

zooplus

WILD
FREEDOM



9M Report

2019

Highlights of the first nine months of 2019

Sales increased by 13 % to EUR 1,104 m in the first nine months of 2019 (9M 2018: EUR 974 m)

Private label sales of food and litter grow by 29 % compared to the same period of the previous year

Number of registered new customers increases by 25 % year-on-year

Positive EBITDA of EUR 6.7 m (9M 2018: EUR –0.5 m)

Positive free cash flow of EUR 9.5 m due to improvements in working capital

Confirmation of sales and earnings guidance for the 2019 financial year



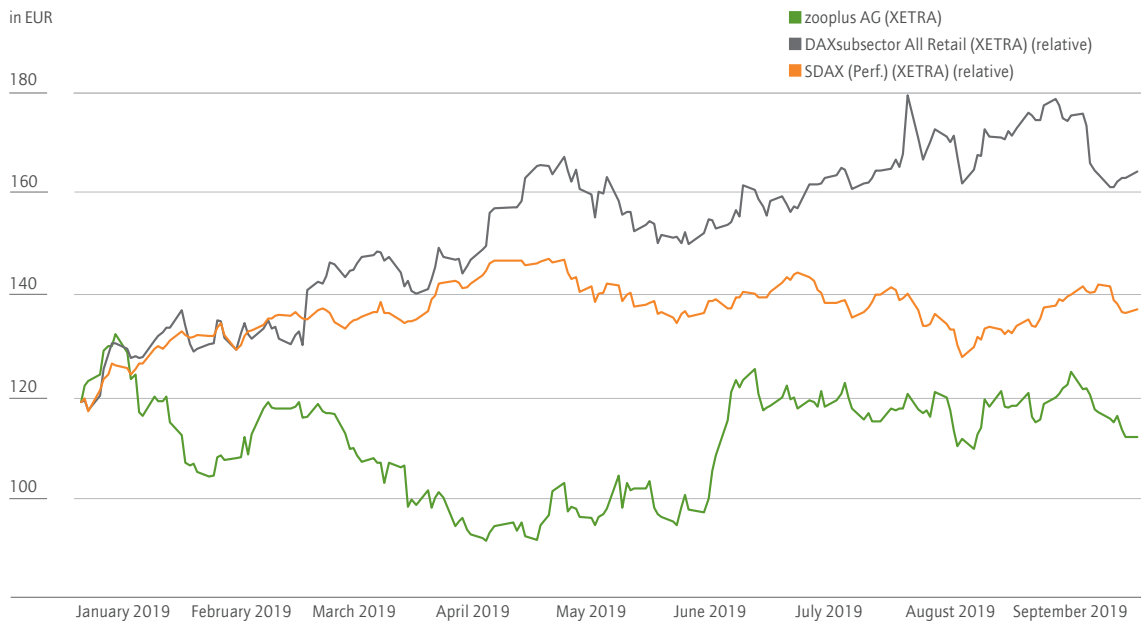
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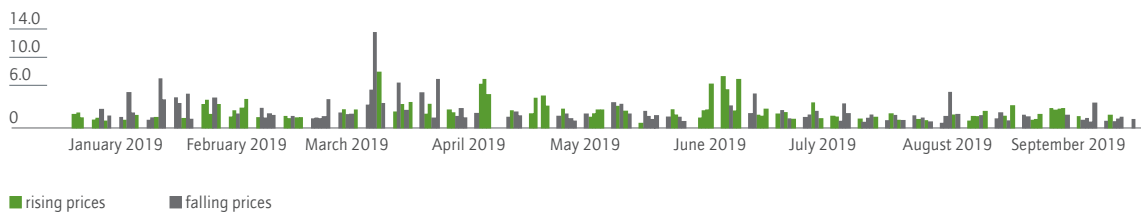
To the Shareholders

The zooplus AG share

Stock chart zooplus AG: January 2, 2019 through September 30, 2019



Trading volume
in EUR m



Performance of the zooplus share in the first nine months of 2019

The zooplus AG share was admitted for trading on the Frankfurt Stock Exchange in the Entry Standard segment on May 9, 2008. Almost one and a half years later, on October 22, 2009, the company successfully moved to the Prime Standard segment, which has the most stringent transparency and disclosure requirements in Germany. After an uninterrupted rise in the company's market capitalization and trading volume, zooplus AG entered the SDAX on June 29, 2011.

The sentiment in the stock market was optimistic, from the start of 2019 until the summer. Some of this optimism could be attributed to the willingness of the central banks to ease monetary policy, and the prevention of a hard Brexit at the end of March 2019. Over the course of the third quarter, a more cautious mood prevailed among the market participants. Uncertainty from several factors, such as the trade conflict between the US and China and the potential for a disorderly Brexit upon expiry of the October 31, 2019 deadline for Britain's exit from the EU, weighed more heavily on stock markets in a weaker economic environment. Nonetheless, the German DAX (+ 17.7%), MDAX (+ 19.9%), SDAX (+ 16.0%) and TecDAX (+ 14.9%) indices recorded positive performance versus their year-end close on December 28, 2018 until the final trading day of the third quarter on September 30, 2019. The DAXsubsector All Retail Internet index, which is the relevant sector index for zooplus, increased 38.6% by the end of September 2019 compared to the end of 2018.

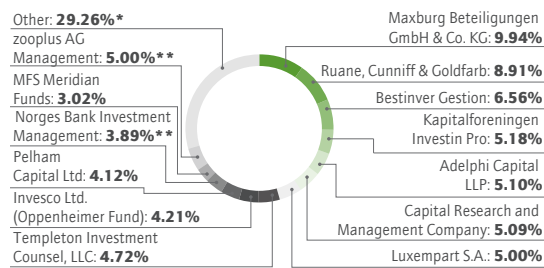
The zooplus share price initially increased at the beginning of 2019 and temporarily traded at around EUR 130 per share. In March, the company published the results for the past calendar year and released its sales and earnings guidance for the year 2019. The market's reaction to these announcements initially brought the share price under pressure and, at times, the share fell sharply to below its year-end closing price in 2018. With the successful IPO on the New York Stock Exchange of Chewy Inc., a comparable US online pet supply retailer, zooplus shares also traded sharply higher in June. While the share price consolidated from the end of the second quarter into September, it showed a slight downward movement towards the end of the third quarter, in line with the sector index and the SDAX. The zooplus share closed on September 30, 2019 in Xetra trading at EUR 109.20, representing a decline of 8.16% compared to its closing price on December 28, 2018 (EUR 118.90). The lowest Xetra closing price during the reporting period was EUR 91.60 on April 15, 2019 and the highest was EUR 132.20 on January 10, 2019.

The market capitalization of zooplus on September 30, 2019 was EUR 780.25 m based on 7,145,188 shares outstanding on that date.

Analysts

Institution	Analyst	Latest update	Recommendation	Price target (EUR)
Baader Bank	Bosse, Volker	17 / 10 / 2019	Buy	140.00
Barclays	Rao, Alvira	18 / 10 / 2019	Underweight	100.00
Berenberg	Letten, James	18 / 10 / 2019	Sell	60.00
Commerzbank	Riemann, Andreas	17 / 10 / 2019	Hold	106.00
Hauck & Aufhäuser	Salis, Christian	18 / 10 / 2019	Sell	58.00
J.P.Morgan Cazenove	Olcese, Borja	17 / 10 / 2019	Overweight	185.00
Kepler Cheuvreux	Mauder, Nikolas	17 / 10 / 2019	Reduce	75.00
Liberum	Brown, Wayne	17 / 10 / 2019	Buy	160.00
MainFirst	Sittig, Tobias	17 / 10 / 2019	Neutral	111.00
Metzler	Diedrich, Tom	17 / 10 / 2019	Sell	86.00
Quirin Privatbank	Marinoni, Ralf	15 / 08 / 2019	Sell	90.00
Warburg Research	Kleibauer, Thilo	22 / 03 / 2019	Hold	112.00

Shareholder structure



As of October 16, 2019; calculation of interests based on the total number of voting rights of 7,145,188

Share ownership according to published voting rights notifications
 * Free float of 90.06% according to the definition of Deutsche Börse
 ** Including equity instruments

Disclaimer: The shareholder structure depicted is based on the published notifications of voting rights and company information. zooplus AG does not assume responsibility for the accuracy, completeness or timeliness of this information.

Key data

WKN	5111 70
ISIN	DE0005111702
Ticker symbol	Z01
Trading segment	Regulated market (Prime Standard)
Class of shares	No par-value ordinary bearer shares
Share capital in EUR as of December 31, 2018	7,143,278.00
Share capital in EUR as of September 30, 2019	7,145,188.00
Number of shares as of September 30, 2019	7,145,188
Initial listing	May 9, 2008
Initial issue price***	EUR 13.00
Share price as of December 28, 2018	EUR 118.90
Share price as of September 30, 2019	EUR 109.20
Percentage change (since December 28, 2018)	-8.16%
Period high	EUR 132.20
Period low	EUR 91.60

Closing prices in Deutsche Börse AG's Xetra trading system

*** Taking into account capital increase from company resources in July 2011

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Interim Group Management Report

Interim Group Management Report of zooplus AG as of September 30, 2019

1. Business report

A. Business performance and economic environment

a. Group structure and business activities

i. Business divisions

zooplus AG (hereinafter referred to as "zooplus" or "Group"), the parent company of the Group, was founded in Munich in 1999. The Group operates in the E-commerce segment as a web-based retailer of pet supplies to private end consumers. According to its own assessment, the zooplus Group is the distinct market leader in Europe in this business segment measured in terms of sales and active customer base.

The overriding business objectives are unlimited customer satisfaction, sustained growth, the systematic penetration of existing markets, and the further expansion of the company's online market leadership in Europe.

Altogether, zooplus offers customers roughly 8,000 different food and accessory products for dogs, cats, small animals, birds, fish and horses. These products include everyday staples, such as brand name foods generally available at specialty retailers; zooplus' private labels; specialty articles, like toys, care and hygiene products; and other accessories. The majority of sales are generated from products for dogs and cats. zooplus also offers a wide range of free content and information on its websites, such as a veterinary finder, veterinary and other animal-related advice, as well as interactive features such as discussion forums and blogs.

zooplus generates its sales from products shipped out of its central fulfillment centers located in Hürselgau (Germany), Tilburg (the Netherlands), Wrocław and

Krosno Odrzańskie (Poland), Chalon-sur-Saône (France), Antwerp (Belgium), and Coventry (Great Britain). Certain types of orders for individual markets are assumed by medium-sized and more specialized logistics centers located in Mühldorf (Germany), Jirkov (Czechia), Cabanillas del Campo (Spain), and Istanbul (Turkey). This ensures an increasingly denser logistics infrastructure and provides even closer proximity to customers. During the second quarter of 2019, a new logistics capacity was also put into operation in Stradella (Italy). This new location, situated near Milan, will now also facilitate faster and largely local deliveries to customers in Italy. The smaller fulfillment centers in Strasbourg (France) and Boleslawiec (Poland) were closed at the end of the second quarter and beginning of the third quarter. The reason for closing down the locations is the option to now increase the efficient use of our capacity by transferring activities, largely to the fulfillment center in Krosno Odrzańskie (Poland), which commenced operation in the second half of 2018. The output at this location equals around 900,000 parcels per month.

The continuous expansion of the logistics network and increase in its efficient use form the basis for zooplus' planned continued growth over the next few years.

Combined, the logistic center locations ensure fast, efficient and flexible delivery, in addition to a high degree of general product availability for customers across Europe. "Final-mile" deliveries to end customers are made using national and international parcel service providers.

From a customer perspective, zooplus sets itself apart from the competition by means of its business model, which combines a broad product range, continuous product availability, attractive prices and an efficient flow of goods with simple and convenient handling.

ii. Markets

zooplus operates in 30 countries across Europe through a variety of localized and cross-national online shops. According to the German Pet Trade and Industry Association (Zentralverband Zoologischer Fachbetriebe Deutschlands e.V.), the total gross market volume of the European pet supplies segment in 2017 was estimated at roughly EUR 26 bn. According to the company's proprietary estimates, zooplus AG is the clear online market leader, measured in terms of sales and active customer base, by a wide margin across Europe. The company also believes that, in absolute terms, it is clearly the fastest growing company in its sector.

As of November 2019, zooplus operated a total of 25 localized online shops. In addition to the high-volume markets of Germany, France, the United Kingdom, the Netherlands, Spain, Italy and Poland, the company also operates online shops in Belgium, Denmark, Finland, Ireland, Croatia, Austria, Romania, Slovakia, Switzerland, Slovenia, Sweden, Czechia, Hungary, Portugal, Bulgaria, Norway, Greece and Turkey. This effectively makes zooplus the sector's dominant provider in the retailing of pet supply products in the online segment across Europe by a substantial margin compared to smaller local and national competitors.

Next to its zooplus brand, the Group operates under its bitiba brand, which is a discount concept with a limited range of products already available in 14 countries.

iii. Key influential factors

Two critical influential factors define the online retailing business for pet supplies: the evolution of the overall European pet supplies market, and the general and sector-specific development of Internet users' online purchasing behavior.

Evolution of the European pet supplies market

According to the German Pet Trade & Industry Association, the European pet supplies market in 2017 comprised a total gross market volume of approximately EUR 26 bn. The markets of Germany, France, the United Kingdom, Spain, the Netherlands and Italy alone account for gross sales of some EUR 21 bn of this total.

In all European countries, the primary sales channels for pet supplies are the bricks-and-mortar pet stores, garden centers, DIY stores, conventional supermarkets and discounters. The key differences between the individual bricks-and-mortar retail concepts for pet supplies are the product range and product positioning. While large-scale supermarkets and discounters usually limit themselves to a product range of approximately 150 to 200 smaller, typically lower-priced pet food products, larger pet store chains offer a complete product range of pet food (from entry-level to premium prices) and accessories (including toys, hygiene products, pet furniture and equipment). zooplus has defined its relevant market segment as the conventional specialty retailer segment, including the related specialty product areas of the core supermarket segment.

zooplus expects the market's overall volume to increase slightly in the years ahead.

The zooplus AG Management Board is forecasting market growth in the pet supply segment of roughly 2% to 3% in Europe in 2019. In Germany, around one-third of all households own one or more pets – and this number is growing. Changes in the market are brought about by changes in the animal population, the shift in sales toward higher value products and categories within the food and accessories segments ("premiumization"), and through the ongoing and ever-increasing "humanization" of pets.

Thanks to recurring patterns of demand, especially in the pet food segment, the pet supplies market has very low seasonality. For example, around 86 % of sales at zooplus relates to pet food itself, which means the Group enjoys an exceptionally stable medium to long-term demand structure.

Development of online retailing

Over the past several years, E-commerce has gained tremendous significance as an ever more important distribution channel for retailers. According to publications by the German Retail Federation (Handelsverband Deutschland), B2C E-commerce sales in Germany amounted to roughly EUR 53.4 bn in 2018 (previous year: EUR 48.7 bn), corresponding to a year-on-year increase of around 10%. Further growth in European online retailing appears more than likely, particularly given the inherent advantages of online retailing compared to existing bricks-and-mortar retail concepts such as a broader product range, more convenient shopping and more attractive prices. zooplus provides customers access to its websites via desktop computers, tablets, mobile phones and apps. Logistics service providers and parcel services are also devoting considerable effort to making their services more flexible and further improving their quality of service for end customers. This also provides an added boost to the online market's growth momentum. Based on these trends, independent market observers such as Statista expect online retailing to continue to enjoy annual double-digit percentage growth rates in the years to come.

The share of products sold in the pet supply segment on the Internet is still relatively low compared to other product categories and largely driven by the sales zooplus itself generates across Europe. Based on the company's internal estimates, the Management Board believes that, until now, only around 12 % to 14 % of the total European pet supply market has migrated online.

This means zooplus, as the online market leader, is in a unique position to benefit from these lasting shifts in the existing distribution and retail structures.

iv. Competitive position

Advantages over online competitors

Generally, there are lower barriers to market entry in online retail than in bricks-and-mortar retail. As a result, zooplus not only faces international (online) retailers such as Amazon in the European market but also a number of mostly regional online pet suppliers. A growing number of larger bricks-and-mortar retailers are also setting up online retail infrastructure while other local online retailers are entering new countries. These trends increase the number of retailers coming into direct competition with zooplus.

In contrast to both of these groups, zooplus has the advantage that its size and market leadership in Europe give it the structural capacity to reap crucial benefits from higher efficiency and economies of scale that are not equally available to smaller providers. This structural advantage in areas such as purchasing, private label development, logistics, technology, customer service, and marketing is the basis for zooplus' confidence in its competitive position. Other relative advantages, such as brand awareness and the Group's financial strength, also play a role.

In addition, the company's existing base of active European customers also helps to provide substantial momentum for acquiring new customers through word-of-mouth recommendations.

Advantages over bricks-and-mortar competitors

zooplus' business model is based on a lean, technologically efficient and scalable value creation chain combined with an outstanding shopping experience in terms of selection, price, convenience and especially easy home delivery.

zooplus does not operate any bricks-and-mortar stores or outlets but instead supplies a wide range of products to customers throughout Europe from a total of now 12 fulfillment centers. At the same time, the Group's centralized organization and related efficiency advantages, combined with a business that is predominantly automated, enable the company to maintain a highly efficient cost structure. zooplus assumes that it is already today's cost leader in the online retailing of pet supplies.

zooplus' goal is and will continue to be to solidify and expand its lead in the online segment while strengthening its position in the overall online and bricks-and-mortar markets and further profiting substantially from the substantially high growth of online retailing.

v. Group structure

As of September 30, 2019, the Group's scope of consolidation included zooplus AG, Munich, and the following subsidiaries:

Subsidiary	Interest in share capital	Business activity
MATINA GmbH, Munich, Germany	100%	Private label business
BITIBA GmbH, Munich, Germany	100%	Secondary brand business
zooplus services Ltd., Oxford, Great Britain	100%	Service company for Great Britain
zooplus italia s.r.l., Genoa, Italy	100%	Service company for Italy
zooplus polska Sp. z o.o., Krakow, Poland	100%	Service company for Poland
zooplus services ESP S.L., Madrid, Spain	100%	Service company for Spain
zooplus france s.a.r.l., Strasbourg, France	100%	Service company for France
zooplus Nederland B.V., Tilburg, the Netherlands	100%	Service company for the Netherlands
zooplus Austria GmbH, Vienna, Austria	100%	Service company for Austria
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100%	Sales company for Turkey
Tifuve GmbH, Munich, Germany	100%	Dormant company
zooplus EE TOV, Kiev, Ukraine	100%	Dormant company
zooplus d.o.o., Zagreb, Croatia	100%	Dormant company

Management and control of zooplus AG

zooplus AG was managed by the following Management Board members during the first nine months of 2019 and as of September 30, 2019:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT and Human Resources)
- Andreas Grandinger (Finance, Controlling, Legal, Investor Relations and Internal Audit)
- Dr. Mischa Ritter (Logistics and Supply Chain Management)
- Florian Welz (Sales & Marketing, Procurement and Category Management)

The Management Board is advised and controlled by the Supervisory Board. During the first nine months of 2019 and as of September 30, 2019, the Supervisory Board consisted of the following members:

- Christian Stahl (Chairman of the Supervisory Board), Partner and Managing Director of Amlon Capital LLP, London, United Kingdom
- Moritz Greve (Deputy Chairman of the Supervisory Board), Partner and Managing Director of Maxburg Capital Partners GmbH, Munich, Germany
- Karl-Heinz Holland, freelance business consultant, Oberstenfeld, Germany (until October 31, 2019)
- Ulric Jerome, independent entrepreneur in the field of tech and e-commerce as well as investor in London, United Kingdom
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom
- Dr. Norbert Stoeck, freelance business consultant, Munich, Germany

Additionally, following the resignation from office of Karl-Heinz Holland, a new member was appointed by the District Court of Munich until the next ordinary Annual General Meeting 2020 at the request of the Management Board:

- Christine Cross, freelance business consultant, Cheltenham, Gloucestershire, United Kingdom (as of November 1, 2019)

b. Corporate strategy – Sustainable and profitable pan-European growth

The Group's aim is to maintain and expand its sales-based market leadership in the European online pet supply retailing segment and thereby dramatically increase the company's medium and long-term earnings potential. From the company's standpoint, both the Internet and Internet retailing in Europe continue to offer excellent growth opportunities.

Against this background, the following goals lie at the core of the company's activities:

- continuing sales growth in all European markets
- further penetrating existing regional markets
- defending and expanding sales-based market leadership
- expanding the customer base and securing high customer loyalty in all European markets
- further improving the total cost ratio

The overriding priority is to continue generating high growth in order to expand our leading market position and to improve cost efficiency while maintaining sustainable operating profitability. Management sees this as the most logical strategy for the long-term appreciation in the company's value in the quarters and years to come based on the excellent growth opportunities for the Group available throughout Europe.

Targets are managed and monitored in all areas using key performance indicators that are reviewed regularly and modified over the short- to medium-term when necessary. The company places special importance on clearly communicating its goals to employees and the public.

Employees are a key factor in the company's success. Regular internal training and widespread participation in external training courses have improved the employees' work quality and potential to create added value.

c. Technology and development

zooplus views itself first and foremost as a technology-driven Internet retailing group. The new and ongoing development of the core processes and key components of the company's business model is usually initiated and executed internally. External partners are brought in when they can make a meaningful contribution to the company's internal expertise and implementation capacity.

In the past, proprietary systems and highly specialized software solutions in all key company areas have played a decisive role in the success of zooplus AG and the zooplus Group. zooplus believes that these systems and solutions will continue to remain fundamental building blocks to reaching the company's goals. Over the past two years, zooplus has continuously made targeted investments in expanding its IT software development capacity in order to place a stronger emphasis on the importance of its proprietary systems, further improve its product quality and optimize the company's internal processes and algorithms. The existing proprietary systems will be enhanced using standardized systems to meet the Group's specific requirements at all times.

B. Results of operations, net assets and financial position

a. Financial and non-financial performance indicators

i. Financial performance indicators

The yardstick for measuring the Group's growth and business success is sales. At the beginning of the 2019 financial year, the Group changed its key earnings indicator from earnings before taxes (EBT) to earnings before interest, taxes, depreciation and amortization (EBITDA).

The new provisions of the accounting standard IFRS 16 "Leases" resulted in significant changes in the net assets and results of operations as of the first-time adoption in 2019 due to inventorying the existing lease contracts, which shifted some of the fixed logistics expenses and other expenses to depreciation and amortization. As a result of the improvement in the transparency of net assets and results of operations, the Group now considers EBITDA to be a more appropriate and more meaningful key earnings indicator for measuring its operating performance. Additionally, the zooplus Group continues to focus on its gross margin to manage and monitor earnings. The Group will concentrate on free cash flow in the future as a suitable indicator for monitoring the financial position.

As of the beginning of the 2019 financial year with the first-time adoption of IFRS 16, the equity ratio is no longer a suitable performance indicator.

ii. Non-financial performance indicators

In addition to financial performance indicators, the Group also steers its activities using non-financial performance indicators. The key non-financial performance indicator measures the company's extent of market leadership in the European online pet supplies segment based on sales.

Two other key performance indicators are the currency-adjusted sales retention rate (recurring sales in the financial year from existing and new customers in the prior year as a percentage of the previous year's sales) and the number of new customers – both of which have an influence on zooplus AG's sustained growth and stand at the center of the company's corporate management.

b. Business performance 9M 2019

i. The economy and overall market

There is a risk that the euro debt crisis and currency exchange risks within and outside Europe could have a considerable adverse impact on Europe's real economy. It is also not yet clear what the additional risks and consequences might be from the ongoing Brexit negotiations. In light of these and other risks to global political stability, it cannot be ruled out that further negative economic developments could have an impact on zooplus' business in the future. Protectionist tendencies within the EU and from the US continue to negatively affect international trade in goods and thereby overall economic growth and consumer purchasing power. The management believes that the expected continued positive development of the specific industry and online retailing environment in the respective individual markets will still have a significantly stronger influence on zooplus than the general economic environment described above. Beyond this, declining economic growth and recessionary tendencies could also have a positive effect on the online business, as customers consider the online business in most sectors to offer efficiency and cost advantages over bricks-and-mortar competitors.

ii. Performance of the zooplus Group in the reporting period

In the first nine months of 2019, sales increased to EUR 1,104 m, amounting to a year-on-year percentage increase in the reporting period of 13 %. The rate of sales growth in the first three quarters increased sequentially from 12.6% in the first quarter to 14.1% in the third quarter of 2019. The Management Board therefore confirms the forecast for sales growth in the 2019 financial year of 14% to 18%. The sales retention rate for the customer base as a whole remained at a high level and amounted to a currency-adjusted 91% (9M 2018: 95%). EBITDA in the first nine months reached EUR 6.7 m compared to EUR –0.5 m in the same period of 2018. The Management Board confirms the forecast for EBITDA in the range of EUR 10 m to EUR 30 m for the 2019 financial year.

c. Results of operations

i. Development of sales, other income and own work capitalized

zooplus continued to increase its sales in the first nine months of 2019 with growth of 13.4% to EUR 1,104.3 m compared to EUR 973.8 m in the same period of the prior year. The development in sales growth overall is still feeling the effects of the temporary slowdown in new customer growth that occurred up to and including the third quarter of 2018 and from the lower reactivation of new customers in connection with the General Data Protection Regulation introduced in 2018. The trend in accelerating new customer acquisitions, which was already apparent toward the end of 2018, still continued in the first nine months of 2019. Overall, the number of registered new customers increased by 25% in the first nine months of 2019 compared to the same period in the prior year. This level represents a further improvement over the first six months of 2019, which had recorded a rate of year-on-year growth in registered new customers of 23%.

Sales of private label products in food and litter continued to develop favorably, increasing 29% in the first nine months of 2019 and significantly exceeding the rise in overall sales. This high-margin product segment was able to further expand its share of total food and litter sales to 15.5% in the first nine months of 2019.

The high loyalty of existing customers ensured that the currency-adjusted sales retention rate, which equaled 91% in the first nine months of 2019, remained at a high level (9M 2018: 95%). Once again, this underscores the sustainability of the zooplus business model.

zooplus also generated other income of EUR 6.5 m in the first nine months of 2019 (9M 2018: EUR 6.1 m) and own work capitalized of EUR 1.7 m (9M 2018: EUR 2.3 m).

ii. Expense items

The following section provides a brief overview of the amounts and development of the key expense items. For more detailed figures, please refer to the consolidated financial statements and the notes to the consolidated financial statements. All percentages in the following section are approximate and may be subject to minor rounding differences when compared to the consolidated financial statements. The expense items are presented as a percentage of sales, which is the key performance indicator.

Cost of materials

The stabilization of the gross margin that materialized during the past financial year continued into the first nine months of 2019. The distinct above-average rise in private label sales in food and litter, coupled with a stronger focus on high-margin sales and customers, are having a positive effect on the gross margin. As a result, the gross margin increased by 0.5 percentage points year-on-year to 28.5% in the first nine months of 2019 compared to 28.0% for

the same period of the previous year. zooplus will continue to offer its customers optimal value for money while taking the competitive situation into account and further expand the company's market-leading position in Europe.

Personnel expenses

Personnel expenses increased from EUR 34.7 m (9M 2018) to EUR 40.4 m in the first nine months of 2019, corresponding to a year-on-year rise in the personnel expense ratio to a total of 3.7% (in relation to sales) compared to 3.6% in the comparable 2018 period. This increase is the result of the expansion of key departments to keep pace with the growth in the Group's size.

Other expenses

Other expenses in the reporting period increased year-on-year from EUR 247.0 m to EUR 273.1 m. Other expenses mostly consist of expenses for logistics/fulfillment, marketing and payment transactions. These expenses declined from 25.4% of Group sales in the prior-year period to 24.7% in the first nine months of 2019. Impairment losses on financial assets in the form of impairments of accounts receivable are no longer reported under other expenses but instead in a separate item. In the previous year's financial statements, impairments of accounts receivable were still reported under payment transaction expenses and amounted to EUR 2.1 m.

In addition, the first-time adoption of IFRS 16 led to changes in the reporting structure through a shift from the item "other expenses" to "depreciation and amortization" and "financial result."

Logistics and fulfillment expenses

The zooplus business model provides for the warehousing, order picking and shipping of products sold to end customers. Additional expenses occur from activities such as the processing of returns, warehousing and other logistics and distribution expenses.

Logistics and fulfillment expenses as a percentage of sales reached a level of 18.3% in the first nine months of 2019 compared to 19.8% in the same period of the prior year. As a result of the first-time adoption of IFRS 16 at the beginning of the 2019 financial year, expenses for logistics services in the amount of EUR 12.8 m were classified as depreciation and recorded in the depreciation and amortization. In the comparable 2018 period, logistics expenses of EUR 3.6 m were classified as depreciation due to their classification as a finance lease item and were also recorded within this item.

The price adjustments made by individual parcel service providers were more than offset by continued improvements in efficiency realized throughout the entire logistics network during the first nine months of 2019.

Marketing expenses

Marketing expenses are driven by the acquisition of new customers in all European markets. New customer acquisitions mainly take place in the area of online marketing, where the effectiveness of individual campaigns can be measured continuously, providing an opportunity to adjust individual activities accordingly on a regular basis. This is true for the entire spectrum of search engine optimization and marketing via affiliate marketing to other online partnerships, as well as for online direct marketing. For the first time, there was also a stronger integration of complementary activities in the areas of conventional and offline-based marketing into the marketing strategy, which has been carried out since the second quarter of 2019. The rationale for engaging in these complementary activities is the desire to take a

broader approach to acquiring new customers in order to reach traditional offline customers more quickly and win them over based on zooplus' exceptional prices and services and significantly raise the brand awareness of zooplus.

The share of marketing expenses relative to sales increased from 2.0% in the first nine months of 2018 to 3.3% in the nine months of 2019 and reflects the consistent approach to investing in the sustainable acquisition of new customers and the expansion of our market position. The first nine months of 2019 were substantially influenced by the "20 years of zooplus" marketing campaign that began at the end of May 2019, and are thus not directly comparable. In the first nine months of 2019, a total of 25% more registered new customers were acquired compared to the same period in the prior year.

Despite the rise in marketing expenses, the consistently low marketing expense ratio relative to sales, combined with a high level of customer loyalty measured in terms of the sales retention rate, is once again an indication of the high efficiency of the marketing approach and the very high level of customer satisfaction throughout Europe with the zooplus product range.

Payment transaction expenses

The provisions of IFRS 9 require impairment losses on financial assets in the form of impairments of accounts receivable to be reported as a separate item and no longer included in other expenses. In the prior year, these impairments were still recognized under payment transaction expenses. Their separate disclosure in the first nine months of 2019 explains the decline in payment transaction expenses in relation to sales. Payment transaction expenses accounted for 0.8% of sales on a proportionate basis. The impairment losses on financial assets are proportionately 0.3% of sales. Together, both figures are slightly above the level of the prior year.

Other miscellaneous expenses

In addition to the expenses described above for logistics and fulfillment, marketing and payment transactions, the expenses incurred during the reporting period were primarily related to the areas of customer service, office rentals, general administrative costs, technology costs and other expenses in the ordinary course of business. These expenses now amount to 2.3% of sales compared to 2.5% in the previous year. The first-time adoption of IFRS 16 led to changes in the reporting structure through shifts from other miscellaneous expenses to "depreciation and amortization" and "financial result." In the first nine months of 2019, rental and similar expenses amounting to EUR 2.2 m were classified as depreciation and recognized as such.

Depreciation and amortization

At EUR 19.5 m, depreciation and amortization expenses in the first nine months of 2019 were significantly higher than in the same period of 2018 (EUR 6.6 m) as a result of the first-time adoption of IFRS 16 described above. The increase resulted primarily from changes in disclosure due to IFRS 16. Logistics expenses of EUR 12.8 m, as well as rental and similar expenses of EUR 2.2 m, were reclassified to depreciation and amortization. In the first nine months of 2018, depreciation and amortization amounted to EUR 3.6 m as a result of the capitalization of property, plant and equipment from finance leases.

Financial result

The financial result declined year-on-year from EUR –0.5 m to EUR –1.1 m in the first nine months of 2019. Of this amount, EUR 1.0 m were interest expenses in connection with IFRS 16.

iii. Earnings development

In summary, zooplus generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 6.7 m in the first nine months of 2019 compared to EUR –0.5 m in the prior-year period. Earnings before taxes (EBT) amounted to EUR –13.9 m in the reporting period compared to EUR –7.6 m in the prior-year period. The stabilization in the gross margin was confirmed in the first nine months of 2019. Generally, the earnings trend continued to be impacted by targeted investments in expanding the business with new customers and the further extension of the company's leading market position. In addition, in the context of the "20 years of zooplus" marketing campaign, significantly higher marketing expenses were incurred in the second and third quarters of 2019 compared to the same period in 2018. The EBITDA margin improved in the first nine months to 0.6% compared to the same prior-year period (EBITDA margin 9M 2018: 0.0%).

zooplus generated a consolidated net loss of EUR –10.6 m (previous year: EUR –5.7 m). At EUR –10.7 m (previous year: EUR –6.0 m), total comprehensive income differed from the consolidated net loss as a result of the hedge reserve of EUR –0.1 m and currency translation differences of EUR 0.0 m.

d. Net assets

Non-current assets at the end of September 2019 totaled EUR 98.1 m compared to EUR 70.0 m at the end of the 2018 financial year. This increase is mainly a result of the capitalization of rights-of-use with a net carrying amount of EUR 30.8 m as of September 30, 2019, in connection with the first-time adoption of IFRS 16.

The net carrying amount of all rights-of-use totaled EUR 76.5 m as of September 30, 2019. Previously recognized finance leases from property, plant and equipment amounting to EUR 50.0 m were reclassified as rights-of-use at the beginning of the 2019 financial year.

Within current assets, inventories were above the level at the end of 2018 and amounted to EUR 117.1 m. Generally, it is important to note that, especially when it comes to general product availability, private label and direct import products, which are subject to longer procurement cycles, the crucial drivers of sales per customer account are sufficient inventory levels and, consequently, high product availability.

Accounts receivable amounted to EUR 35.5 m as of September 30, 2019 (year-end 2018: EUR 28.1 m).

Other current assets increased as of September 30, 2019 to EUR 25.7 m compared to EUR 16.1 m at the end of 2018 as a result of a higher level of claims against suppliers based on bonus agreements.

Contract assets from marketing refunds from suppliers increased to EUR 25.2 m as of September 30, 2019 compared to EUR 19.0 m at the end of 2018.

In addition, cash and cash equivalents declined by EUR 4.6 m from EUR 59.5 m at the end of 2018 to EUR 54.9 m as of September 30, 2019.

Equity at the end of September 2019 totaled EUR 101.8 m compared to EUR 111.1 m at the end of 2018. The decline is mainly due to the Group's net loss in the first nine months of 2019.

The increase in non-current and current lease liabilities as of September 30, 2019 compared to the end of the 2018 financial year was a result of the first-time adoption of IFRS 16 described in the section on non-current assets. Corresponding to the recognition of rights-of-use, lease liabilities also increased in this context, with a total of EUR 58.2 m recognized as non-current lease liabilities and EUR 19.2 m as current lease liabilities.

Accounts payable rose to EUR 134.8 m at the end of September 2019 compared to EUR 99.7 m at the end of 2018. This increase primarily resulted from an improvement in the payment terms with suppliers.

With a total of EUR 19.1 m, contract liabilities were above the level at the end of the previous year.

Other liabilities mainly consist of value-added tax liabilities.

The company's total assets at the end of the reporting period amounted to EUR 357.6 m in comparison to the level of EUR 301.8 m as of December 31, 2018. The sharp rise is mainly a result of the first-time adoption of IFRS 16.

e. Financial position

Positive cash flow from operating activities totaled EUR 12.9 m in the first nine months of 2019, compared to EUR 20.4 m in the first nine months of 2018. The continued optimization of working capital had a positive effect on cash flow development.

Negative cash flow from investing activities totaled EUR –3.4 m in 9M 2019 compared to EUR –6.1 m in 9M 2018 and was impacted by investments in hardware and software components in the form of purchases and investments in internally generated intangible assets and in operating and office equipment.

As a result, free cash flow in the reporting period amounted to a positive EUR 9.5 m (9M 2018: EUR 14.3 m) and underscores the Group's ability to finance itself internally.

Cash flow from financing activities amounted to EUR –14.2 m in 9M 2019 compared to EUR –3.8 m in 9M 2018 and mainly consists of the repayment of finance lease liabilities in the amount of EUR 14.2 m.

As a retail group, zooplus experiences substantial volatility in balance sheet and cash flow items such as inventories, liabilities and VAT. This means there is considerably more fluctuation in these figures during the year than what is indicated in the earnings figures presented.

f. Overall statement on the financial situation

With growth of more than 13 % in the first nine months of 2019, sales amounted to EUR 1,104 m. EBITDA amounted to EUR 6.7 m compared to EUR –0.5 m in the same period of the previous financial year. As expected, the Group recorded slightly stronger sales growth in the third quarter compared to the first half of 2019. The growth rate of 14 % in the third quarter of 2019 (currency-adjusted: 14 %) is one percentage point above the comparable figure for the first six months of 2019 (H1 2019: 13 % sales growth).

2. Subsequent events

After the end of the first nine months of 2019, there were no events of particular importance that impact the results of operations, financial position and net assets.

3. Report on outlook, risks and opportunities

A. Outlook

Based on the latest forecasts, the underlying economic conditions in 2019 could deteriorate. It also remains to be seen what impact uncertainties and the aftermath of the pending Brexit will have on the EU member states and companies operating across Europe. Furthermore, it is not yet possible to foresee the effect protectionist tendencies within the EU will have on international trade and, consequently, on overall economic growth and consumer purchasing power.

Irrespective of these factors, the company anticipates that the Internet will continue to grow in its importance as a sales channel (E-commerce) in the years ahead and develop at a faster rate than the market overall. zooplus, as the leader in the European online market for pet supplies, will benefit substantially from these trends. The expectation for our pet supply segment is for slightly higher sales overall in 2019.

In the 2019 financial year, we will continue to focus on the company's growth and long-term value appreciation. To do this, we will concentrate on generating sustainable and profitable growth in the long term and are therefore investing specifically in our product range, logistics and IT. All of this is in an effort to expand our position as the European market leader in the online retailing of pet supplies.

Overall, the Group expects to achieve the following financial targets in the 2019 financial year:

- year-on-year sales growth of 14 % to 18 %
- EBITDA in the range of EUR 10 m to EUR 30 m

zooplus expects the following to occur in terms of the year-on-year development of the key factors influencing the results of operations, net assets and financial position:

- a gross margin based on sales in the 2019 financial year at the prior year's level
- 2019 growth to be financed entirely through free cash flow (positive free cashflow)
- another year in which the Group reasserts its leading market position based on sales in the online retailing of pet supplies
- a stable year-on-year currency-adjusted sales retention rate
- a moderate year-on-year increase in the number of new customers

Growth will continue to be the priority in 2019. Our focus will be on building future sustainable and profitable growth.

B. Risk report

The risk assessment for zooplus AG has not changed materially from the situation described in the 2018 Annual Report (pages 75 to 80).

C. Opportunity report

The opportunities assessment for zooplus AG has not changed materially from the situation described in the 2018 Annual Report (pages 80 and 81).

The Management Board

Dr. Cornelius Patt Andreas Grandinger

Dr. Mischa Ritter Florian Welz

Munich, November 14, 2019

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Consolidated Interim Financial Statements

Consolidated balance sheet as of September 30, 2019 according to IFRS

Assets

in EUR	30 / 09 / 2019	31 / 12 / 2018
A. NON-CURRENT ASSETS		
I. Property, plant and equipment	5,743,252.81	55,890,965.98
II. Right-of-use assets	76,489,309.69	n/a
III. Intangible assets	13,289,475.25	14,156,165.66
IV. Deferred tax assets	2,621,609.93	0.00
Non-current assets, total	98,143,647.68	70,047,131.64
B. CURRENT ASSETS		
I. Inventories	117,058,032.70	107,559,691.30
II. Advance payments	114,355.45	448,104.13
III. Accounts receivable	35,461,602.70	28,144,164.99
IV. Other current assets	25,725,124.98	16,144,387.00
V. Contract assets	25,190,595.41	19,013,101.65
VI. Tax receivables	970,036.58	885,554.04
VII. Derivative financial instruments	96,808.69	0.00
VIII. Cash and cash equivalents	54,888,344.54	59,521,301.59
Current assets, total	259,504,901.05	231,716,304.70
	357,648,548.73	301,763,436.34

Equity and liabilities

in EUR	30 / 09 / 2019	31 / 12 / 2018
A. EQUITY		
I. Subscribed capital	7,145,188.00	7,143,278.00
II. Capital reserves	102,245,611.33	100,794,343.16
III. Other reserves	- 1,822,445.99	- 1,765,361.28
IV. Profit / loss for the period and profit / loss carried forward	- 5,730,274.16	4,911,555.33
Equity, total	101,838,079.18	111,083,815.21
B. NON-CURRENT LIABILITIES		
I. Provisions	0.00	320,792.97
II. Deferred tax liabilities	0.00	821,754.13
III. Finance lease liabilities	58,241,691.10	40,255,160.14
Non-current liabilities, total	58,241,691.10	41,397,707.24
C. CURRENT LIABILITIES		
I. Accounts payable	134,799,697.12	99,734,714.98
II. Derivative financial instruments	239,518.67	52,243.23
III. Other current liabilities	21,615,044.42	19,928,246.07
IV. Contract liabilities	19,139,106.39	17,119,343.03
V. Tax liabilities	68,953.82	122,733.18
VI. Finance lease liabilities	19,208,474.92	9,757,572.14
VII. Provisions	2,497,983.11	2,567,061.26
Current liabilities, total	197,568,778.45	149,281,913.89
	357,648,548.73	301,763,436.34

Consolidated statement of comprehensive income as of January 1 to September 30, 2019 according to IFRS

in EUR	9M 2019	9M 2018
Sales	1,104,330,690.65	973,838,328.80
Other income	6,525,526.67	6,071,440.30
Own work capitalized	1,675,641.00	2,280,546.00
Cost of materials	- 789,412,094.36	- 700,962,273.38
Personnel expenses	- 40,369,441.33	- 34,728,951.52
of which cash	(- 39,002,550.86)	(- 33,560,108.63)
of which stock-based and non-cash	(- 1,366,890.47)	(- 1,168,842.89)
Impairment losses on financial assets	- 2,936,626.02	0.00
Other expenses	- 273,102,271.30	- 246,964,147.83
of which logistics / fulfillment expenses	(- 201,845,537.88)	(- 193,149,014.31)
of which marketing expenses	(- 36,931,991.62)	(- 19,271,961.87)
of which payment transaction expenses	(- 9,165,510.47)	(- 10,394,493.40)
of which other expenses	(- 25,159,231.33)	(- 24,148,678.26)
Earnings before interest, taxes, depreciation and amortization	6,711,425.32	- 465,057.63
Depreciation and amortization	- 19,504,287.89	- 6,630,472.52
Financial result	- 1,102,930.59	- 495,587.40
Earnings before taxes	- 13,895,793.17	- 7,591,117.55
Taxes on income	3,253,963.68	1,928,663.64
Consolidated net loss	- 10,641,829.49	- 5,662,453.91
Other gains and losses (after taxes)		
Differences from currency translation	3,514.96	- 1,002,382.79
Hedge reserve	- 60,599.67	709,062.26
Items subsequently reclassified to profit or loss	- 57,084.71	- 293,320.53
Total comprehensive income	- 10,698,914.20	- 5,955,774.44
Earnings per share		
Basic	- 1.49	- 0.79
Diluted	- 1.49	- 0.79

Consolidated statement of cash flows from January 1 to September 30, 2019 according to IFRS

in EUR	9M 2019	9M 2018
Cash flows from operating activities		
Earnings before taxes	- 13,895,793.17	- 7,591,117.55
Adjustments for:		
Depreciation and amortization	19,504,287.89	6,630,472.52
Non-cash personnel expenses	1,366,890.47	1,168,842.89
Other non-cash business transactions	- 1,037,558.34	- 1,002,382.79
Finance expenses	1,104,171.56	495,587.40
Finance income	- 1,240.97	0.00
Changes in:		
Inventories	- 9,498,341.40	14,844,805.65
Advance payments	333,748.68	- 3,231.84
Accounts receivable	- 7,317,437.71	- 5,084,056.60
Other current assets	- 9,580,737.98	6,910,573.22
Contract assets	- 6,177,493.76	- 13,016,076.73
Accounts payable	35,064,982.14	12,865,775.43
Other liabilities	1,686,798.35	- 4,297,553.58
Contract liabilities	2,019,763.36	17,163,873.31
Current provisions	2,188.19	- 4,524,743.49
Non-current provisions	- 320,792.97	- 787,076.16
Deferred income	0.00	- 2,928,004.42
Income taxes paid	- 341,604.86	- 447,435.14
Interest received	1,240.97	0.00
Cash flows from operating activities	12,913,070.46	20,398,252.12
Cash flows from investing activities		
Payments for property, plant and equipment / intangible assets	- 3,383,667.01	- 6,129,365.39
Cash flows from investing activities	- 3,383,667.01	- 6,129,365.39

(Continued on next page)

in EUR	9M 2019	9M 2018
Cash flows from financing activities		
Proceeds from capital increase	86,287.70	216,627.00
Payments for the redemption of finance lease liabilities	- 14,182,197.67	- 3,527,025.01
Interest paid	- 134,364.60	- 495,587.40
Cash flows from financing activities	- 14,230,274.57	- 3,805,985.41
Currency effects on cash and cash equivalents	67,914.07	- 428,955.56
Net change of cash and cash equivalents	- 4,632,957.05	10,033,945.76
Cash and cash equivalents at the beginning of the period	59,521,301.59	51,191,242.91
Cash and cash equivalents at the end of the period	54,888,344.54	61,225,188.67
Composition of cash and cash equivalents at the end of the period		
Cash on hand, bank deposits	54,888,344.54	61,225,188.67
	54,888,344.54	61,225,188.67

Consolidated statement of changes in equity from January 1 to September 30, 2019 according to IFRS

	Subscribed capital	Capital reserves	Other reserves	Net profit / loss for the period and profit / loss carried forward	Total
in EUR					
As of January 1, 2019	7,143,278.00	100,794,343.16	- 1,765,361.28	4,911,555.33	111,083,815.21
Increase from stock options	1,910.00	1,451,268.17	0.00	0.00	1,453,178.17
Currency translation differences	0.00	0.00	3,514.96	0.00	3,514.96
Net loss for 9M 2019	0.00	0.00	0.00	- 10,641,829.49	- 10,641,829.49
Hedge reserve	0.00	0.00	- 60,599.67	0.00	- 60,599.67
As of September 30, 2019	7,145,188.00	102,245,611.33	- 1,822,445.99	- 5,730,274.16	101,838,079.18
As of January 1, 2018	7,137,578.00	98,831,984.63	- 1,379,456.36	6,789,493.63	111,379,599.90
Increase from stock options	5,100.00	1,380,369.89	0.00	0.00	1,385,469.89
Currency translation differences	0.00	0.00	- 1,002,382.79	0.00	- 1,002,382.79
Net loss for 9M 2018	0.00	0.00	0.00	- 5,662,453.91	- 5,662,453.91
IFRS 9 adjustment	0.00	0.00	0.00	226,652.38	226,652.38
Hedge reserve	0.00	0.00	709,062.26	0.00	709,062.26
As of September 30, 2018	7,142,678.00	100,212,354.52	- 1,672,776.89	1,353,692.10	107,035,947.73

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Notes

Notes to the consolidated financial statements

Notes and explanations to the interim consolidated financial statements

Basis for preparing the interim financial statements

This nine-month financial report as of September 30, 2019, was prepared in accordance with International Financial Reporting Standards as applicable in the European Union (EU) and complies with the provisions of IAS 34 "Interim Financial Reporting."

The nine-month financial report does not contain all the disclosures in the notes that are typically included in the financial statements for the full financial year. Accordingly, this nine-month financial report should be read in conjunction with the consolidated financial statements for the financial year ending as of December 31, 2018 and all other information provided by zooplus during the interim reporting period.

Except for the mandatory first-time adoption of the following new standards, the same accounting policies were applied as those applied to the consolidated financial statements for the financial year ended December 31, 2018.

IFRS 16 Leases

The effects of the first-time adoption of IFRS 16 "Leases" and the new accounting policies applied as of January 1, 2019 are explained below.

The first-time adoption of IFRS 16 was carried out using the modified retrospective approach directly in equity as of January 1, 2019, in accordance with the simplified transition provisions. The comparable prior year figures of the 2018 financial year were not adjusted.

The Group recognized lease liabilities upon first-time adoption of IFRS 16 for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments discounted at the incremental borrowing rate of the lessee as of January 1, 2019. The weighted average incremental borrowing rate of the lessee amounted to 1.7 % and was applied to all lease liabilities as of January 1, 2019.

For leases previously classified as finance leases, the carrying amount of the leased asset under IAS 17 immediately before the first-time adoption of IFRS 16 and the carrying amount of the lease liability under IAS 17 are used as the initial carrying amounts of the rights-of-use and lease liability under IFRS 16. The valuation principles of IFRS 16 are then only applied in subsequent measurement. This resulted in valuation adjustments of kEUR 703 for variable, index-based lease payments and kEUR 1,556 due to differing assessments of extension options. The corresponding valuation adjustments to lease liabilities are recognized as adjustments of the related rights-of-use immediately following the initial recognition.

kEUR	
Obligations specified under operating leases as of December 31, 2018	34,339
Less: Current leases and low-value leases recognized as an expense on a straight-line basis	-996
	33,343
Discounted at the lessee's incremental borrowing rate upon first-time adoption of IFRS 16	30,998
Plus: Finance lease liabilities recognized as of December 31, 2018	50,013
Plus: Adjustments due to differing assessments of extension options	1,556
Plus: Adjustments due to changes in indices	703
Lease liabilities recognized as of January 1, 2019	83,269
thereof current	18,080
thereof non-current	65,189
	83,269

The related rights-of-use are recognized in the amount of the corresponding lease liabilities adjusted for any lease payments rendered in advance or deferred on the balance sheet as of December 31, 2018. No onerous leases existed upon first-time adoption of IFRS 16 so that there was no need for impairment for rights-of-use.

The rights-of-use recognized relate to the following types of assets:

kEUR	30 / 09 / 2019	01 / 01 / 2019
Land and buildings	76,166	82,992
Vehicles	323	306
Total rights-of-use	76,489	83,298

The change in accounting policies had the following impact on balance sheet items as of January 1, 2019:

- Property, plant and equipment – a decrease of kEUR 50,043
- Rights-of-use – an increase of kEUR 83,298
- Lease liabilities – an increase of kEUR 33,255

The change in accounting policies resulted in an increase of EBITDA, total assets and liabilities as of September 30, 2019.

The Group has used the following simplifications upon the adoption of IFRS 16:

- leases with a remaining term of less than 12 months as of January 1, 2019, or at the beginning of the contract are accounted for as current leases.
- initial direct costs were disregarded in the measurement of the right-of-use upon first-time adoption.

The Group leases several office and warehouse logistics buildings, as well as vehicles and IT equipment. Rental contracts are usually concluded for fixed terms of one to ten years but may contain extension options as explained below. The rental terms and conditions are agreed upon individually and contain a multitude of different conditions. The lease contracts do not include financial covenants; however, leased assets may not be pledged as collateral when assuming loans.

Until 2018, leases were classified as finance or operating leases. Payments under operating leases (less any incentives received by the lessor) were recognized in profit or loss on a straight-line basis over the term of the lease.

Since January 1, 2019, leases have been accounted for as a right-of-use and a corresponding lease liability as of the date the Group can use the leased asset. Each lease installment is divided into repayment and financing expenses. The financing expenses are recognized in profit or loss over the term of the lease so that the interest rate on the remaining amount of the liability remains at a constant level in each period. The right-of-use is amortized on a straight-line basis over the useful life or the remaining term of the lease, whichever is shorter.

Lease assets and liabilities are measured at their present value upon initial recognition. Lease liabilities include the present value of the following lease payments:

- Fixed payments (including de facto fixed payments, less any lease incentives to be received)
- Variable lease payments that are linked to an index or (interest) rate
- Expected payment of residual value from the lessee's residual value guarantees
- The exercise price of a call option if the exercise by the lessee is sufficiently likely
- Penalty payments for terminating leases if the term takes into consideration that the lessee will exercise a termination option.

Lease payments are discounted at the implied interest rate underlying the lease if the rate can be determined. If not, the discount rate corresponds to the lessee's incremental borrowing rate, i.e., the interest rate a lessee would need to pay if he or she had to borrow the funds necessary to obtain an asset of similar value and condition in a similar economic environment.

Rights-of-use are measured at cost and consist of the following:

- Amount of the initial measurement of the lease liability
- All lease payments made before the lease asset was available, less any lease incentives received
- All initial direct costs incurred by the lessee
- Estimated costs the lessee will incur when dismantling or removing the underlying asset, restoring the site where the asset is located and rebuilding the underlying asset into the condition agreed upon in the lease contract.

Payments for short-term leases and low-value leases are recognized in profit or loss on a straight-line basis. Short-term leases are leases with a term of up to 12 months. Low-value assets include, among others, IT equipment and small office furniture.

A number of the Group's real estate and equipment leases include extension and termination options. Such contract terms are used to maintain a maximum level of operational flexibility for the Group with regard to the contractual assets. The majority of the existing extension and termination options can only be exercised by the Group and not the respective lessor.

In defining the term of a lease, the management takes all facts and circumstances into consideration that offer an economic incentive to exercise extension or termination options. Changes in the terms resulting from extension or termination options are only taken into consideration for the contract term when an extension or non-exercise of a termination option is sufficiently likely. Potential future cash outflows from extension options amounting to EUR 35 m were not taken into consideration for the lease liabilities as it is not sufficiently likely that the contract will be extended (or not terminated).

The assessment is reviewed when a material event or change in circumstances occurs that may influence the previous assessment to the extent that this is at the discretion of the lessee.

Changes to other standards that zooplus was obligated to adopt as of January 1, 2019, had no effect on the Group's accounting policies.

2018 Stock Option Program

Based on the resolution of the Annual General Meeting of June 13, 2018 and the consent of the Supervisory Board, the Management Board resolved the establishment of the 2018 Stock Option Program for the issue of stock options with subscription rights to shares of zooplus AG to members of the Management Board of zooplus AG, members of management bodies of affiliated companies in Germany and abroad and selected executives and employees from zooplus AG and affiliated companies in Germany and abroad. Under the Stock Option Program 2018, members of the company's Management Board can receive up to a total of 150,000 no-par-value shares of the company, members of management bodies of affiliated companies in Germany and abroad can receive a total of up to 15,000 no-par-value shares of the company, selected executives and employees of affiliated companies in Germany and abroad can receive up to 200,000 no-par-value shares of the company.

In the 2018 financial year, a total of 115,000 stock options were issued to members of the company's Management Board. The subscription price for the options issued in August 2018 amounts to EUR 162.32 per share, and the subscription price for the options issued in December 2018 amounts to EUR 148.83 per share.

In April 2019, a total of 72,200 stock options were issued to members of management bodies of affiliated companies in Germany and abroad, as well as to selected executives and employees from zooplus AG and affiliated companies in Germany and abroad. The subscription price for the options issued in April 2019 amounts to EUR 114.59 per share.

Each option entitles the holder to subscribe to one no-par-value bearer share of zooplus AG with a notional interest in the share capital of EUR 1.00 per share. The exercise price per share corresponds to the volume-weighted, 6-month average price of the zooplus share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange prior to the issue date of the stock options, but at least the minimum issue amount pursuant to Section 9 (1) AktG. The earliest the option rights can be exercised is four years after the options were granted. The stock options can only be exercised when and to the extent that the performance targets are achieved as described below: The performance targets are based on the zooplus share's absolute price performance during the vesting period. Depending on the price performance of zooplus shares, beneficiaries may be entitled to exercise differing amounts of their allocated stock options. A third of the stock options may be exercised when the volume-weighted 6-month average price of the company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange at the end of the vesting period is at least 20% above the exercise price (Performance Target I, in which case a third of the stock options may be exercised), at least 30% above the exercise price (Performance Target II, in which case two-thirds of the stock options can be exercised) and at least 50% above the exercise price (Performance Target III, in which case all of the stock options can be exercised).

Subscription rights may be exercised within two years, starting with the end of the vesting period. All options can only be settled in equity instruments.

Deferred taxes

KEUR	Deferred tax assets		Deferred tax liabilities	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
Deferred taxes				
Derivative financial instruments	79	17	32	0
Finance lease assets	0	0	24,955	16,502
Finance lease liabilities	25,270	16,515	0	0
Tax loss carryforwards	4,099	986	0	0
Inventories	325	214	0	0
Internally generated intangible assets	0	0	2,164	2,052
	29,773	17,732	27,151	18,554
thereof non-current	22,785	14,260	19,656	15,283
thereof current	6,988	3,472	7,495	3,271
	29,773	17,732	27,151	18,554

Sales

in kEUR	9M 2019	9M 2018
Germany	250,974	222,910
France	180,440	163,110
Poland	98,229	78,726
Italy	84,601	78,984
Great Britain	81,371	78,045
The Netherlands	69,504	62,585
Spain	59,793	56,176
Belgium	53,253	44,003
Switzerland	37,820	29,653
Austria	30,910	27,238
Czechia	28,207	23,545
Denmark	22,896	22,086
Sweden	21,792	19,830
Finland	20,302	17,522
Other countries	64,239	49,425
Total	1,104,331	973,838

The Group's sales mainly consist of the sales of pet supplies in Germany and other European countries. A total of 86 % of sales were generated from the sale of food and the remaining 14 %, mainly from the sales of accessories.

Fair value disclosures

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and mutually independent parties in an arm's length transaction.

The table below shows financial instruments measured at fair value broken down into the levels of the fair value hierarchy. The different levels are defined as follows:

- Level 1: Unadjusted quoted prices on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable inputs that are not allocated to Level 1
- Level 3: Unobservable inputs

The following table shows the assets and liabilities measured at fair value on September 30, 2019:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	97	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	240	0

The following table shows the assets and liabilities measured at fair value on December 31, 2018:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	0	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	52	0

There were no reclassifications within the respective levels during the reporting period. The reclassification of items is carried out on a quarterly basis when circumstances arise that require a change in classification.

The fair value of financial instruments that are traded on an active market is based on the quoted market price on the reporting date. A market is considered to be active if quoted prices are easily and regularly available on a stock exchange or from a dealer, broker, industry group, pricing service or regulatory authority, and if these prices represent current and regularly occurring market transactions at arm's length conditions. For assets held by the Group, the appropriate quoted market price corresponds to the bid price offered by the buyer.

The fair value of financial instruments that are not traded on an active market (e.g. over-the-counter derivatives) is determined using valuation methods based as much as possible on market data and as little as possible on company-specific data. If all data required to determine the fair value are observable, the instrument is assigned to Level 2. If one or more important data are not based on observable market data, the instrument is assigned to Level 3.

Specific valuation methods used to measure financial instruments include net present value models based on market data applicable on the reporting date

Additional information on financial instruments

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements and the allocation of assets, liabilities and some of the balance sheet items to measurement categories in accordance with IFRS 9:

KEUR	Measurement category	Carrying amount		Fair value	
		30 / 09 / 2019	31 / 12 / 2018	30 / 09 / 2019	31 / 12 / 2018
Financial assets					
Accounts receivable	AC	35,462	28,144	35,462	28,144
Other financial assets	n / a	n / a	n / a	n / a	n / a
Other current assets thereof financial instruments pursuant to IFRS 7	AC	20,090	8,853	20,090	8,853
Cash and cash equivalents	AC	54,888	59,521	54,888	59,521
Derivative financial instruments	AC	97	0	97	59,521
Total		110,537	96,518	110,537	96,518
Financial liabilities					
Accounts payable	FLaC	134,800	99,735	134,800	99,735
Other financial liabilities thereof financial liabilities pursuant to IFRS 7	FLaC	786	325	786	325
Finance lease liabilities	n / a	77,450	50,013	77,450	50,013
Derivative financial instruments	n / a	240	52	240	52
Total		213,276	150,125	213,276	150,125

AC (Amortized Cost)
FLaC (Financial Liability at amortized Cost)

The market values of the cash and cash equivalents, accounts receivable, current assets, accounts payable and other current liabilities reported as of September 30, 2019 and December 31, 2018, correspond to their carrying amounts. This is mainly due to the short-term maturities of such instruments.

Aggregated by IFRS 9 measurement categories, the Group's financial assets and liabilities are as follows:

in TEUR	Measurement category	Carrying amount		Fair value	
		30 / 09 / 2019	31 / 12 / 2018	30 / 09 / 2019	31 / 12 / 2018
Financial assets					
Loans and Receivables	AC	110,440	96,518	110,440	96,518
Available for Sale	n / a	n / a	n / a	n / a	n / a
Financial liabilities					
Financial Liability at amortized Cost	FLaC	135,586	100,060	135,586	100,060

Scope of consolidation

As of September 30, 2019, the Group's scope of consolidation comprised zooplus AG, Munich, and the following subsidiaries:

Subsidiary	Interest in share capital	Business activity
MATINA GmbH, Munich, Germany	100 %	Private label business
BITIBA GmbH, Munich, Germany	100 %	Secondary brand business
zooplus services Ltd., Oxford, Great Britain	100 %	Service company for Great Britain
zooplus italia s.r.l., Genoa, Italy	100 %	Service company for Italy
zooplus polska Sp. z o.o., Krakow, Poland	100 %	Service company for Poland
zooplus services ESP S.L., Madrid, Spain	100 %	Service company for Spain
zooplus france s.a.r.l., Strasbourg, France	100 %	Service company for France
zooplus Nederland B.V., Tilburg, the Netherlands	100 %	Service company for the Netherlands
zooplus Austria GmbH, Vienna, Austria	100 %	Service company for Austria
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100 %	Sales company for Turkey
Tifuve GmbH, Munich, Germany	100 %	Dormant company
zooplus EE TOV, Kiev, Ukraine	100 %	Dormant company
zooplus d.o.o., Zagreb, Croatia	100 %	Dormant company

Segment reporting

The zooplus Group operates in only one business segment – the distribution and sale of pet supplies in the EU and other European countries. The products sold by the company are homogeneous and cannot be sub-divided. As an online retailer, the company offers its products centrally from one location irrespective of the end customers' geographic location. Consequently, there are no geographical segments as defined by IFRS. There is also no internal reporting by segment at present and, for this reason, the Group does not prepare segment reporting.

Earnings per share

Basic earnings per share are computed using the net profit/loss for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period. The consolidated net loss for the first nine months of 2019 amounted to EUR – 10.6 m (previous year: EUR – 5.7 m). The average number of shares outstanding in the first nine months of 2019 was 7,144,063, resulting in basic earnings per share of EUR – 1.49 (previous year: EUR – 0.79).

Diluted earnings per share are computed using the net profit/loss for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period plus any share equivalents that could lead to dilution. This computation results in notional earnings per share of EUR – 1.49 (previous year: EUR – 0.79).

Information in accordance with Section 115 (5) of the WpHG

As with all of the company's regular interim reports, these interim financial statements and the interim management report have not been reviewed by an auditor.

German Corporate Governance Code

zooplus Aktiengesellschaft has submitted the declaration on the German Corporate Governance Code that is required under Section 161 of the German Stock Corporation Act (Aktiengesetz) and has made this declaration available to its shareholders on its website at <http://investors.zooplus.com/en/corporate-governance/corporate-governance-statement.html>

Munich, November 14, 2019

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The 9M report is also available in German. In case of discrepancies the German version prevails.

A digital version of this zooplus AG 9M report as well as the annual reports can be downloaded from the Investor Relations section of www.zooplus.com.

Forward-looking statements

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees for the realization of the future developments and results stated. The future developments and results are dependent on a wide range of factors. They encompass various risks and uncertainties, and are based upon assumptions as to future events that may not be accurate. Such factors include those discussed in the report on risks on page 18. We do not assume any obligation to update the forward-looking statements contained in this report.



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