Semi-annual report 2008

DELTICOM
Aktiengesellschaft

Delticom AG Selected key figures

		30.06.2008	30.06.2007
Revenues	€ thousand	121,533	101,985
eCommerce - share of sales	in %	92.9	92.3
New customers	thousand	342	319
Customer base	thousand	2,272	1,624
Revenues Germany	€ thousand	43,041	41,279
Revenues other EU countries	€ thousand	61,494	48,196
Revenues USA and rest of world	€ thousand	16,998	12,510
Total operating revenue	€ thousand	122,879	102,554
Gross profit margin (1)	in %	24.8	24.1
Earnings before interest and taxes (EBIT)	€ thousand	5,571	5,449
EBIT Margin (2)	in %	4.58	5.34
Earnings before taxes (EBT)	€ thousand	6,056	6,041
Consolidated net income	€ thousand	4,103	3,743
Earnings per share	in €	1.04	0.95
Dividend paid	in €	2.00	1.20
Cash flow from operating activities	€ thousand	9,101	5,763
Cash and cash equivalents	€ thousand	36,397	34,874
Balance sheet total	€ thousand	95,466	88,996
Subscribed capital	€ thousand	3,946	3,946
Equity ratio	in %	44.59	46.93
Average number of employees		79	72
Revenues per employee	€ thousand	1,538	1,416
Personnel expenses	€ thousand	2,501	2,088
Personnel expenses ratio (3)	in %	2.06	2.05
Marketing expenses ratio (4)	in %	2.31	2.19

(1) Gross profit to total operating revenue in %, (2) Consolidated earning before interest and taxes (EBIT) to revenues in %,
(3) Personnel expenses to revenues in %, (4) Marketing expenses expenses to revenues in %

Delticom stock - key information

German Securities Code Number (WKN)		514680
ISIN		DE0005146807
Reuters / Bloomberg		DEXGn.DE / DEX GR
Type of shares		No-par value registered shares
Segment		Amtlicher Markt (official trading), Prime Standard, Frankfurt
Indices		CXPR, NISAX, GEX
Share capital	in €	3,946,480
Number of shares		3,946,480
Free float (1)	in %	47.72
Initial listing		26 October 2006
Closing price on 2 January 2008	in €	49.30
Closing price on 31 July 2008	in €	44.79
High / Low	in €	49.30 / 37.05
Share performance (3)	in %	-9.15
Average trading volume per day (XETRA)	shares	2,872
Market capitalization (3)	€ million	176.8

Coverage

Buy	4
Overweight	1
Outperform	1
Sell	1

(1) according to definition of Deutsche Börse AG, (2) based on closing prices, (3) on 31 July 2008

Overview of the First Half of 2008

Revenues up **+19.2%** to €121.5 Mio. (previous year: €102 Mio.)

Revenues from eCommerce up **+20%** year-on-year

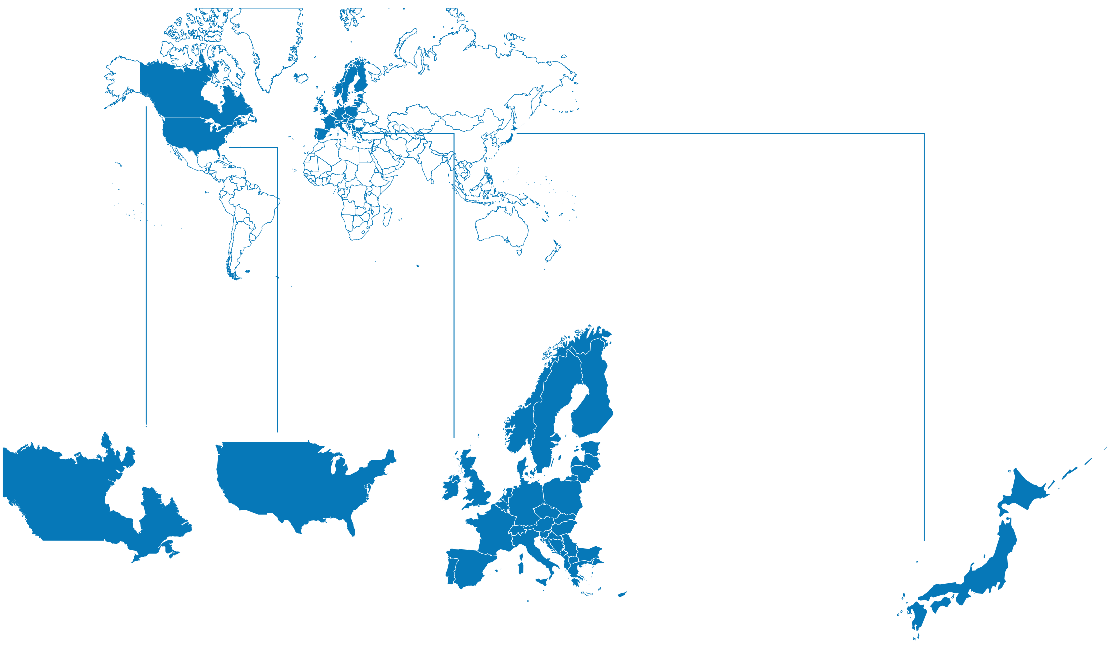
EBIT increased from €5.4 million to **€5.6 Mio.** This corresponds to an EBIT margin of 4.6%

More than 340,000 new customers in 2008 so far, customer basis grown to **2.2 million**

22,100 service partners worldwide, more than 5,400 in Germany alone

Europe’s leading online tyre retailer

93 online-Shops in 35 countries



North America

- USA
- Canada

Europa

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech R.
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Monaco
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom

Asia

- Japan

Russia

Profile

Delticom is Europe's leading online tyre retailer. Founded in 1999, the Hanover-based company has 93 online shops in 35 countries, among others the ReifenDirekt domains in Germany, Switzerland and Austria, www.mytyres.co.uk and www.123pneus.fr. Delticom offers a wide range of products for its private and business customers: more than 25,000 models from over 100 tyre brands for cars, motorcycles, commercial vehicles and buses, but also complete wheels, motor oil, replacement parts and accessories.

Delticom's customers enjoy all the advantages of modern eCommerce: convenience in order placing, quick, efficient delivery, clear cost information and, last but not least, low prices. The products are delivered in 2–3 business days to any address the customer chooses. Alternatively, Delticom delivers the tyres to one of more than 22,100 service partners (5,400 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

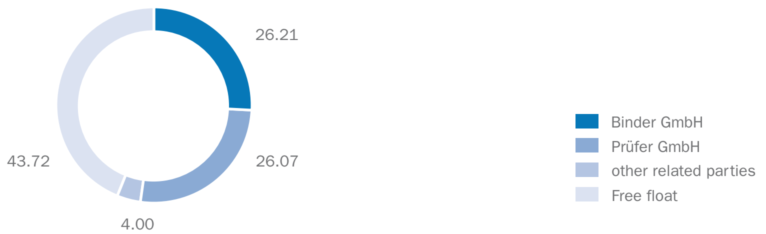
Due to its cost-efficient operations, Delticom is able to combine growth and profitability. In 2008 the company intends to build upon its position as the leading online tyre dealer – and demonstrate that Delticom has a firm grip on this dynamic market.

Contents

Delticom's Shares

SHAREHOLDER STRUCTURE

Shareholder Structure in %



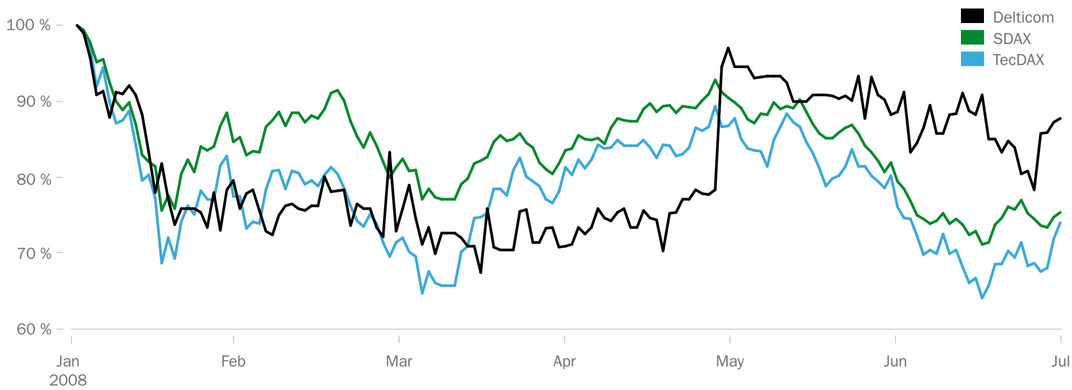
The free float according to the definition of Deutsche Börse AG is 47.72%.

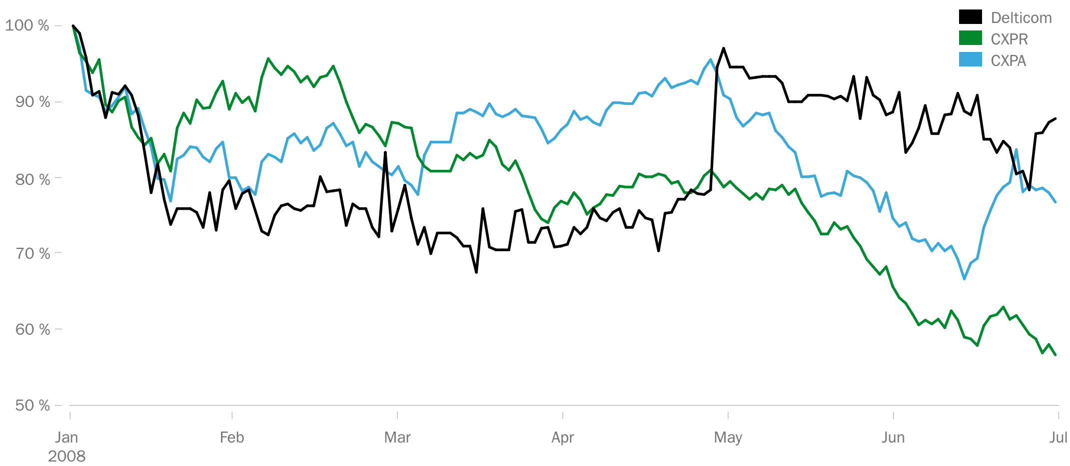
MARKET TREND

DELTICOM SHARE PRICE

2008 saw strong losses on the stock market. The SDAX dropped sharply: The index closed on July 31, 2008 at 4,182.36 € points - a loss of - 19.9% since the beginning of the year.

Delticom's share price started 2008 at €49.30 and closed on July 31, 2008 at €44.79. The lowest price in the corresponding period was €37.05 (on April 3, 2008), the highest price was €49.30 (on January 2, 2008). Although the stock's performance in this year until now was negative (- 9.1%), the stock nevertheless outperformed the relevant indexes, especially the retail index CXPR (- 35.1%).





ANALYST COVERAGE

The following analysts publish regular updates on Delticom's performance (in the order of initiation of coverage):

Broker	Analyst Name	Focus	Recom-mendation	Target price	Estimates 2008 Sales (€)	EBIT (€)	EBIT (%)	EPS	Estimates 2009 Sales (€)	EBIT (€)	EBIT (%)	EPS
Dresdner	Georg Remshagen	Small- and Mid-caps	Buy	50.00	245.0	13.5	5.5	2.70	285.0	15.9	5.6	3.17
NordLB	Frank Schwope	Retail	Sell	37.00	244.0	14.1	5.8	2.31	275.0	15.3	5.6	2.53
Metzler	Jürgen Pieper	Auto-motive	Buy	47.00	265.0	15.8	6.0	2.91	321.0	20.0	6.2	3.70
Lehman	Nadine Al Kassar	Retail	Over-weight	65.00	260.4	15.2	5.8	2.79	315.7	19.8	6.3	3.63
Sal, Opp	Markus Sander	Internet	Buy	55.00	254.0	14.3	5.6	2.67	295.2	17.6	6.0	3.20
Exane	Andreas Inderst	Midcaps	Out-peform	61.00	256.7	15.0	5.8	2.68	301.6	19.1	6.3	3.43
Berenberg	Lars Dannenberg	Small- and Mid-caps	Buy	55.0	259.0	15.0	5.8	2.67	315.0	18.0	5.7	3.26
				52.9	254.9	14.7	5.8%	2.68	301.2	18.0	6.0%	3.27

(ESTIMATES AND TARGET PRICES AS OF AUGUST 12, 2008)

INVESTOR RELATIONS

Investor Relations in the first half of 2008 were mainly focused on talks with institutional investors. Delticom roadshowed in London, Paris (each twice), Frankfurt, Copenhagen, Zurich and Geneva (each once). In addition, Board members had one-on-one meetings with many shareholders and potential investors.

Delticom publishes any insider information that directly affects the company without delay, including ad hoc publicity outside the recurring financial reportings. In addition, Delticom's management comments important developments in conferences for shareholders, potential investors, analysts and the financial press. Publications and presentations are made available in the download section of www.delti.com/Investor_Relations. Also available is the financial diary which is updated as soon as the dates of events (e.g., annual report, interim reports and the General Meeting) become available.

The IR team will continue to provide timely information to the shareholders, investors, the capital markets and the public. (IR-Contact see page 26)

Business Conditions and Economic Factors

1 BUSINESS SITUATION

1.1 GROUP STRUCTURE AND OPERATIONS

1.1.1 Divisions

Delticom was founded in Hanover in 1999. The company is Europe's leading Internet tyre retailer. It operates in two divisions: eCommerce and Wholesale.

Most of the group's revenues are generated by the eCommerce division. Delticom has well-established Internet domains which are popular within the relevant target group. The company offers its private and business customers a broad product range: car tyres, motorbike tyres, truck tyres, bus tyres, rims, complete wheels (pre-mounted tyres on rims) as well as selected car replacement parts and accessories such as snow chains, catalytic converters and engine oil. The main product line is car replacement tyres; the range covers more than 100 tyre brands and 25,000 tyre models. For fitting the tyres on the vehicle the customer can choose from over 22,100 service partners worldwide, more than 5,400 in Germany alone (as of July 22, 2008).

Delticom generates a large share of its revenues by selling from own inventories. The business with stocked articles 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.

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

1.1.2 Markets

Delticom's online shop which generates the most revenues is www.reifendirekt.de - a well-known brand in the German online tyre business. In addition, the company sells its products in almost all countries in Europe. 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 North America, with the main focus on the USA. The group operates in 35 countries with 93 online shops. Revenues and profits grew significantly last year, both in Germany and internationally.

1.1.3 Key Economic Factors

Internet tyre sales are driven by two important factors: the development of the tyre market and the purchasing behaviour of internet users.

1.1.3.1 The German and European Replacement Tyre Business

The world tyre trade consists of two distinct markets: the first supplies tyres for brand new vehicles while the second is focused on providing replacement tyres. Worldwide, these two markets sell approximately 1 billion tyres annually for all types of vehicles. For Delticom it is the replacement tyre market, which accounts for about three-quarters of total worldwide tyre sales, that is relevant to the company's business model. According to figures provided by the German Tyre Dealers Association (BRV), consumers purchased 41.5 million tyres from German dealers in 2007 with winter tyres making up 20.4 million of this total.

In Germany, but also in the Alps and northern Europe, seasonal weather conditions - and the corresponding change from summer to winter tyres that comes with them - have a key influence on tyre sales. Most drivers tend to purchase their winter tyres after hearing reports of the season's first snowfall of the season. As a result, tyre sales are typically very good in November and December, making the final quarter the year's strongest. With winter tyre sales concentrated at year's end, volumes usually fall off early in the new year and leave first quarter sales relatively weak. In contrast, the second quarter typically sees stronger sales as the pleasant weather of April and May inspires many drivers to make the switch to summer tyres. Not surprisingly, third quarter sales often decline from the previous quarter, while the change from fall to winter weather conditions at the outset of the fourth quarter sees the cycle begin again.

Evidence of the relatively weak role played by economic fluctuations - compared to weather conditions - in influencing sales in tyre market is found in the fact that at a time when rising consumer prices are helping depress new car sales, the sale of replacement tyres has held steady or even grown. Replacement tyres are a key auto component. Past consumer practice shows that regardless of their personal economic situation, tyre buyers seldom compromise on the quality of tyre they purchase, but respond to economic pressures by spending more time shopping around for the best possible price.

1.1.3.2 The Internet: An Increasingly Important Distribution Channel

In the past several years, internet use by adults has grown considerably. According to a 2008 representative online study by the German public broadcasters ARD/ZDF, 42.17 million (or 65.8%) of German adults are now online, an increase of 1.9 million over 2007 (62.7%). These findings are supported by the research found in the 2008 (N)onliner-Atlas which reports that 42 million Germans now use the internet regularly. Internet use is growing at comparable rates in other European countries.

If one considers the age of internet users, it is above all the group of very active young users which holds the greatest growth potential for all internet sales-based business. This group navigates the net with great confidence and comfort and is already used to the idea that shopping is something one does online, not just at the supermarket around the corner. Another increasingly active segment of internet users are the "Silver Surfers", a term used to describe web users over 50 years of age with significant discretionary funds at their disposal.

eCommerce already makes up a significant portion of overall internet usage. According to a study by Hohenheim University (Stuttgart), the number of Germans using the internet to purchase goods and services rose from 600 thousand in 1998 to 33 million this year. Even with this incredible growth, however, it remains clear that eCommerce has not yet begun to exhaust its potential.

Two factors are behind the internet's ever increasing importance as a platform for individuals to transact their business. First, customers benefit from lower prices and second, merchants selling online are typically able to achieve higher profit margins than their bricks-and-mortar-based competitors.

The relative importance of the internet as a distribution channel is reflected in the German statistics: In 2007, more than 18 billion Euros worth goods and services were sold online in this country alone. And online merchants are predicting further significant growth this year, with a survey conducted by the eCommerce Working Group of the Federal German Association of Digital Enterprise (BVDW) suggesting its membership expect sales growth for 2008 to hit almost 18%.

1.1.3.3 eCommerce in the Tyre Trade: Considerable Potential

Currently the share of tyres sold via the internet is comparatively low. The BRV has estimated that in 2007, 4% of direct-to-consumer tyre sales were made online (2006: 3%).

Another indicator of how online tyre sales are developing in Germany is provided by "Tyre Monitor 2008", an annual study conducted by the General German Automobile Club (ADAC). Here, in answer to the question "Where did you make your last tyre purchase?", 3.1% of those polled responded "The internet" (2007: 2.5%). With respondents between 18 and 39, the figure rose to 6.1% (2007: 4.8%). This report also suggests that the market can expect to accelerate quickly in the future, for when asked if they intended to make future tyre purchases over the internet, 15.6% of respondents answered "Yes" (2007: 15.1%). Here too there was a marked difference between the average respondent and those in the younger, internet savvy 18-39 age group with the latter group answering in the affirmative 28.1% of the time (2007: 26.4%).

While the above figures are from the German market, we contend that the strong growth of the online-distributions channel is not a German phenomenon as the number of internet connections continues to grow worldwide. And as this growth takes place, the customer readiness to buy tyres online grows along with it. 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.

1.2 COURSE OF BUSINESS

1.2.1 Overall Economic Situation

The global economy continued to develop positively in the first half of 2008, although dramatically increased prices for energy and raw materials contributed to slower growth. Investors continued to show concern for the continued effects of the subprime mortgage and real estate crises in the United States as well as the continued strength of the Euro. Germany, with an economy largely oriented towards export markets, was not unaffected by these developments. While the effects of these factors have been relatively small to date, the overall economic situation in Europe can fairly be characterized as unstable. Shrinking consumer confidence has eroded people's willingness to make purchases and, as energy prices continue to reach new all time highs, a recession has become a realistic possibility.

The replacement tyre market is not cyclical. As a result, overall market conditions had no discernible effect on Delticom's business during the reporting period.

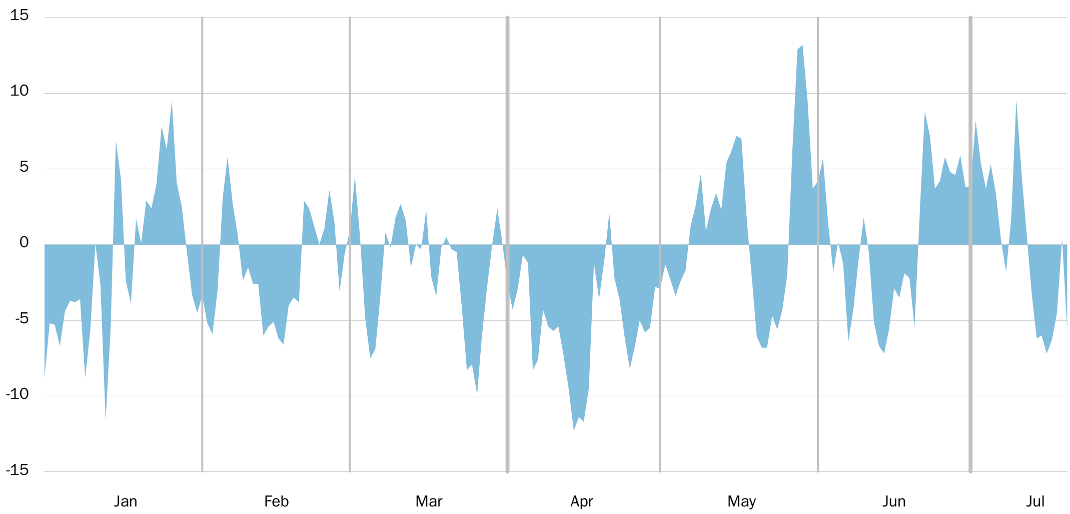
1.2.2 Key Events Relating to Business

After a difficult 2007 in the German tyre market, first quarter results for 2008 also failed to meet expectations. Again, this was primarily due to weather conditions at the beginning of the year. In almost all the key winter tyre markets, the first months of 2008 saw little or no snow fall with the result that European tyre dealers sold significantly viewer winter tyres than in 2007. However, as weather conditions varied considerably throughout the many markets served by Delticom with its international business model, the company was again able to partially compensate for weaker sales in some countries (e.g. Germany) with growth in other markets.

The onset of the summer sales season was also delayed by unseasonably cool conditions throughout March and into April, weather which caused many drivers to delay their purchase of summer tyres. With the belated rise in temperatures throughout April, the summer sales season gradually gained momentum with summery May weather finally elevating sales figures significantly. As a result of these factors, the BRV is predicting the car tyre sales for the first half of '08 in the German market will fall year-over-year by - 7.5%.

The weather "dependency" of the replacement tyre market were also reflected in the changing prognoses for the first half of the year. In March, before the long period of cool weather, the German Tyre Dealers Association (BRV) predicted a modest increase in year-over-year sales. When the weather began to improve in April, analysts at the Deutsche Bank too forecast a recovery for economy as a whole, but still predicted lower year-over-year retail sales. After April's weather failed to live up to expectations, however, the BRV revised its stance and warned that the trade should brace itself for a zero-growth situation.

The "ups and downs" of the weather-dependent tyre market are made clear in the graphic below:



Difference between daytime high air temperatures (2008 minus 2007; positive: 2008 warmer, negative: 2008 colder) at Frankfurt/Main Airport: January 2008 less snow and warmer, no early onset of summer 2008, April 2008 much colder than 2007, summer temperatures begin only in May 2008

Through marketing measures and a flexible pricing policy, Delticom is able to respond effectively to any changes which weather conditions may bring to the tyre market.

2 FINANCIAL POSITION AND RESULTS OF OPERATIONS

2.1 EARNINGS

2.1.1 Revenues Growth

As the European market leader, Delticom once again increased its revenues significantly during the period under review, up +19.2% from €102.0 million in H1'07 to €121.5 million.

Revenues rose +9.4% in the first quarter (from €38.9 million to €42.6 million) - relatively slight growth as a result of the base effect, as revenues in Q1'07 were relatively high (up +52.3% compared to Q1'06) due to the snowfall in January (winter tyres) and the warm March (summer tyres). Although the conditions for the second quarter of the current year were also relatively poor due to the late start to the summer season (in part only at the end of April), Delticom was still able to increase its revenues by +25.2% in Q2'08 from €63.1 million to €78.9 million. This revenue growth is the result of an opportunistic strategy, limited to Q2'08: expanding European market shares in a difficult market environment via increased marketing and supporting pricing.

Revenues in the key eCommerce division increased by +20.0% from €94.1 million in H1'07 to €112.9 million in H1'08. Revenues in the wholesale division totaled €8.6 million in the period under review (+9.3% after divisional revenues of €7.9 million in H1'07).

Revenues in Germany scarcely grew in H1'08 compared to the same period of the previous year while international revenues improved considerably. The Group recorded increased sales figures and increased market penetration in almost all of its 93 online shops in 35 countries. Overall, in the reporting period, Germany generated revenues of €43.0 million (+4.3% compared to the same period of the previous year), while in the other EU countries revenues were €61.5 million (up +27.6%) and in the remaining countries these reached €17.0 million (up +35.9%).

The key factors for the positive growth in the eCommerce division were the significant broadening of the customer base (with customers defined as someone who has made a purchase at least once during the period under review or in previous years). In the eCommerce division, the customer base increased over a 12-month period (from June 30, 2007) from around 1,624 thousand customers to 2,272 thousand customers on June 30, 2008. Delticom gained approximately 342 thousand new customers during the period under review, with the number of newly acquired customers in the second quarter increasing +16% compared to Q2'07 despite the relatively unfavorable weather conditions (Q1'08: - 5.7%). It is also particularly pleasing that during the reporting period 133 thousand repeat customers again made a purchase from Delticom.

2.1.2 Key Expense Positions

The increase in the cost of sales by +18.7% from €77.9 million in H1'07 to €92.4 million in H1'08 is due primarily to higher revenues. The relatively slight historical improvement in the cost of sales ratio from 76.4% to 76.1% is not due to the change in input prices, but is mostly due to the price policy selected by Delticom in its business with end customers (see also the comments on changes in the gross profit margin).

Across the reporting period, Delticom employed an average of 79 persons with 81 in the firm's employ as of June 30, 2008 (June 30, 2007: 80). The personnel cost ratio (ratio of personnel expense to revenues) increased slightly to 2.1% compared to the same period of the previous year (H1'07: 2.0%).

Delticom has tyres it sells collected from its warehouses by logistics companies who transport these to the customers. Higher business volumes resulted in an upturn of transportations costs of € +2.2 million (+27.6%). The share of transportation costs to revenues totalled 8.3% (H1'07: 7.8%). The main reason for the upturn was the increase in the proportion of foreign revenues, for which the proportionate transport costs are generally higher than for business in Germany.

Marketing costs totalled €2.8 million in the period under review. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.3%, after 2.2% in the corresponding period of the previous year. The marketing expenses ratio increased significantly to 2.1% in Q2'08 – from 1.8% in Q2'07 – in line with the aim of gaining market shares.

The hotline and select parts of the customer and supplier processes were outsourced to external service providers. In the reporting period, the costs for the operations centers increased by +49.6% from €1.3 million to €2.0 million. This was due to the high wage cost levels in the countries in which the operations centers are located. Furthermore, in 2008 the operations centers took over activities that had not been outsourced in 2007. It is of this reason that in relation to revenues, operation center costs increased to 1.7% of revenues (after 1.3% in the corresponding period of the previous year).

2.1.3 EARNINGS

2.1.3.1 Gross Profit

Gross profit increased year-on-year by +23.4% from €24.7 million to €30.5 million. This represents an upturn in gross margin from 24.1% to 24.8%, due to a further improvement of purchasing conditions and optimized end customers prices. In the reporting period, more tyres (relative to the total amount) were delivered from company warehouses to the end customer than in the previous year. This resulted in a further improvement in the gross margin. As at least some direct costs were passed on to the customers in the context of the price calculation, the gross margin also increased slightly against the previous year due to the increase in such costs.

On a quarterly basis, the gross margin in Q2'08 of 24.5% was lower than in Q1'08 (25.2%) at as the selling prices in select regions were cut slightly in parallel to increased marketing activities, in order to reach the sales targets that had been set in these regions.

The two divisions - eCommerce and Wholesale - generate different gross margins. As in the previous quarter, the eCommerce division's gross margin of 25.3% (H1'07: 24.8%) was higher than the 11.3% achieved by the Wholesale division (H1'07: 13.1%).

2.1.3.2 EBIT and Consolidated Net Income

Consolidated earnings before interest and taxes (EBIT) improved in the reporting period by +2.2% to €5.6 million (H1'07: €5.4 million). The return on sales based on EBIT is 4.6% (H1'07: 5.3%).

The financial result in H1'08 fell by - 18.1% compared to the corresponding period of the previous year from €0.6 million to €0.5 million as the average available amount for investments was lower due to the higher capital lock-up for working capital (current assets less cash and cash equivalents and trade payables).

Consolidated net income for the period under review was €4.1 million or €1.04 per share (basic). Earnings per share thus increased +9.6% against the H1'07 figure of €0.95. The EPS calculation is detailed in the notes (see page 19).

2.2 FINANCIAL POSITION AND NET ASSETS

The companies non-current assets totalled €2.7 million on June 30, 2008 or just 2.8% (June 30, 2007: 3.1%) of total assets. In the current assets, inventories accounted for €40.6 million, or 42.6% of total assets (June 30, 2007: €37.5 million or 42.2%). The +8.3% year-on-year upturn in inventories is necessary to cover the expected growth in Delticom's revenues growth in 2008.

To the end of the reporting period, receivables totalled €15.7 million, €10.3 million of which were accounts receivables and €5.4 million were other receivables. In the reporting period, bad debt lossed increased +50.6% year-on-year from €0.6 million to €0.9 million. The default rate (share of receivables losses and individual write-downs on revenues) remains low at 0.7% (H1'07: 0.6%).

Debt totalled €52.9 million, 99.3% of which was current. The preponderant element here was accounts paypable (€43.4 million), which increased +15.3% year-on-year (June 30, 2007: €37.7 million).

It was possible to sell large amounts of the warehoused goods in H1'08. As a result, working capital at the end of the reporting period totalled just €12.9 million (compared to €13.7 million on June 30, 2007). The operating cash flow for H1'08 was €9.1 million, up +57.9% year-on-year (H1'07: €5.8 million). In total, Delticom had cash and cash equivalents totaling €36.4 million on June 30, 2008 (June 30, 2007: €34.9 million).
In the reporting period, Delticom made total investments of €372 thousand, €326 thousand of which

were in property, plant and equipment with the remaining €47 thousand in intangible assets. The main investments related to the acquisition of equipment for the warehouses.

2.3 OVERALL OPINION ON THE ECONOMIC SITUATION

Delticom developed well during the first half 2008. With a growth in sales of +19.2% to €121.5 million, an increase of the consolidated net profits by +9.6% to €4.1 million and an increase of the operating cash flow to €9.1 million (+57.9%) Delticom succeeded in combining strong growth, profitability and internal financing strength.

3 RISKS

In an environment of drastically increasing raw material and energy prices, some manufactures have announced to try to pass on the higher prices. Demand might therefore decrease slightly, but on the other hand there are no real substitutes for tyres. In addition, Delticom as a tyre dealer enjoys good purchasing conditions and has a strong focus on online trading, both resulting in an ability to offer goods at good prices. Therefore management assumes that changes in the price levels in Europe or overseas will have only a relatively minor impact on the business success.

In the view of management, the current fiscal year offers neither any considerable risks nor opportunities not previously identified in Delticom's last annual report.

4 FORECAST

4.1 INDUSTRY SITUATION

The general market conditions for the industry will likely see little change over the rest of the year. Trade associations and experts are forecasting a slight increase - independent of the number of new registrations - in the number of registered cars. The mileage per tyre is likely to remain at approximately the same level. As a result, growth rates for the European replacement tyre market of between 1% and 3% are considered reasonable.

Currently the BRV is calling for a rise in year-over-year sales for German car tyre sales of +1.5%, with increases of +0.8% and +2.4% projected for summer and winter tyre sales respectively. A prognosis for the entire European tyre market does not exist, however, Delticom's management believes there will be no significant difference in market developments between Germany and Europe.

4.2 GUIDANCE

On the basis of developments to date and continued European-wide trend towards eCommerce, the management reiterates its guidance for 2008 revenues at 240-260 million €. Management is confident that the lower end of this target range can be achieved even if winter tyre sales are worse than currently expected, while the upper end of the target is seen as an ambitious but achievable goal.

Against a backdrop of relatively unfavourable weather conditions in the first half of 2008, Delticom continued to invest in the expansion of its European market share. Based on current figures, management still believes that the company can increase its gross profit margin year-over-year and that an EBIT margin of between 5.0% and 6.0% is appropriate and achievable.

4.3 OVERALL FORECAST

The European online tyre business will become more and more attractive, and Delticom is well positioned to participate in this market sustained growth.

The combination of business processes creates an efficient cross-border value chain. As the European market leader, Delticom enjoys good purchasing conditions and can react in a flexible fashion to variations in volume in individual countries. Due to the good bying conditions and the streamlined cost basis, Delticom will continue to offer a broad product range at attractive prices and grow profitably. In the medium term and increasing with size, further economies of scale can be achieved. In addition, the company has the means to quickly expand into new product groups and markets.

The Managing Board expects that Delticom will experience positive, sustainable growth.

CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2008

ASSETS

€ thousand	30.06.2008	31.12.2007
Non-current assets	2,720	3,579
Intangible assets	1,169	1,173
Property, plant and equipment	1,473	1,330
Financial assets	0	1,000
Other receivables	78	76
Current assets	92,747	83,781
Inventories	40,636	35,581
Accounts receivable	10,308	10,356
Other receivables	5,405	3,303
Cash and cash equivalents	36,397	34,540
Assets	95,466	87,360

SHAREHOLDERS' EQUITY AND LIABILITIES

€ thousand	30.06.2008	31.12.2007
Equity	42,572	46,342
Subscribed capital	3,946	3,946
Share premium	31,743	31,706
Reserve from currency translation	-44	-27
Retained earnings	200	200
Net retained profits	6,727	10,518
Liabilities	52,894	41,018
Non-current liabilities	355	344
Non-current provisions	35	24
Deferred tax liabilities	320	320
Current liabilities	52,539	40,674
Provisions for taxes	1,336	1,888
Other current provisions	9	337
Accounts payable	43,437	31,696
Other current liabilities	7,756	6,753
Shareholders' equity and liabilities	95,466	87,360

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2008

€ thousand	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007	01.04.2008 – 30.06.2008	01.04.2007 – 30.06.2007
Revenues	121,533	101,985	78,944	63,061
Other operating income	1,346	569	566	343
Total operating revenue	122,879	102,554	79,510	63,404
Cost of goods sold	-92,427	-77,871	-60,000	-47,110
Gross profit	30,452	24,683	19,510	16,294
Personnel expenses	-2,501	-2,088	-1,339	-1,124
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	-234	-130	-120	-70
Other operating expenses	-22,146	-17,016	-12,988	-9,905
Earnings before interest and taxes (EBIT)	5,571	5,449	5,062	5,195
Financial expenses	-20	-54	-16	-30
Financial income	506	646	311	351
Net financial result	485	592	295	321
Earnings before taxes (EBT)	6,056	6,041	5,357	5,516
Income taxes	-1,954	-2,299	-1,740	-2,141
Consolidated net income	4,103	3,743	3,618	3,375

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2008

€ thousand	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
Earnings before interest and taxes (EBIT)	5,571	5,449
Depreciation and amortization of intangible assets and depreciation of property, plant and equipment	234	130
Changes in other provisions	-317	-3
Changes in inventories	-5,055	-16,724
Changes in receivables and other assets not allocated to investing or financing activity	-2,057	-2,599
Changes in payables and other liabilities not allocated to investing or financing activity	12,745	22,035
Interest received	506	82
Interest paid	-20	-54
Income tax paid	-2,505	-2,553
Cash flow from operating activities	9,101	5,763
Payments for investments in property, plant and equipment	-326	-250
Payments for investments in intangible assets	-47	-564
Proceeds from the disposal of financial assets	1,000	0
Cash flow from investing activities	628	-814
Dividends paid by Delticom AG	-7,893	-4,736
Increase in share premium due to stock options	37	0
Cash flow from financing activities	-7,856	-4,736
Changes in cash and cash equivalents due to currency translation	-17	-1
Cash and cash equivalents at the start of the period	34,540	34,661
Changes in cash and cash equivalents	1,857	213
Cash and cash equivalents - end of period	36,397	34,874

Statement of Changes inShareholders' Equity

AS OF 30 JUNE 2008

€ thousand	Sub-scribed capital	Share premium	Reserve from currency translation	Accumulated profits / losses: Retained earnings	Accumulated profits / losses: Net retained profits	Accumulated profits / losses: total	Total equity
as of 1 January 2007	3,946	31,701	5	200	6,905	7,105	42,758
Currency translation differences			-1				-1
Dividends paid					-4,736	-4,736	-4,736
Consolidated net income					3,743	3,743	3,743
as of 30 June 2007	3,946	31,701	4	200	5,912	6,112	41,764
as of 1 January 2008	3,946	31,706	-27	200	10,518	10,717	46,342
Increase in share premium due to stock options		37					37
Currency translation differences			-17				-17
Dividends paid					-7,893	-7,893	-7,893
Consolidated net income					4,103	4,103	4,103
as of 30 June 2008	3,946	31,743	-44	200	6,727	6,927	42,572

Consolidated Notes

FOR THE FIRST HALF YEAR 2008

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

REPORTING COMPANIES

The Delticom group primarily sells tyres via the Internet. Delticom has two divisions: Wholesale and eCommerce. In the Wholesale segment, manufacturers' tyres are sold to wholesalers and procured for the eCommerce segment, including own-name brands. In the eCommerce segment, tyres are sold to retailers, workshops and end consumers via 93 online shops in 35 countries in Europe, the USA, Canada and Japan (test shop).

BASIS OF PRESENTATION

This consolidated interim report as of June 30, 2008 has been prepared according to International Financial Reporting Standards. The accounting and valuation methods for the interim financial statements are in line with IAS 34, GAS 6 and Section 63 of the Börsenordnung der Frankfurter Wertpapierbörse (Frankfurt Stock Exchange Rules). During preparation of the interim financial statements and the identification of comparable figures for the previous year, as a rule the same principles of consolidation and accounting and valuation methods were applied as in the 2007 consolidated financial statements. A detailed description of these methods has been published in the notes to the consolidated financial statements in the 2007 annual report. This is also available online at www.delti.com. According to the provisions of Section 37x (3) of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act), the Delticom Group's interim report comprises consolidated interim financial statements and a group interim management report. The group interim management report was prepared in accordance with the relevant provisions of the WpHG. IFRIC 11, 12 and 14 are mandatory since January 1, 2008 and have been applied accordingly.

GROUP OF CONSOLIDATED COMPANIES

The group of consolidated companies comprises Delticom AG, with its registered office in Hanover, registered at Hanover local court as well as four companies where Delticom AG holds a 100% interest. The business purpose of Delticom Tyres Ltd. in Oxford (United Kingdom) and Delticom North America Inc. (Wilmington, Delaware/USA) is online tyre dealing. The German subsidiary Reifendirekt GmbH in Hanover buys advertising services for the Delticom group. NETIX SRL in Timisoara (Romania) supplies services to third parties, e.g. in the area of call-center operations.

CALCULATIONS OF EARNINGS PER SHARE

Earnings per share are calculated according to IAS 33. In the fiscal year there were 5,270 potential shares (financial instruments and other agreements that authorize the bearer to subscribe to ordinary shares) from the tranche dated November 22, 2007 as well as 12,500 potential shares from the tranche dated May 8, 2008. Because the strike price of the tranche from November 22, 2007 is higher than the average share price since the date the options were issued on November 22, 2007 the tranche thus has no dilutive effect on earnings per share. The strike price of the tranche dated May 8, 2008 is lower than the average share price since the date the options were issued on May 8, 2008, therefore this tranche is used to calculated diluted earnings per share. However, when calculated there is no difference between the basic earnings per share and the diluted earnings per share.

The calculation of earnings per share was based on net income after taxes as numerator and the weighted average number of shares issued and potential shares outstanding in the fiscal year as denominator. For the diluted earnings per share 3,950,161 shares and for the undiluted earnings per share 3,946,480 shares were used as denominator.

DIVIDEND PAYMENT

On May 7, 2008, a dividend of € 2.00 for the fiscal year 2007 was distributed to the shareholders.

PRIMARY SEGMENT REPORTING

for the period from 1. January 2007 to 30. June 2007

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	94,120	7,865	0	101,985
Other operating income	361	42	166	569
Cost of goods sold	-71,004	-6,867	0	-77,871
Gross profit	23,478	1,040	166	24,683
Personnel expenses	-796	-196	-1,096	-2,088
Depreciation and amortization	-53	-36	-41	-130
thereof property, plant and equipment	-36	-34	-37	-107
thereof intangible assets	-17	-2	-4	-23
Other operating expenses	-15,209	-344	-1,463	-17,016
thereof bad debt losses and individual write-downs	-494	-92	0	-586
Earnings before interest and taxes	7,420	463	-2,434	5,449
Net financial result				592
Income taxes				-2,299
Consolidated net income				3,743

for the period from 1 January 2008 to 30 June 2008

€ thousand	eCommerce	Wholesale	not allocated	Group
Revenues	112,936	8,597	0	121,533
Other operating income	465	128	753	1,346
Cost of goods sold	-84,691	-7,736	0	-92,427
Gross profit	28,710	989	753	30,452
Personnel expenses	-960	-171	-1,370	-2,501
Depreciation and amortization	-124	0	-110	-234
thereof property, plant and equipment	-91	0	-92	-183
thereof intangible assets	-33	0	-18	-51
Other operating expenses	-19,475	-381	-2,291	-22,146
thereof bad debt losses and individual write-downs	-848	-34	0	-882
Earnings before interest and taxes	8,152	438	-3,018	5,571
Net financial result				485
Income taxes				-1,954
Consolidated net income				4,103

SECONDARY SEGMENT REPORTING

Revenues

€ thousand	01.01. - 30.06.2008	01.01. - 30.06.2007
Germany	43,041	41,279
Other EU countries	61,494	48,196
USA and rest of world	16,998	12,510
Total	121,533	101,985

OTHER OPERATING EXPENSES

€ thousand	01.01. - 30.06.2008	01.01. - 30.06.2007
Transportation costs	10,375	8,078
Warehousing costs	1,167	1,242
Credit card fees	831	915
Bad debt losses and individual write-downs	882	586
Marketing costs	3,285	2,783
Operations centre costs	1,895	1,325
Rents and overheads	713	186
Financial and legal costs	972	931
IT and telecommunications	232	219
Expenses from exchange rate differences	1,083	175
Other	711	577
Total	22,146	17,016

RELATED PARTY DISCLOSURES

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

Delticom AG purchased goods and services from related parties amounting to €174 thousand (previous year: €632 thousand). The group sold goods and services to related parties for a total of €155 thousand (previous year: €468 thousand).

CONTINGENT LIABILITIES

Obligations from order commitments totalling €5,309 thousand (31 December 2007: €3,547 thousand) are due within one year. Obligations from operating leases and other contingent liabilities are due in following periods in the total amount of €10,049 thousand (31 December 2007: €8,688 thousand), of which € 3,255 thousand (31 December 2007: €3,217 thousand) are due within one year and €5,325 thousand (31 December 2007: €4,307 thousand) are due between one and five years.

ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES

In the reporting period, Delticom had an average of 79 employees. This calculation is based on the number of employees taking into account the number of hours worked.

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.

GERMAN CORPORATE GOVERNANCE CODE

The declaration required by Section 161 of the Aktiengesetz (AktG - German Public Limited Companies Act) is made accessible to shareholders on our Web site: www.delti.com.

KEY EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular importance after the balance sheet date.

TO DELTICOM AG, HANOVER [1]

We have reviewed the condensed consolidated interim financial statements - comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and selected explanatory notes - and the interim group management report of Delticom AG, Hanover for the period from January 1, 2008 to June 30, 2008 which are part of the half-year report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trad-ing Act). The preparation of the condensed consolidated interim financial statements in accor-dance 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 fi-nancial 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 re-spects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, August 11, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sign. (Günter Benz)	sign. (ppa. Thomas Monecke)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

(1) 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.

DECLARATION BY LEGAL REPRESENTATIVES

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

Hanover, August 11, 2008

Rainer Binder   Frank Schuhardt   Philip von Grolman

Financial Calender 2008

10.11.08 - 12.11.08	German Equity Forum
12.11.08	9-monthly report 2008

Imprint

Publisher

Delticom AG
Brühlstraße 11
30169 Hanover
Germany

Contact Investor Relations

Melanie Gereke
Brühlstraße 11
30169 Hanover
Phone: +49-511-93634-8903
E-Mail: melanie.gereke@delti.com

Design & Consulting

IR-One AG & Co., Hamburg
www.ir-1.com