

EANS-News: Delticom AG: Delticom publishes Annual Report 2010

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Hannover (euro adhoc) - Hanover, 23 March 2011 - For Delticom (German Securities Code (WKN) 514680, ISIN DE0005146807, stock market symbol DEX), Europe's leading online tyre dealer, 2010 was an extremely successful year. According to the annual report released today, revenues in the fiscal year increased by 34.8% to EUR 419.6 million and EBIT by 60.1% to EUR 47.1 million. With an EBIT margin of 11.2% the profitability has improved once again. Earnings per share grew 59.4% to EUR 2.72. As in previous years, the Management Board and the Supervisory Board will propose to fully distribute the net income to shareholders.

Q410: Scarce supply, high prices.

The prime reason for the positive business development was the unusually favourable winter weather in the closing quarter. Heavy snowfalls caused serious traffic delays, especially in countries where the winter is usually quite mild. The surge in demand was intensified by new regulations in Germany, making winter tyres mandatory. At the same time tyre supply fell substantially short of demand, because tyre manufactures had ramped up their production only relatively late in the aftermath of the recession. As a result, winter tyre prices increased starkly across Europe, driven by market-wide scarcity. In the closing quarter, revenues climbed owing to positive volume and price effects to EUR 162.6 million - a plus of 48.2% year-on-year over previous year's value of EUR 109.7 million.

As a result, the EBIT margin in Q410 was with 15.0% again higher than in the already very successful prior-year period (Q409: 13.4%). We expect that the built-in advantages of our business model could very well fall in line with favourable weather and supportive regulations in the future as well. It is clear, though, that those factors will not necessarily always build-up in our favour as in 2010.

Fiscal year 2010

Revenues

Over the course of the year, selling price levels developed favourably, the mix

was stable and volumes developed well. All in all, Delticom was able to generate revenues of EUR 419.6 million, a plus of 34.8% from prior-year's EUR 311.3 million. Revenues in the E-Commerce division were up year-on-year by 36.2%, from EUR 296.5 million to EUR 403.7 million. The revenues of the Wholesale division lifted by 7.6% to EUR 15.9 million, after prior-year revenues of EUR 14.8 million. Other operating income increased in 2010 in line with revenues by 33.3% to EUR 5.8 million (previous year: EUR 4.3 million).

Gross profit

The cost of sales increased in the reporting period by 33.2%, from EUR 225.8 million in 2009 to EUR 300.7 million. In an environment of rising purchasing prices, Delticom was to a good extent able to cushion the hikes by early purchasing. Thanks to the increased volume Delticom also benefited from economies of scale in the procurement function. In addition and according to schedule, Delticom generated a greater share of revenues with own inventories, compared to the previous years. This helped to meet the demand even at peak times, at good margins. As a result, the gross profit advanced in the reporting period by 38.9% year-on-year, from EUR 89.8 million to EUR 124.7 million and the gross profit margin (gross profit in relation to total income) progressed from 28.5% to 29.3%.

Personnel expenses

Thanks to the highly efficient operating workflows, the company has been able to keep staff levels low in 2010 despite increasing transaction volumes. In the reporting period on average 101 staff members were employed at Delticom (previous year: 87). Personnel expenses amounted to EUR 6.8 million (previous year: EUR 5.8 million). Compared to the prior-year period, the personnel expenses ratio (staff expenditures as percentage of revenues) decreased slightly from 1.9% to 1.6%.

Other operating expenses

Overall the other operating expenses totalled EUR 69.5 million in the past financial year, an increase of EUR 16.0 million or 29.8% over the prior-year value of EUR 53.5 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 fitting stations. As business volume increases, so too do these transportation costs, from EUR 26.8 million by +28.8% to EUR 34.5 million. The share of transportation costs against revenues decreased from 8.6% in 2009 to 8.2% in 2010. The reason for this was the significant price effect in the revenues for the last financial year and in the closing quarter in particular. In addition, economies of scale arising from the

centralised warehouse infrastructure helped to further drive down costs.

In the reporting period, costs for advertising totalled EUR 9.0 million, after EUR 7.7 million in 2009. This represents a marketing expense ratio (marketing expenses as a percentage of revenues) of 2.1%, after 2.5% in the corresponding period of the previous year. One of the reasons was the snowy winter which clearly illustrated the importance of appropriate tyres to safety-conscious drivers. Costs were also lower due to the fact that the client base has grown continuously over the course of the years.

Depreciation

In line with our gradual warehouse capacity expansion and the parallel investments into warehousing infrastructure, scheduled depreciation rose by 24.8% from EUR 1.0 million in 2009 to EUR 1.3 million. The low absolute level of depreciation underlines the low capital intensity of Delticom's business.

Earnings performance

Earnings before interest and taxes (EBIT) improved during the reporting period to EUR 47.1 million (2009: EUR 29.4 million). This corresponds to an EBIT margin of 11.2% (2009: 9.4%). The continually low Euro money market rates led to a poor financial result of EUR 102 thousand (2009: EUR 163 thousand). The expenditure for income taxes was EUR 14.9 million (previous year: EUR 9.3 million). The tax rate of 31.6% was unchanged from the previous year. Consolidated net income for 2010 grew from EUR 20.2 million to EUR 32.3 million. This corresponds to earnings per share (EPS) of EUR 2.72 (undiluted, 2009: EUR 1.71), a step-up of 59.4%.

Cash flow and liquidity position

The cash flow from ordinary business activities (operating cash flow) for the period under review was EUR 51.7 million. The strong increase from last year's EUR 13.1 million was partly due to a significant drop of funds tied up in net working capital by EUR 11.9 million. During the reporting period, Delticom made investments of EUR 3.4 million into property, plant and equipment, EUR 0.8 million into financial assets and EUR 0.1 million into intangible assets. Delticom boasts a healthy financial and assets position. At EUR 67.8 million, our liquidity remains high (previous year: EUR 40.6 million).

At Delticom's Annual General Meeting on 03.05.2011, the Management Board and the Supervisory Board will propose a dividend of EUR 2.72 per share - an increase of 60.0% compared to the dividend for financial year 2009 of EUR 1.70.

Outlook

Results such as those posted in 2010 have naturally raised expectations for the current year. It would be imprudent to expect the combination of positive factors which were key in driving our 2010 performance to occur again this year. German regulations requiring drivers to fit winter tyres will play a less important role in 2011. That the next winter will experience as much snowfall as last winter remains to be seen. At the same time, shortages of replacement tyres cannot be ruled out. Many tyre manufacturers have already raised their prices as a result. It is expected that the European tyre trade will see a year-over-year decline in the second half of 2011.

At this point, experts are simply unable to assess the potential impact which the destruction in Japan could have on the tyre supply chain. While Delticom does not operate any business in Japan, it is nevertheless possible that the difficulties there could also have indirect consequences on the European tyre trade.

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, and an increasing number of these will make their tyre purchases in our shops. Despite the exceptionally strong results posted in 2010, Delticom plans an increase in sales volumes of approximately 10% for the current year - an ambitious, but achievable goal.

In calculating future EBIT margins, the management orients themselves to rates of growth more in line with reasonable long-term expectations. Consequently, the forecast for the 2011 EBIT margin is about one percentage point below that which was achieved in 2010. Despite this, the current view is that earnings per share could reach 2010 levels if the current business year unfolds in a positive manner.

The full Annual Report for 2010 can be downloaded from the website www.delti.com within the "Investor Relations" section.

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 27,000 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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