

Delticom AG: Q2 revenues and earnings on track

Hanover, 19 July 2011 – Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, has published preliminary figures for the second quarter of 2011. Over the past months the company was able to increase its revenues and earnings, despite the strong prior-year base. With its new central warehouse, Delticom is well prepared for the coming quarters.

The European summer tyre trade has lagged behind expectations so far. At Delticom, positive figures in May barely managed to offset a comparatively weak April. However, tyre sales have gone up again noticeably year-on-year since June.

Revenues. In the second quarter, Delticom was able to generate revenues of € 112.9 million (Q210: € 102.9 million) – a plus of 9.8%, in spite of the previous year's strong base. As a result, year-to-date revenues amounted to € 198.3 million (H110: € 177.3 million, +11.8%). H1 revenues in the E-Commerce division were up year-on-year by 12.0%, from € 169.7 million to € 190.1 million. The revenues of the Wholesale division grew by 7.3% to € 8.2 million, after prior-year revenues of € 7.6 million. In the same period, other operating income decreased by 7.7% to € 3.1 million (H110: € 3.4 million).

Gross profit. The cost of sales in the reporting period totalled € 144.5 million (H110: € 129.3 million, +11.7%), thereof € 81.5 million for the second quarter (Q210: € 74.5 million, +9.4%). In the first six months of 2011 the gross profit advanced by 10.8% year-on-year, from € 51.4 million to € 56.9 million. Despite a challenging Pan-European demand situation, the rise in purchasing prices were largely passed on to customers. Consequently, second quarter gross profit margin (gross profit in relation to total income) came in flat year-on-year at 29.0%. For the first half of the year the gross profit margin decreased only slightly from 28.4% to 28.3%.

Personnel expenses. In the reporting period an average of 108 staff members were employed at Delticom (H110: 96). Personnel expenses amounted to € 3.5 million (previous year: € 3.2 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) remained unchanged at 1.8%.

Other operating expenses. Overall the other operating expenses in H111 totalled € 33.5 million, an increase of € 2.6 million or 8.5% over the prior-year value of € 30.9 million.

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 service partners. Transportation costs registered only a rather small step-up in the reporting period, from € 15.8 million to € 16.2 million (+2.2%). Because transportation volumes in the second quarter were only slightly higher than last year's, quarterly transportation costs remained flat year-on-year at € 9.4 million. Regarding the first six months as a whole, the share of transportation costs against revenues decreased from 8.9% to 8.2%, partly driven by relatively stronger revenue growth coming from higher selling prices.

Marketing expenses in Q211 amounted to € 2.0 million after € 1.9 million in Q210, an increase of just 4.1%. As a result, marketing in percent of revenues came down slightly, from 1.8% to 1.7%.

Depreciation. In line with the significant expansion of warehouse capacity and the parallel investments into warehousing infrastructure, scheduled depreciation for the past quarter rose by 42.3%, from € 0.3 million in Q210 to € 0.4 million. For the first half of the year the total amount was € 0.8 million (H110: € 0.6 million, +33.7%). The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings performance. Last year's second quarter earnings before interest and taxes (EBIT) had shown a steep rise by +43.9% to € 10.9 million. Nevertheless, against the backdrop of a stable gross profit margin, EBIT for this year's Q2 saw a year-on-year increase once again, by 19.6% to € 13.0 million. This translated to a quarterly EBIT margin of 11.5% (Q210: 10.6%). The EBIT for the total H111 came in at € 19.1 million (H110: € 16.7 million), a plus of 14.4% and an EBIT margin of 9.7% (H110: 9.4%).

Inventories and liquidity position. Delticom opened a new large-scale warehouse in the second quarter. Following the accelerated buildup of stock levels to € 103.2 million (31.12.2010: € 51.7 million), net working capital increased to € 44.3 million (31.12.2010: € 1.3 million). Consequently, cash flow from ordinary business activities (operating cash flow) for the period under review came in significantly lower than last year, at € -24.9 million (H110: € 3.5 million). Taking the cash dividend of € 32.2 million for 2010 into account, cash and cash equivalents as of 30.06.2011 totalled € 6.1 million (30.06.2010: € 21.8 million, 31.12.2010: € 66.8 million). The company's net cash position (cash and cash equivalents less liabilities from current accounts) amounted to € 0.9 million.

Frank Schuhardt (CFO): „Our new warehouse has allowed us to stock up for the upcoming months more aggressively than originally envisioned. Compared to last year, we are now in a better position to offer our customers attractively priced tyres throughout the entire winter.” Despite the strong prior-year base, Delticom's management expects to increase both sales volume and revenues in the fourth quarter, assuming normal winter weather conditions. Frank Schuhardt adds: „We remain on track. Our plans call for around 10% revenue growth in 2011 and an EBIT margin of around one percentage point lower than in 2010.”

The full report for the first six months of 2011 will be published on 09 August 2011 within the "Investor Relations" section of the website www.delti.com .

Corporate News



Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With more than 100 online shops in 39 countries, the company offers its private and business customers an unequalled assortment of excellently priced car tyres, motorcycle tyres, bicycle tyres, truck tyres, bus tyres, special tyres, rims, complete wheels (pre-mounted tyres on rims), selected replacement car parts and accessories, motor oil and batteries. The independent website reifentest.com contains impartial information about tyre tests and helps the customers choose from more than 100 tyre brands and more than 25,000 tyre models. Delticom delivers either directly to the customer's home address, or to one of more than 29,000 service partners – affiliated garages which take delivery of tyres and then install these on the customer's vehicle. Delticom's Wholesale division also sells tyres to wholesalers domestically and abroad.

On the Internet at: www.delti.com

Selected online shops: www.reifendirekt.de, www.123pneus.fr, www.mytyres.co.uk, www.reifendirekt.ch

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