities the cash flow from financing activities in the reporting period totalled € –13.7 million.

Organisation

Legal structure

As of 30.06.2012, the Delticom Group comprised the following subsidiaries.

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

Delticom AG holds a majority interest amounting to 50.9 % in Tyrepac and (indirectly) its subsidiary. Of the other subsidiaries, Delticom AG owns 100 % of the outstanding shares.

Employees

In the reporting period an average of 142 persons were employed at Delticom (H1 11: 108), thereof 8 apprentices and trainees. The business is run mainly from the Hanover head office.

Significant events after the reporting date

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

Risk Report

As a company that operates internationally, Delticom is exposed to varying types of risk. In order to be able to identify, evaluate and respond to such risks in a timely fashion, Delticom put in place a risk management system early on. The system is based on corporate guidelines for the early risk detection and risk management. An outline of the risk management process is presented in the Annual Report for fiscal year 2011 on pages 42ff, together with a list of key individual risks.

Compared to the Annual Report 2011, the risk situation has not changed materially. Individual risks endangering the company do not exist, and considered together, the aggregate risk does not pose any danger to Delticom's going concern.

Outlook

Economic environment

An increasing number of European economies are threatened to slip into recession. In many states economic growth has already come to a standstill. Across Europe, the industry is suffering from shrinking order backlogs. This will have a knock-on effect on employment: in June, unemployment in the Eurozone reached its highest level so far. Despite slowing momentum, the domestic labour market has remained resilient up to now. Nevertheless, there is a growing worry among consumers that the German economy will also be dragged into the crisis. On the back of the deteriorating consumption climate, conditions for dealers will continue to worsen.

Inflation

Despite weaker overall economic demand, the inflation rate in the Eurozone still hovers above the European Central Bank's stability objective of its monetary policy. The key interest rate was cut to an historically low level in July and further monetary policy measures are in the pipeline. The debt crisis will put further pressure on the EUR/USD exchange rate over the coming months. This could heat up inflation in the short term, in particular due to increasing energy costs. In the face of higher petrol prices, motorists tend to drive less. As a consequence, the tyre replacement cycle will be stretched, at least in the short term.

Tyre retailing

In the first half of the year, the European demand for summer tyres fell substantially short of tyre retailers' expectations. For the third quarter a strong turnaround in this trend is unlikely. Over the past few weeks, we have further reduced our levels of summer tyres.

Up to now, retailers have only cautiously stocked up with winter goods, as stock levels were already higher than usual following the mild winter last year. The development of winter tyre prices in Europe over the next few months will depend to a large extent on the weather.

At least in Germany many motorists have not changed over to summer tyres but continue to drive on winter tyres throughout the summer. They will have to replace the tyres soon which should help the upcoming winter tyre business.

EU Label

Tyres produced on or after 01.07.2012 have to carry a label in line with EU regulations, which stipulates the efficiency classes for wet grip, rolling resistance and external rolling noise. From 01.11.2012 on European retailers must draw the customers' attention to the label and offer help interpreting the efficiency classes. Experts take the view that the label is not particularly helpful for winter tyres. Consequently, we do not assume that the label will play a big part in motorists' buying decisions for winter tyres this year.

Forecast

Business has lagged behind expectations so far this year. We have therefore decided to reduce the growth target for full-year revenues to +5 %. EBIT margins above 9 % are attainable only in the event of very favourable winter weather, as the higher fixed costs will continue to burden earnings in the second half of the year.

We expect the net cash position to rebound in the third quarter, as stocking for the forthcoming winter season is largely completed. Assuming capex remains at low levels, free cash flow should also improve further towards the end of the year.

Medium term outlook

For the medium term we expect to stay on a double-digit growth path, both for revenues and earnings. We are confident that Delticom will continue to grow at a rate above the market trend.

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Consolidated Income Statement

in € thousand	01.01.2012 – 30.06.2012	01.01.2011 – 30.06.2011	01.04.2012 – 30.06.2012	01.04.2011 – 30.06.2011
Revenues	**193,270**	**198,293**	**107,786**	**112,939**
Other operating income	2,068	3,118	1,377	1,784
Total operating income	**195,338**	**201,411**	**109,163**	**114,723**
Cost of goods sold	–142,171	–144,922	–78,745	–81,698
Gross profit	**53,167**	**56,488**	**30,418**	**33,024**
Personnel expenses	–4,374	–3,489	–2,173	–1,745
Depreciation of intangible assets and property, plant and equipment	–1,332	–814	–661	–447
Other operating expenses	–34,212	–33,486	–17,766	–18,072
Earnings before interest and taxes (EBIT)	**13,247**	**18,700**	**9,819**	**12,761**
Financial expenses	–109	–13	–66	–10
Financial income	23	92	16	50
Net financial result	**–86**	**79**	**–49**	**39**
Earnings before taxes (EBT)	**13,161**	**18,779**	**9,770**	**12,800**
Income taxes	–4,370	–6,033	–3,297	–4,110
Consolidated net income	**8,791**	**12,746**	**6,472**	**8,690**
Thereof allocable to:				
Shareholders of Delticom AG	8,791	12,746		
Earnings per share (basic)	0.74	1.08		
Earnings per share (diluted)	0.74	1.07		

Statement of Recognised Income and Expenses

in € thousand	01.01.2012 – 30.06.2012	01.01.2011 – 30.06.2011	01.04.2012 – 30.06.2012	01.04.2011 – 30.06.2011
Consolidated Net Income	**8,791**	**12,746**	**6,472**	**8,690**
Changes in the financial year recorded directly in equity				
Changes in currency translation	76	–88	0	–65
Changes in value of financial assets in the “available-for-sale assets” category				
Changes in current value recorded directly in equity	0	3	0	2
Recognition of settled hedging transactions with effect on income	0	–17	0	–17
Deferred tax on current changes without effect on income	0	4	0	5
Other comprehensive income for the period	**76**	**–97**	**0**	**–76**
Total comprehensive income for the period	**8,867**	**12,649**	**0**	**8,614**

Consolidated Balance Sheet

Assets

in € thousand	30.06.2012	31.12.2011
Non-current assets	**15,792**	**16,669**
Intangible assets	1,023	1,032
Property, plant and equipment	13,275	14,241
Financial assets	825	825
Deferred taxes	224	215
Other receivables	444	356
Current assets	**166,360**	**149,695**
Inventories	135,056	106,492
Accounts receivable	10,494	10,146
Other current assets	13,123	10,860
Cash and cash equivalents	7,687	22,197
Assets	**182,152**	**166,364**

Shareholders' Equity and Liabilities

in € thousand	30.06.2012	31.12.2011
Equity	**49,397**	**75,480**
Subscribed capital	11,847	11,847
Share premium	24,311	24,311
Other components of equity	126	50
Retained earnings	200	200
Net retained profits	12,913	39,072
Liabilities	**132,755**	**90,884**
Non-current liabilities	**3,398**	**3,628**
Long-term borrowings	2,700	3,150
Non-current provisions	42	30
Deferred tax liabilities	656	447
Current liabilities	**129,357**	**87,256**
Provisions for taxes	374	3,839
Other current provisions	1,982	2,721
Accounts payable	96,374	68,250
Short-term borrowings	22,955	1,244
Other current liabilities	7,672	11,202
Shareholders' equity and liabilities	**182,152**	**166,364**

Consolidated Cash Flow Statement

in € thousand	01.01.2012 – 30.06.2012	01.01.2011 – 30.06.2011
Earnings before interest and taxes (EBIT)	**13,247**	**18,700**
Depreciation of intangible assets and property, plant and equipment	1,332	814
Changes in other provisions	–727	–282
Net gain on the disposal of assets	14	2
Changes in inventories	–28,564	–51,081
Changes in receivables and other assets not allocated to investing or financing activity	–2,700	–1,025
Changes in payables and other liabilities not allocated to investing or financing activity	24,581	7,258
Interest received	24	92
Interest paid	–97	–13
Income tax paid	–7,635	–4,638
Cash flow from operating activities	**–525**	**–30,173**
Proceeds from the disposal of property, plant and equipment	35	2
Payments for investments in property, plant and equipment	–339	–4,436
Proceeds from the disposal of intangible assets	0	1
Payments for investments in intangible assets	–68	–93
Changes in liquidity reserve	0	993
Cash flow from investing activities	**–372**	**–3,532**
Dividends paid by Delticom AG	–34,950	–32,203
Payments from additions to capital	0	98
Cash inflow of financial liabilities	21,711	5,232
Cash outflow of financial liabilities	–450	0
Cash flow from financing activities	**–13,689**	**–26,874**
Changes in cash and cash equivalents due to currency translation	76	–88
Cash and cash equivalents at the start of the period	22,197	66,798
Changes in cash and cash equivalents	–14,510	–60,667
Cash and cash equivalents - end of period	**7,687**	**6,131**
For information only:		
Liquidity – start of period	**22,197**	**67,834**
Changes in cash and cash equivalents	–14,510	–60,667
Changes in liquidity reserve	0	–993
Liquidity – end of period	**7,687**	**6,174**
Net Cash – start of period	**17,803**	**67,834**
Changes in cash and cash equivalents	–14,510	–60,667
Changes in liquidity reserve	0	–993
Changes in financial liabilities	–21,261	–5,232
Net Cash – end of period	**–17,968**	**942**

Statement of Changes in Shareholders' Equity

in € 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 2011	**11,839**	**24,216**	**–169**	**10**	**200**	**35,246**	**35,446**	**71,341**
Shares of capital increase	8							8
Capital increase of issue new shares		90						90
Increase in share premium due to stock options		6						6
Dividends paid						–32,203	–32,203	–32,203
Total comprehensive income for the period			–88	–9		12,746	12,746	12,649
as of 30 June 2011	**11,847**	**24,311**	**–257**	**0**	**200**	**15,788**	**15,988**	**51,891**
as of 1 January 2012	**11,847**	**24,311**	**50**		**200**	**39,072**	**39,272**	**75,480**
Dividends paid						–34,950	–34,950	–34,950
Total comprehensive income for the period			76			8,791	8,791	8,867
as of 30 June 2012	**11,847**	**24,311**	**126**	**0**	**200**	**12,913**	**13,112**	**49,397**

Notes to the Consolidated Interim Financial Statements of Delticom AG

Segment results

H1 11

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**190,108**	**8,185**	**0**	**198,293**
Other operating income	2,904	114	100	3,118
Cost of goods sold	–137,695	–7,228	0	–144,922
Gross profit	**55,317**	**1,071**	**100**	**56,488**
Personnel expenses	–1,711	–226	–1,551	–3,489
Depreciation and amortization	–743	0	–70	–814
thereof property, plant and equipment	–671	0	–45	–717
thereof intangible assets	–72	0	–25	–97
Other operating expenses	–31,997	–321	–1,168	–33,486
thereof bad debt losses and one-off loan provisions	–615	0	0	–615
Segment result	**20,866**	**524**	**–2,689**	**18,700**
Net financial result				79
Income taxes				–6,033
Consolidated net income				**12,746**

H1 12

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**184,910**	**8,360**	**0**	**193,270**
Other operating income	1,938	100	29	2,068
Cost of goods sold	–134,715	–7,456	0	–142,171
Gross profit	**52,134**	**1,004**	**29**	**53,167**
Personnel expenses	–2,153	–341	–1,880	–4,374
Depreciation and amortization	–1,275	–1	–57	–1,332
thereof property, plant and equipment	–1,226	–1	–30	–1,256
thereof intangible assets	–49	0	–27	–76
Other operating expenses	–32,603	–277	–1,332	–34,212
thereof bad debt losses and one-off loan provisions	–683	0	0	–683
Segment result	**16,103**	**385**	**–3,241**	**13,247**
Net financial result				–86
Income taxes				–4,370
Consolidated net income				**8,791**

Reporting companies

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 127 online shops in 41 countries, the company offers its private and business customers a broad assortment of car tyres, motorcycle tyres, truck tyres, bus tyres, special tyres, bicycle tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. Further information about the reporting company can be found in the chapter *Business Operations* and in the chapter *Organisation* of the annual report 2011.

Seasonal effects

In many countries, business with car replacement tyres depends to a large extent on the seasons with their different weather and road conditions. For example, the business in the northern parts of Europe and in German-speaking countries is characterized by two peak periods - the purchase of summer tyres in spring and winter tyres in early winter. Volume is generally weaker in the first quarter, as most winter tyres are bought and fitted with the first snow, and thus before the end of the year. The second quarter is characterized by strong sales: the weather in April and May is usually quite warm and car drivers buy their new summer tyres.

The third quarter is a transitional quarter between the summer and winter business, with unit sales again being somewhat weaker. In most European countries, the last quarter generates the highest sales as car drivers face difficult road conditions and become aware of the fact that they need new tyres.

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

Delticom's consolidated interim financial statements as of 30.06.2012 were prepared according to the *International Financial Reporting Standards* (IFRS), as prescribed by the International Accounting Standards Board (IASB), that were mandatory according to the European Union (EU) Directive. All applicable and mandatory IFRS standards on the balance sheet date were applied, especially IAS 34 (Interim Financial Reporting).

To the extent that there were no changes to standards requiring first-time application, the accounting, valuation and calculation methods explained in the 2011 Consolidated Financial Statements have also been applied in this set of interim financial statements, and apply correspondingly.

These interim financial statements contain all clarifications and information required for annual financial statements, and can therefore be read in conjunction with the annual financial statements as of 31.12.2011.

The Annual Report 2011 is made available on the Delticom website in the section *Investor Relations* or can be downloaded directly using the following link:

www.delti.com/Investor_Relations/Delticom_AnnualReport_2011.pdf

Group of consolidated companies

The group of consolidated companies comprises Delticom AG as controlling company, two domestic and three foreign subsidiaries, all fully consolidated in the interim financial accounts. Due to its negligible impact on Delticom's net assets, financial position and results of operations, the subsidiary companies Tyrepac Pte. Ltd. Singapur and Hongkong Tyrepac Ltd., Hong Kong are not consolidated, but instead recognized as a financial instrument pursuant to IAS 39. Compared with the Annual Report for fiscal year 2011 there were no changes in the group of consolidated companies.

Unusual items

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

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

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

Other operating expenses

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

in € thousand	H112	H111
Transportation costs	16,158	16,198
Warehousing costs	1,646	2,164
Credit card fees	1,496	1,633
Bad debt losses and one-off loan provisions	683	615
Marketing costs	4,321	3,936
Operations centre costs	2,630	2,334
Rents and overheads	3,034	1,855
Financial and legal costs	410	995
IT and telecommunications	578	372
Expenses from exchange rate differences	2,452	2,667
Other	803	716
Total	**34,212**	**33,486**

Earnings per share

Basic earnings per share totalled € 0.74 (H1 11: € 1.08). The diluted earnings per share totalled € 0.74 (H1 11: € 1.07).

Calculation of earnings per share

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 8,790,724.62 (previous year: € 12,745,543.59) by the 11,847,440 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,840,890 shares).

During the period under review, there were 15,810 potential shares (financial instruments and other agreements which entitle their holders to subscribe to ordinary shares) from the tranche dated 22.11.2007, 37,500 potential shares from the tranche dated 08.05.2008, 29,500 potential shares from the tranche dated 25.11.2008 and 15,000 potential shares from the tranche dated 30.03.2009.

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

The calculation of the diluted earnings per share was based (in accordance with IAS 33) on net income after taxes totalling € 8,790,724.62 (previous year: € 12,745,543.59) and the weighted average number of shares outstanding during the fiscal year and the number of potential shares from options totalling 11,945,250 shares (previous year: 11,945,250 shares).

Dividends

On 02.05.2012 Delticom has paid a dividend of € 2.95 for fiscal year 2011 (previous year: € 2.72)

Related parties disclosure

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

Related companies and persons (Category *persons in key positions*): In the reporting period, goods and services worth € 443 thousand (H1 11: € 840 thousand) were purchased from related companies and persons, and goods and services worth € 1 thousand (H1 11: € 620 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 0 thousand (H1 11: € 129 thousand) and accounts payable totalled € 88 thousand (H1 11: € 362 thousand).

Related companies and personds (category *not cosolidated subsidiaries*): In the reporting period, goods and services worth € 0 thousand (H1 11: € 106 thousand) were purchased from related companies and persons, and goods and services worth € 848 thousand (H1 11: € 408 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 715 thousand (H1 11: € 408 thousand) and accounts payable totalled € 0 thousand (H1 11: € 106 thousand).

Contingent liabilities and other financial commitments

As compared to 31.12.2011, the situation with regards to other financial commitments has not changed significantly:

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

Employees

From 01.01.2012 to 30.06.2012 Delticom had an average of 142 employees (thereof 8 apprentices and interns). The calculation is based on full-time equivalents, thus taking into account the actual work hours.

Key events after the reporting date

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

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

The interim financial statements and the interim management report has been reviewed by our auditors.

German Corporate Governance Codex

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

Responsibility Statement

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

Hanover, 09.08.2012

(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 reviewed the condensed consolidated interim financial statements – comprising the condensed income statement, condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Delticom AG, Hanover, for the period from January 1, 2012 to June 30, 2012 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

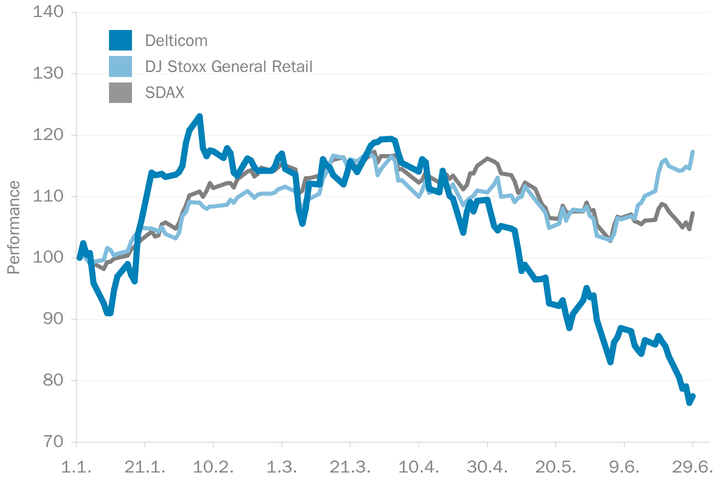
Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, 09.08.2012

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer	ppa. Thomas Monecke
German Public Auditor	German Public Auditor

The Delticom Share



WKN	514680
ISIN	DE0005146807
Reuters / Bloomberg	DEXGn.DE / DEX GR
Index membership	SDAX, CXPR, GEX, NISAX
Type of shares	No-par value, registered
Transparency level	Prime Standard
18 October 2012	preliminary Q3 figures
08 November 2012	full Q3 report
12 November 2012	German Equity Forum

		01.01.2012 – 30.06.2012	01.01.2011 – 31.12.2011
Number of shares	shares	11,847,440	11,847,440
Share price on first trading day[1]	€	67.00	65.66
Share price on last trading day of the period[1]	€	51.90	66.70
Share performance[1]	%	–22.5	+1.6
Share price high/low[1]	€	82.51 / 51.20	81,13 / 55,82
Market capitalisation[2]	€ million	614.9	790.2
Average trading volume per day (XETRA)	shares	19,484	20,408
EPS (undiluted)	€	0.74	3.04
EPS (diluted)	€	0.74	3.02
Equity per share	€	4.17	6.37

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

Broker	Analyst	Recommendation	Target price	Estimates for 2012 Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Estimates for 2013 Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Buy	82.00	539.0	58.2	10.8	3.32	602.0	64.8	10.8	3.72
Metzler	Jürgen Pieper	Sell	56.00	530.0	58.1	11.0	3.35	595.0	66.0	11.1	3.80
Exane	Andreas Inderst	Outperform	72.00	508.0	47.1	9.3	2.66	590.0	58.7	9.9	3.32
Berenberg	Lars Dannenberg	Buy	70.00	504.0	42.0	8.3	2.46	564.0	55.0	9.8	3.20
Deutsche Bank	Tim Rokossa	Hold	60.00	510.0	47.0	9.2	2.73	559.0	54.0	9.7	3.14
Macquarie	Marcus Sander	Neutral	58.00	504.3	45.8	9.1	2.60	565.9	53.6	9.5	3.04
BH Lampe	Christian Ludwig	Buy	65.00	508.8	53.2	10.5	3.10	554.7	58.1	10.5	3.39
Commerzbank	Dennis Schmitt	Buy	68.00	501.0	45.5	9.1	2.54	556.0	57.0	10.3	3.20
HSBC	Christopher Johnen	Overweight	70.00	521.0	50.0	9.6	2.87	591.0	62.0	10.5	3.51
Cheuvreux	Jennifer Gaussmann	Underperform	40.00	494.3	43.9	8.9	2.49	571.0	56.5	9.9	3.21
Hauk & Aufhäuser	Sascha Berresch	Sell	46.00	502.8	42.9	8.5	2.44	562.6	49.2	8.7	2.80
Citi	Erofili Tziveli	Buy	66.00	504.4	45.5	9.0	2.57	578.4	54.4	9.4	3.07
Montega	Hendrik Emrich	Sell	45.00	495.0	41.4	8.4	2.34	530.0	48.6	9.2	2.75
		Average	61.38	509.4	47.7	9.4	2.73	570.7	56.8	9.9	3.24

as of 3 August 2012

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