

### **Delticom publishes preliminary figures for FY 2012**

**Hanover, 23 January 2013 – For Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, 2012 was a challenging year. In a difficult market environment the company generated revenues of € 456.4 million, according to today's preliminary figures (2011: € 480.0 million). EBIT amounted to € 32.5 million (2011: € 52.9 million). Earnings per share were € 1.86 (2011: € 3.04).**

#### **Q4 12: Successful quarter despite poor market conditions**

During the first nine months of 2012 the European tyre trade showed growing signs of a cyclical downturn. Weak tyre demand in the final quarter confirmed the trend. As a result, industry experts indicate that winter tyre sales disappointed in 2012, dropping below the already weak 2011 levels.

This did not leave Delticom's Q4 12 business with commercial customers unaffected. Both B2B sales in the E-Commerce division as well as wholesale revenues shrunk double-digit. Total quarterly revenues amounted to € 175.9 million (Q4 11: € 182.3 million, -3.5%). Due to robust sales to end-customers, divisional E-Commerce revenues for Q4 12 stood at € 172.7 million, only slightly below last year (Q4 11: € 176.5 million, -2.1%).

In an environment characterised by mild winter conditions and increasing competitive pressure, Delticom was yet again able to grow its business with private end-customers (B2C). More than 80% of the revenues in the E-Commerce division came from B2C sales. The company was therefore able to at least partially insulate itself from the overall weak market conditions.

In order to increase volume Delticom had to offer more attractive prices for its customers. According to the German tyre trade association (BRV), selling prices for winter tyres had to be reduced by a few percentage and thus forfeiting profits, as weak demand met fully stocked warehouses. Consequently, Delticom's Q4 12 gross margin (trade margin ex other operating expenses) of 25.0% came in significantly lower than in the prior-year period (Q4 11: 28.8%). This was compounded by the planned increase in fixed costs, resulting in a Q4 12 EBIT margin of 8.5% (Q4 11: 13.6%).

#### **Fiscal year 2012**

**Revenues.** Across all divisions, Delticom was able to generate revenues of € 456.4 million, 4.9% less than prior-year's € 480.0 million. Due to the difficult market conditions, sales in the more cyclical business segments decreased significantly. Wholesale revenues for 2012 collapsed by 38.6% to € 15.0 million, after prior-year revenues of € 24.4 million.

Also in the E-Commerce segment with commercial customers (B2B) revenues came under significant pressure. Thanks to the stable sales to our private end customers (B2C) the total sales in the E-Commerce

segment only came down by 3.1 % from € 455.6 million in 2011 to € 441.4 million. The divisional share of group revenues amounted to 96.7 %, compared to 94.9 % in the previous year.

First estimates of the BRV point to a 10,1 % decline in the German tyre trade for 2012. Against this trend, Delticom was able to increase sales in its core B2C E-Commerce business, helping the company to outperform the general tyre market significantly.

**Gross margin.** The cost of goods sold decreased in the reporting period by 2.7 %, from € 348.4 million in 2011 to € 338.9 million. Due to the sluggish demand for summer and winter tyres in Europe, the full-year gross margin came down from 27.4 % to 25.7 %.

**Other operating income.** Other operating profit decreased by –54.9 % to € 3.8 million (2011: € 8.3 million). This was mainly due to lower exchange rate gains in the order of € 1.6 million (2011: € 6.3 million). FX losses have to be accounted for as line item in the other operating expenses. For the period under review, the balance of FX income and losses totalled € –2.2 million or –0.5 % of revenues. In 2011 the balance had been € 0.5 million (0.1 % of revenues). Altogether, the gross profit shrunk in the reporting period by 13.4 % year-on-year, from € 139.9 million to € 121.2 million.

**Personnel expenses.** In the reporting period on average 144 staff members were employed at Delticom (2011: 116). The reason for this increase was the buildup of qualified staff for our warehouse facility opened in 2011. Personnel expenses amounted to € 8.8 million (previous year: € 7.2 million). This equates to a personnel expenses ratio (staff expenditures as percentage of revenues) of 1.9 % (2011: 1.5 %).

**Other operating expenses.** Overall the other operating expenses for the past financial year totalled € 77.2 million, a decrease of 0.6 % over the prior-year value of € 77.7 million.

Among the other operating expenses, transportation costs is the largest line item. It registered a slight step-up by 2.0 %, from € 37.4 million to € 38.2 million. The share of transportation costs against revenues went up from 7.8 % in 2011 to 8.4 % in 2012.

Due to the expansion of warehouse capacity, rents and overheads increased by 25.8 %, from € 4.9 million to € 6.2 million. Stocking costs came in at € 3.6 million, 30.0 % lower than prior-year's € 5.1 million. This was mainly due to taking qualified temporary workers on the payroll.

According to marketing plans, Delticom spent in Q4 12 with 2.6 % of revenues slightly more on customer acquisition than in the previous year (Q4 11: 2.3 %). For the reporting period as a whole, advertising costs totalled € 11.3 million. This equates to a ratio of marketing expenses to revenues of 2.5 % (2011: € 10.0 million or 2.1 %).

**Depreciation.** In line with our gradual warehouse capacity expansion and the parallel investments into warehousing infrastructure, depreciation rose by 28.0 % from € 2.1 million in 2011 to € 2.7 million. The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

**Earnings performance.** For 2012 Delticom was able to achieve an EBIT of € 32.5 million. The drop of 38.6 % from previous year's € 52.9 million was primarily due to a lower gross margin, higher fixed costs and negative FX effects. The EBIT margin was 7.1 % (2011: 11.0 %).

Financial income for the reporting period amounted to € 45 thousand (2011: € 128 thousand). On the back of higher funding needs for inventories financial expenses increased to € 182 thousand (2011: € 127 thousand), leading to a financial result of € -137 thousand (2011: € 0 thousand).

The expenditure for income taxes was € 10.3 million (previous year: € 16.9 million). The tax rate was 31.8 % (2011: 32.0 %). Consolidated net income for 2012 decreased from € 36.0 million to € 22.1 million. This corresponds to earnings per share (EPS) of € 1.86 (undiluted, 2011: € 3.04).

**Working capital.** Among the current assets, inventories is the biggest line item. Stock value at year end amounted to € 74.1 million or 47.4 % of assets (31.12.2011: € 106.5 million, 64.0 %). Over the course of the year inventories have therefore been reduced down by € 32.4 million. In the corresponding prior-year period the inventory value had increased by € 54.3 million. The company is well positioned for the upcoming summer business.

Accounts payable increased from € 68.2 million by € 6.6 million or 9.6 % to € 74.8 million (31.12.2011: € 68.2 million). Taken together with accounts receivable of € 9.6 million (31.12.2011: € 10.1 million), the net working capital on 31.12.2012 amounted to € 3.2 million (31.12.2011: € 44.4 million).

**Cash flow and liquidity position.** Due to the favourable working capital development, the 2012 cash flow from ordinary business activities (operating cash flow) of € 62.2 million was significantly better than in the comparison period (2011: € -9.6 million).

The majority of racks, forklifts and packaging machines for the new warehouse were purchased in 2011. Last year's investments into property, plant and equipment have therefore been only € 1.1 million (2011: € 8.5 million).

In the reporting period, Delticom recorded a cash flow from financing activities amounting to € -37.1 million, thereof the dividend payout for the last financial year of € -34.9 million and disbursements due to redemption of loans of € -0.9 million. The balance of utilisation and redemption of short-term credit lines was € -1.2 million.

Liquidity (cash and cash equivalents plus liquidity reserve) as of 31.12.2012 totalled € 46.2 million (31.12.2011: € 22.2 million). The company's net cash position (liquidity less liabilities from current accounts) amounted to € 43.9 million (31.12.2011: € 17.8 million).

### Outlook

Consensus among economists sees the economic headwinds in the Eurozone to persist in 2013. Increasing unemployment figures as well as the uncertainty stemming from the European debt crises should continue to burden European consumer sentiment.

## Corporate News



Experts from the tyre industry are in disagreement as to whether the European replacement tyre dealers are able to show growth in the coming months, and if yes to which extent. At this point in time, Delticom does not have enough visibility to supply a reliable quantitative guidance for the sales and earnings development for the full year 2013.

Independent of those short-term developments, the share of online sales in the tyre market continues to be comparatively low. More and more drivers are turning to the Internet in search of lower-priced alternatives. Delticom as the leading online tyre dealer will be able to capitalise on this trend.

**The full report for the fiscal year 2012 will be published on 21 March 2013 within the "Investor Relations" section of the website [www.delti.com](http://www.delti.com) .**

### Company profile:

Delticom, Europe's leading online tyre retailer, was founded in Hanover in 1999. With more than 100 online shops in 42 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 34,000 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](http://www.delti.com)

Selected online shops: [www.reifendirekt.de](http://www.reifendirekt.de), [www.123pneus.fr](http://www.123pneus.fr), [www.mytyres.co.uk](http://www.mytyres.co.uk), [www.reifendirekt.ch](http://www.reifendirekt.ch)

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