3-Monthly 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 (8,100 in Germany alone) for professional fitting directly on to the customer's vehicle at a reasonable price.

Key Figures

		01.01.2012 – 31.03.2012	01.01.2011 – 31.03.2011	–/+ (%, %p)
Revenues	€ million	85.5	85.4	+0.2
Total income	€ million	86.2	86.7	–0.6
Gross margin[1]	%	25.8	25.9	–0.1
Gross profit	€ million	22.7	23.5	–3.0
EBIT	€ million	3.4	5.9	–42.3
EBIT margin[2]	%	4.0	7.0	–2.9
Net income	€ million	2.3	4.1	–42.8
Earnings per share[3]	€	0.20	0.34	–42.9
Total assets	€ million	203.1	167.7	+21.1
Inventories	€ million	134.7	83.6	+61.0
Investments[4]	€ million	0.1	1.8	–92.3
Capital Employed[5]	€ million	80.9	75.4	+7.3
Return on Capital Employed[6]	%	4.2	7.9	–3.6
Equity	€ million	77.7	75.4	+3.1
Equity ratio	%	38.3	45.0	–6.7
Return on equity	%	3.0	5.4	–2.4
Liquidity position[7]	€ million	26.8	47.5	–43.5
Operating cash flow	€ million	5.6	–18.5	
Free cash flow[8]	€ million	5.5	–20.3	

(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

Economic developments

After economic growth in the Eurozone had already started to slow at the end of last year, the first quarter 2012 did not show any signs of a sustained improvement. Contrary to Europe as a whole, the German economy continued to profit from stable private demand, although rising energy and fuel prices increasingly have started to burden consumer confidence.

Tyre markets

The situation on the world commodity markets continues to be tense. Notably, crude oil prices rose dramatically in the first quarter, exceeding the last year's high from March 2011. In addition, prices for natural rubber rose once more, after prices had softened at the end of 2011. As previously announced, some tyre manufacturers have raised their prices in the first quarter in order to partially offset increased procurement costs.

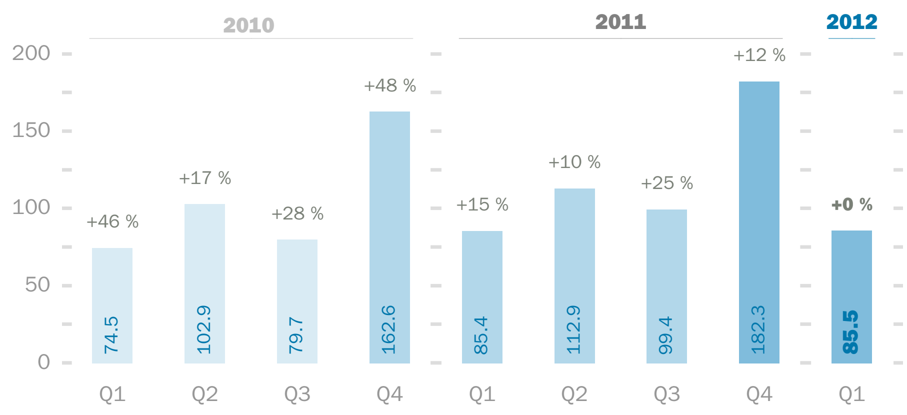
Unlike last year, the tyre trade has not been able to benefit from favourable weather conditions this year so far. On the one hand, at the start of the year demand for winter tyres came in below expectations, mainly due to the lack of snow. On the other hand, temperatures at the end of march were too cold to allow for a good start into the summer tyre season.

Business performance and earnings situation

Revenues

Revenues trend

quarterly revenues in € million



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 Q1 12 the company recognised revenues of € 85.5 million, a plus of 0.2 % after € 85.4 million in the prior-year period.

Business was slowed by the less favourable weather conditions: Due to the lack of snow, sales of winter tyres in the market as a whole lagged behind expectations. This was compounded by the fact that prior to Easter it was too cold for a good start into the changeover season. The low temperatures are likely to have prevented many drivers from making an early switch to summer tyres. The chart *Revenues trend* summarises the development of the quarterly revenues.

E-Commerce

Revenues in the E-Commerce division with its 126 online shops were up year-on-year by 0.5 %, from € 80.5 million to € 80.9 million. The share of divisional revenues amounted to 94.7 %, compared to 94.4 % in the previous year. In Q1 12 the company was able to acquire a total of 164 thousand new customers (Q1 11: 181 thousand, –9.3 %). During the same period 143 thousand existing customers (Q1 11: 133 thousand, +6.9 %) made repeat purchases at Delticom.

Wholesale

Delticom's Wholesale division sells tyres to wholesalers in Germany and abroad. In the reporting period divisional revenues decreased by 5.8 % to € 4.5 million, after prior-year revenues of € 4.8 million.

Revenues by division and region

in € thousand

	Q112	%	+%	Q111	%	+%	Q110	%
Revenues	**85,484**	**100.0**	**0.2**	**85,354**	**100.0**	**14.6**	**74,454**	**100.0**
Primary Segments								
E-Commerce	80,946	94.7	0.5	80,536	94.4	13.9	70,706	95.0
Wholesale	4,538	5.3	–5.8	4,818	5.6	28.6	3,748	5.0
Regions								
EU	64,471	75.4	–4.9	67,806	79.4	9.1	62,169	83.5
Rest	21,013	24.6	19.7	17,548	20.6	42.8	12,285	16.5

Regional split

The group offers its product range in 41 countries. Revenues in EU countries totalled € 64.5 million (–4.9 %). Operations in Europe are not restricted 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 Q1 12 was € 21.0 million (+19.7 %).

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 increased by 0.3 % from € 63.2 million in Q1 11 to € 63.4 million in Q1 12. The E-Commerce division accounted for € 59.4 million (Q1 11: € 58.9 million). COGS in the Wholesale division was € 4.0 million (Q1 11: € 4.3 million).

Personnel expenses

In the reporting period Delticom employed an average of 142 staff members (Q1 11: 108). Personnel expenses amounted to € 2.2 million (Q1 11: € 1.7 million). The reason for the increase was the build up of qualified staff for our new warehouse facility which was opened in Q2 last year.

The personnel expenses ratio in the first quarter came to 2.6 % (staff expenditures as percentage of revenues, Q1 11: 2.0 %).

Warehousing

Due to the expansion of warehouse capacity, rents and overheads increased by 63.9 %, from € 1.0 million to € 1.6 million. Compared to the prior-year period, the share of sales from own stock grew relative to third-party business. As a result, stocking costs increased by 15.0 % to € 1.0 million (Q1 11: € 0.9 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 increased in the reporting period from € 6.8 million by 3.7 % to € 7.0 million. The share of transportation costs against revenues increased from 7.9 % in Q1 11 to 8.2 % in Q1 12.

Marketing

Marketing expenses amounted to € 2.1 million in Q1 12, after € 2.0 million in Q1 11. Although this represents an increase of 3.6 %, the ratio of marketing expenses to revenues was basically flat year-on-year, with a ratio of 2.4 % (Q1 11: 2.3 %).

FX losses

A large portion of tyre purchases is made in foreign currency, usually US-Dollar. The FX exposure is hedged with forward contracts. FX losses are accounted for in the other operating expenses. In Q1 12 the FX losses amounted to € 1.5 million (Q1 11: € 1.7 million). In principle the FX losses are balanced with FX gains from the hedges. Gains and losses might accrue in different quarters, due to the long duration of the underlying transactions and the corresponding hedges. In the reporting period, the balance from FX gains and losses was € –1.1 million (Q1 11: € –0.7 million).

Earnings position

Gross margin

The gross margin for the first quarter was set to 25.8 %, more or less flat from prior-year's 25.9 %. It remains to be seen whether it will be possible to boost volume with more attractive prices in the latter part of the summer tyre season.

Other operating income

Other operating income for the first quarter was € 0.7 million (Q1 11: € 1.3 million), thereof gains from exchange rate differences to the order of € 0.4 million (Q1 11: € 1.0 million) which are mainly driven by fluctuations in the EUR/USD exchange rate.

Gross profit

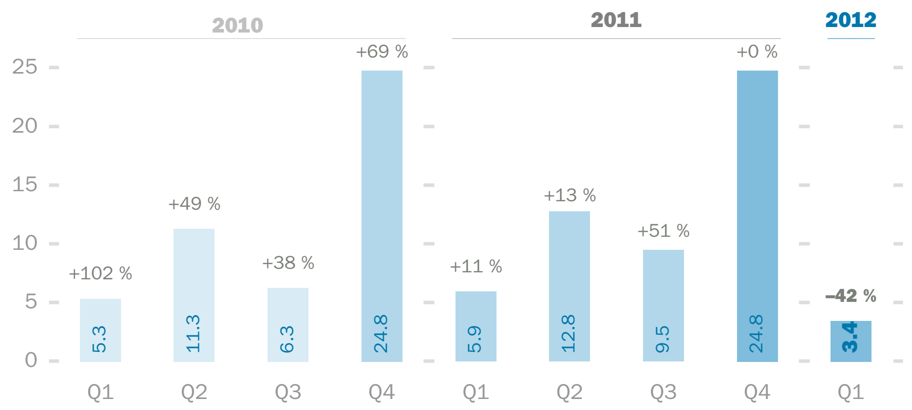
Altogether, the gross profit contracted in the reporting period by –3.0 % year-on-year, from € 23.5 million to € 22.7 million. Total income stagnated at € 86.2 million (Q1 11: € 86.7 million).

EBIT down

The chart *EBIT* shows the preceding quarters.

EBIT

quarterly, in € million



Q1 12 earnings before interest and taxes (EBIT) contracted by 42.3 % to € 3.4 million (Q1 11: € 5.9 million). This translates into an EBIT margin of 4.0 % (EBIT in percent of revenues, Q1 11: 7.0 %).

One of the major reasons for the decline are higher costs resulting from the expansion of warehouse capacity. In Q1 this particularly affected fixed costs such as rent and personnel. As a result, the operating leverage got stronger year-on-year. Due to seasonality in the tyre trade, this is expected to cause further fluctuations in results over the coming quarters.

Financial result negative

In Q1 the company made use of credit lines to help funding inventories. As a result, financial expenses in Q1 12 increased to € 43 thousand (Q1 11: € 3 thousand). Financial income amounted to € 6 thousand (Q1 11: € 42 thousand). The financial result totalled € –37 thousand (Q1 11: € 39 thousand).

Income taxes

In Q1 12 the expenditure for income taxes was € 1.1 million (Q1 11: € 1.9 million). This equates to a tax rate of 31.6 % (Q1 11: 32.2 %).

Net income Q1 12

Consolidated net income shrank from € 4.1 million to € 2.3 million. This corresponds to earnings per share (EPS) of € 0.20 (undiluted, Q1 11: € 0.34), a step-down of 42.9 %.

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

Abridged P+L statement

in € thousand

	Q112	%	+%	Q111	%	+%	Q110	%
Revenues	**85,484**	100.0	0.2	**85,354**	100.0	14.6	**74,454**	100.0
Other operating income	691	0.8	–48.2	1,334	1.6	3.1	1,294	1.7
Total operating income	**86,175**	100.8	–0.6	**86,688**	101.6	14.4	**75,748**	101.7
Cost of goods sold	63,427	74.2	0.3	63,224	74.1	14.2	55,340	74.3
Gross profit	**22,748**	26.6	–3.0	**23,464**	27.5	15.0	**20,407**	27.4
Personnel expenses	2,201	2.6	26.2	1,744	2.0	10.7	1,575	2.1
Other operating expenses	16,447	19.2	6.7	15,414	18.1	16.7	13,207	17.7
EBIT	**3,429**	4.0	–42.3	**5,939**	7.0	11.4	**5,330**	7.2
Depreciation	672	0.8	83.0	367	0.4	24.6	295	0.4
EBITDA	**4,100**	4.8	–35.0	**6,306**	7.4	12.1	**5,625**	7.6
Net financial result	–37	0.0	–194.1	39	0.0	50.1	26	0.0
EBT	**3,392**	4.0	–43.3	**5,978**	7.0	11.6	**5,357**	7.2
Income taxes	1,073	1.3	–44.2	1,923	2.3	11.7	1,721	2.3
Consolidated net income	**2,319**	2.7	–42.8	**4,055**	4.8	11.6	**3,635**	4.9

Financial and assets position

Balance sheet

As of 31.03.2012 the balance sheet total amounted to € 203.1 million (31.12.2011: € 166.4 million). Table *Abridged balance sheet* illustrates the low capital intensity of the business model.

Receivables

Trade receivables usually follow the seasons, but reporting date effects are often unavoidable. At the end of the quarter, the accounts receivable amounted to € 17.2 million, slightly higher than last year (31.03.2011: € 16.9 million).

Inventories up as planned

Among the current assets, inventories is the biggest line item. Since the beginning of the year stock grew by € 28.2 million or 26.4 % to € 134.7 million (31.12.2011: € 106.5 million). This corresponds to a share of 66.3 % of total assets (31.12.2011: 64.0 %, 31.03.2011: 49.9 %).

Comparing quarters, the actual inventory value is 61.0 % higher than the € 83.6 million of 31.03.2011. This is due to the fact that the company had opened the new warehouse only in Q2 11. Using the greater warhousing capacity, Delticom was able to build-up stock earlier before the season than in the prior year.

Payables increased in parallel with inventories

In the wake of this inventory build-up, the accounts payable increased from an opening balance € 68.2 million by 52.1 % to € 103.8 million.

Abridged balance sheet

in € thousand

	31.03.12	%	+%	31.12.11	%	+%	31.12.10	%
Assets								
Non-current assets	16,075	7.9	–3.6	16,669	10.0	63.9	10,169	6.8
Fixed assets	15,520	7.6	–3.6	16,098	9.7	66.8	9,654	6.5
Other non-current assets	555	0.3	–2.8	571	0.3	10.8	516	0.3
Current assets	187,061	92.1	25.0	149,695	90.0	7.6	139,178	93.2
Inventories	134,650	66.3	26.4	106,492	64.0	103.9	52,227	35.0
Receivables	25,574	12.6	21.7	21,006	12.6	9.9	19,117	12.8
Liquidity	26,837	13.2	20.9	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	26,837	13.2	20.9	22,197	13.3	–66.8	66,798	44.7
Assets	**203,135**	**100.0**	**22.1**	**166,364**	**100.0**	**11.4**	**149,348**	**100.0**
Equity and Liabilities								
Long-term funds	80,921	39.8	2.3	79,108	47.6	10.8	71,387	47.8
Equity	77,716	38.3	3.0	75,480	45.4	5.8	71,341	47.8
Long-term debt	3,204	1.6	–11.7	3,628	2.2	7879.6	45	0.0
Provisions	30	0.0	0.0	30	0.0	–33.9	45	0.0
Liabilities	3,174	1.6	–11.8	3,597	2.2		0	0.0
Short-term debt	122,214	60.2	40.1	87,256	52.4	11.9	77,961	52.2
Provisions	3,095	1.5	–52.8	6,560	3.9	–21.7	8,379	5.6
Liabilities	119,119	58.6	47.6	80,696	48.5	16.0	69,582	46.6
Equity and Liabilities	**203,135**	**100.0**	**22.1**	**166,364**	**100.0**	**11.4**	**149,348**	**100.0**

Cash flow

Operating cash flow

In the Q1 12 working capital, the change in accounts payable (€ +35.5 million) was higher than the change in inventories (€ +28.2 million) and accounts receivable (€ +4.0 million). As a result, the net working capital came down by 7.6 %, from € 44.4 million at 31.12.2011 to € 41.1 million at 31.03.2012. In the last year the Q1 net working capital had increased by € +22.2 million. Consenquently, in Q1 12 the cash flow from ordinary business activities (operating cashflow) of € 5.6 million was significantly stronger than in the comparison period (Q1 11: € –18.5 million).

Investing activities

Many of the necessary investments into the infrastructure of the new warehouse had already been made last year. As a result, scheduled Q1 12 cash flow from investing activities amounted to just € –0.1 million (Q1 11: € –1.8 million).

Financing activities

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € –0.8 million. The disbursements due to redemption of loans (€ –0.5 million) were accompanied by payments coming from the utilisation of credit lines and raising of loans (€ –0.3 million).

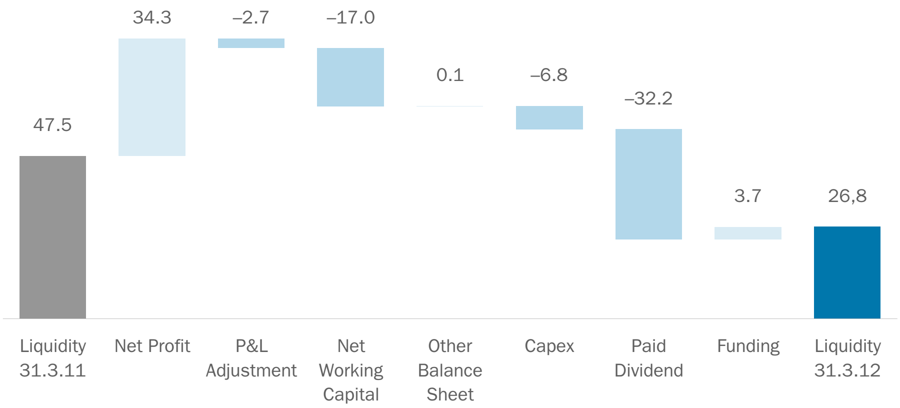
Liquidity position

Liquidity (cash and cash equivalents plus liquidity reserve) as of 31.03.2012 totalled € 26.8 million (31.12.2011: € 22.2 million, 31.03.2011: € 47.5 million). The company’s net cash position (liquidity less liabilities from current accounts) amounted to € 23.2 million.

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

Liquidity Bridge

in € million



Organisation

Legal structure

As of 31.03.2012, 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.

142 employees

In the reporting period an average of 142 persons were employed at Delticom (Q1 11: 108), thereof 8 apprentices and trainees. The business is run mainly from the Hanover head office.

Significant events after the reporting date

The Annual General Meeting on 30.04.2012 has decided on a dividend of € 2.95 per share- an increase of 8.5 % of the previous year's dividend of € 2.72 per share.

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 41ff, 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

Experts continue to regard the European economic outlook with caution. After the elections in Greece and France it is looking less likely that European states will agree on a common strategy for managing public deficits in the near future. In addition, high petrol and energy prices are unsettling European consumers. This will weigh on consumer sentiment in coming months.

Tyre retail

Due to unfavourable weather conditions, the European tyre trade had a relatively soft start into the year. At the beginning of the second quarter, the picture is still mixed throughout Europe. Demand shifts between quarters are quite common in the tyre trade, though. Assuming that the market environment for the tyre business continues to improve then volumes in the second quarter should benefit from catch-up effects.

Should demand not pick up strongly before the middle of the year, we nevertheless intend to sell off our inventory of summer tyres and anticipate stronger winter tyre sales: Those motorists who have not changed over to summer tyres but continue to drive on winter tyres throughout the summer will have to replace them later in the year.

Investments

We will continue to invest into infrastructure like conveyor systems and packaging and information technology in the rented warehouse facilities. We closed one of our smaller warehouses at the beginning of 2012. According to current planning we will not have to expand warehouse capacity in the short term. Consequently, our investments in this area will be far lower than in the last year. For 2012 we anticipate a capex of € 5.5 million.

Liquidity

Unlike in 2011, we will not have to draw upon any considerable lines of credit to finance inventories. Even after the dividend payout of € 34.9 million for fiscal year 2011 in May, we have sufficient funds at our disposal. Furthermore, as stocking for the forthcoming winter season is already further advanced than last year, the coming quarters will show a far more moderate build up of inventories.

Guidance unchanged

All in all, our forecast of a rise in revenues of 10 % year-on-year remains unchanged. Assuming margins at prior-year levels, earnings should grow in line with revenues.

Consolidated Interim Financial Statements of Delticom AG

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Consolidated Income Statement

in € thousand	01.01.2012 – 31.03.2012	01.01.2011 – 31.03.2011
Revenues	**85,484**	**85,354**
Other operating income	691	1,334
Total operating income	**86,175**	**86,688**
Cost of goods sold	–63,427	–63,224
Gross profit	**22,748**	**23,464**
Personnel expenses	–2,201	–1,744
Depreciation of intangible assets and property, plant and equipment	–672	–367
Other operating expenses	–16,447	–15,414
Earnings before interest and taxes (EBIT)	**3,429**	**5,939**
Financial expenses	–43	–3
Financial income	6	42
Net financial result	**–37**	**39**
Earnings before taxes (EBT)	**3,392**	**5,978**
Income taxes	–1,073	–1,923
Consolidated net income	**2,319**	**4,055**
Thereof allocable to:		
Shareholders of Delticom AG	2,319	4,055
Earnings per share (basic)	0.20	0.34
Earnings per share (diluted)	0.19	0.34

Statement of Recognised Income and Expenses

in € thousand	01.01.2012 – 31.03.2012	01.01.2011 – 31.03.2011
Consolidated Net Income	**2,319**	**4,055**
Changes in the financial year recorded directly in equity		
Changes in currency translation	–82	–22
Changes in value of financial assets in the “available-for-sale assets” category		
Changes in current value recorded directly in equity	0	2
Recognition of settled hedging transactions with effect on income	0	0
Deferred tax on current changes without effect on income	0	–1
Other comprehensive income for the period	**–82**	**–21**
Total comprehensive income for the period	**2,236**	**4,035**

Consolidated Balance Sheet

Assets

in € thousand	31.03.2012	31.12.2011
Non-current assets	**16,075**	**16,669**
Intangible assets	1,009	1,032
Property, plant and equipment	13,685	14,241
Financial assets	825	825
Deferred taxes	211	215
Other receivables	344	356
Current assets	**187,061**	**149,695**
Inventories	134,650	106,492
Accounts receivable	17,225	10,146
Other current assets	8,349	10,860
Cash and cash equivalents	26,837	22,197
Assets	**203,135**	**166,364**

Shareholders' Equity and Liabilities

in € thousand	31.03.2012	31.12.2011
Equity	**77,716**	**75,480**
Subscribed capital	11,847	11,847
Share premium	24,311	24,311
Other components of equity	–32	50
Retained earnings	200	200
Net retained profits	41,390	39,072
Liabilities	**125,419**	**90,884**
Non-current liabilities	**3,204**	**3,628**
Long-term borrowings	2,700	3,150
Non-current provisions	30	30
Deferred tax liabilities	474	447
Current liabilities	**122,214**	**87,256**
Provisions for taxes	352	3,839
Other current provisions	2,744	2,721
Accounts payable	103,811	68,250
Short-term borrowings	902	1,244
Other current liabilities	14,406	11,202
Shareholders' equity and liabilities	**203,135**	**166,364**

Consolidated Cash Flow Statement

in € thousand	01.01.2012 – 31.03.2012	01.01.2011 – 31.03.2011
Earnings before interest and taxes (EBIT)	**3,429**	**5,939**
Depreciation of intangible assets and property, plant and equipment	672	367
Changes in other provisions	22	–341
Net gain on the disposal of assets	15	4
Changes in inventories	–28,158	–31,393
Changes in receivables and other assets not allocated to investing or financing activity	–4,555	–5,858
Changes in payables and other liabilities not allocated to investing or financing activity	38,786	14,923
Interest received	6	42
Interest paid	–65	–3
Income tax paid	–4,529	–2,198
Cash flow from operating activities	**5,622**	**–18,519**
Proceeds from the disposal of property, plant and equipment	31	0
Payments for investments in property, plant and equipment	–121	–1,785
Payments for investments in intangible assets	–17	–23
Changes in liquidity reserve	0	–2
Cash flow from investing activities	**–108**	**–1,809**
Cash inflow of financial liabilities	–342	0
Cash outflow of financial liabilities	–450	0
Cash flow from financing activities	**–792**	**0**
Changes in cash and cash equivalents due to currency translation	–82	–22
Cash and cash equivalents at the start of the period	22,197	66,798
Changes in cash and cash equivalents	4,640	–20,350
Cash and cash equivalents - end of period	**26,837**	**46,448**
For information only:		
Liquidity – start of period	**22,197**	**67,834**
Changes in cash and cash equivalents	4,640	–20,350
Changes in liquidity reserve	0	2
Liquidity – end of period	**26,837**	**47,486**
Net Cash – start of period	**17,803**	**67,834**
Changes in cash and cash equivalents	4,640	–20,350
Changes in liquidity reserve	0	2
Changes in financial liabilities	792	0
Net Cash – end of period	**23,235**	**47,486**

Statement of Changes in Shareholders' Equity

in € thousand	Sub-scribed 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**
Increase in share premium due to stock options		6						6
Total comprehensive income for the period			–22	1		4,055	4,055	4,035
as of 31 March 2011	**11,839**	**24,222**	**–191**	**11**	**200**	**39,301**	**39,501**	**75,382**
as of 1 January 2012	**11,847**	**24,311**	**50**		**200**	**39,072**	**39,272**	**75,480**
Total comprehensive income for the period			–82			2,319	2,319	2,236
as of 31 March 2012	**11,847**	**24,311**	**–32**	**0**	**200**	**41,390**	**41,590**	**77,716**

Notes to the Consolidated Interim Financial Statements of Delticom AG

Segment results

Q1 11

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**80,536**	**4,818**	**0**	**85,354**
Other operating income	1,219	43	72	1,334
Cost of goods sold	–58,948	–4,276	0	–63,224
Gross profit	**22,807**	**584**	**72**	**23,464**
Personnel expenses	–934	–122	–688	–1,744
Depreciation and amortization	–332	0	–35	–367
thereof property, plant and equipment	–296	0	–23	–319
thereof intangible assets	–36	0	–12	–48
Other operating expenses	–14,638	–201	–575	–15,414
thereof bad debt losses and one-off loan provisions	–357	0	0	–357
Segment result	**6,904**	**261**	**–1,227**	**5,939**
Net financial result				39
Income taxes				–1,923
Consolidated net income				**4,055**

Q1 12

in € thousand	E-Commerce	Wholesale	not allocated	Group
Revenues	**80,946**	**4,538**	**0**	**85,484**
Other operating income	666	24	0	691
Cost of goods sold	–59,401	–4,026	0	–63,427
Gross profit	**22,211**	**537**	**0**	**22,748**
Personnel expenses	–1,135	–182	–884	–2,201
Depreciation and amortization	–637	0	–35	–672
thereof property, plant and equipment	–611	0	–21	–632
thereof intangible assets	–26	0	–14	–40
Other operating expenses	–15,739	–127	–581	–16,447
thereof bad debt losses and one-off loan provisions	–307	0	0	–307
Segment result	**4,701**	**228**	**–1,500**	**3,429**
Net financial result				–37
Income taxes				–1,073
Consolidated net income				**2,319**

Reporting companies

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With 126 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.

Employees

From 01.01.2012 to 31.03.2012 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.

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 31.03.2012 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 company Tyrepac Pte. Ltd. Singapur is not consolidated, but instead recognized as a financial instrument pursuant to IAS 39. The same is true for the company Hongkong Tyrepac Ltd., Hong Kong, a fully-owned subsidiary company of Tyrepac Pte. Ltd. Singapore.

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	Q112	Q111
Transportation costs	7,026	6,773
Warehousing costs	993	864
Credit card fees	626	699
Bad debt losses and one-off loan provisions	307	357
Marketing costs	2,057	1,986
Operations centre costs	1,300	1,149
Rents and overheads	1,566	955
Financial and legal costs	476	439
IT and telecommunications	281	201
Expenses from exchange rate differences	1,465	1,685
Other	350	305
Total	**16,447**	**15,414**

Earnings per share

Basic earnings per share totalled € 0.20 (Q1 11: € 0.34). The diluted earnings per share totalled € 0.19 (Q1 11: € 0.34).

Calculation of earnings per share

Pursuant to IAS 33, undiluted (basic) earnings per share are calculated by dividing the consolidated net income of € 2,318,558.41 (previous year: € 4,055,481.52) by the 11,847,440 weighted average number of ordinary shares in circulation during the financial year (previous year: 11,839,440 shares).

During the year under review, there were 15,810 potential shares (financial instruments and other agreements which entitle their holders to subscribe to ordinary shares) from the tranche dated 22.11.2007, 37,500 potential shares from the tranche dated 08.05.2008, 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. 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 € 2,318,558.41 (previous year: € 4,055,481.52) 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 consolidated 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 significant 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 € 276 thousand (Q1 11: € 461 thousand) were purchased from related companies and persons, and goods and services worth € 0 thousand (Q1 11: € 620 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 2 thousand (Q1 11: € 910 thousand) and accounts payable totalled € 193 thousand (Q1 11: € 271 thousand).

Related companies and persons (category *not cosolidated subsidiaries*): In the reporting period, goods and services worth € 0 thousand (Q1 11: € 52 thousand) were purchased from related companies and persons, and goods and services worth € 334 thousand (Q1 11: € 135 thousand) were sold to related companies and persons. Accounts receivable from business with related companies and persons amounted to € 201 thousand (Q1 11: € 135 thousand) and accounts payable totalled € 0 thousand (Q1 11: € 52 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.

Key events after the reporting date

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

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

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

German Corporate Governance Codex

The website www.delti.com/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).

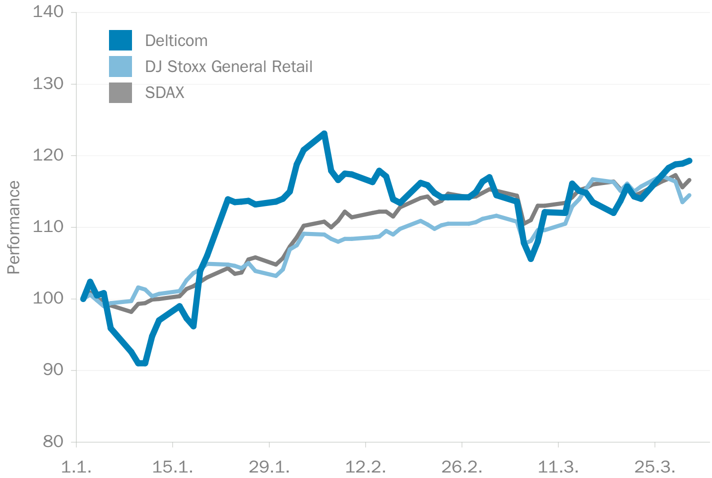
Responsibility Statement

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, 10.05.2012

(The Management Board)

The Delticom Share



WKN	514680
ISIN	DE0005146807
Reuters / Bloomberg	DEXGn.DE / DEX GR
Index membership	SDAX, CXPR, GEX, NISAX
Type of shares	No-par value, registered
Transparency level	Prime Standard
19 July 2012	preliminary H1 figures
09 August 2012	full H1 report
18 October 2012	preliminary Q3 figures
08 November 2012	full Q3 report

		01.01.2012 – 31.03.2012	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]	€	79.90	66.70
Share performance[1]	%	+19.3	+1.6
Share price high/low[1]	€	82.51 / 60.96	81,13 / 55,82
Market capitalisation[2]	€ million	946.6	790.2
Average trading volume per day (XETRA)	shares	20,041	20,408
EPS (undiluted)	€	0.20	3.04
EPS (diluted)	€	0.19	3.02
Equity per share	€	6.56	6.37

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

				Estimates for 2012				Estimates for 2013			
Broker	Analyst	Recommendation	Target price	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)	Sales (€m)	EBIT (€m)	EBIT (%)	EPS (€)
NordLB	Frank Schwope	Buy	89.00	539.0	59.4	11.0	3.41	602.0	65.4	10.9	3.75
Metzler	Jürgen Pieper	Sell	68.00	535.0	58.9	11.0	3.40	605.0	67.7	11.2	3.90
Exane	Andreas Inderst	Outperform	90.00	558.1	60.8	10.9	3.47	661.4	74.5	11.3	4.25
Berenberg	Lars Dannenberg	Buy	85.50	538.0	55.0	10.2	3.24	629.0	71.0	11.3	4.17
Deutsche Bank	Tim Rokossa	Hold	60.00	529.0	50.0	9.5	2.91	591.0	57.0	9.6	3.31
Macquarie	Marcus Sander	Outperform	78.00	548.7	59.4	10.8	3.38	637.4	72.3	11.3	4.13
BH Lampe	Christian Ludwig	Buy	87.00	531.7	57.0	10.7	3.32	590.2	64.5	10.9	3.76
Commerzbank	Dennis Schmitt	Buy	90.00	562.0	62.6	11.1	3.55	654.0	74.7	11.4	4.24
HSBC	Christopher Johnen	Neutral	80.00	536.2	56.3	10.5	3.20	615.0	65.9	10.7	3.76
Cheuvreux	Jennifer Gaussmann	Outperform	79.00	531.0	58.0	10.9	3.34	605.9	68.4	11.3	3.93
Hauck	Sascha Berresch	Sell	55.00	533.8	54.8	10.3	3.11	600.2	60.4	10.1	3.43
Citi	Erofili Tziveli	Buy	81.00	535.6	58.4	10.9	3.34	616.9	68.7	11.1	3.92
		Average	78.54	539.8	57.6	10.7	3.31	617.3	67.5	10.9	3.88

as of 8 May 2012

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