zooplus


# Semi-annual Report 2019

## Highlights of the first six months of 2019

**Sales increased by 13 % to EUR 727 m in the first half of 2019 (H1 2018: EUR 643 m)**

**Solid above-average growth of 29 % in private label sales compared to the same period of the previous year**

**Gross margin improved by 0.7 percentage points to 28.4 % compared to the first half of 2018**

**Positive EBITDA of EUR 4.5 m (H1 2018: EUR – 5.0 m), EBT of EUR – 9.1 m at previous year's level**

**Positive free cash flow of EUR 6.9 m due to improvements in working capital**

**Confirmation of sales and earnings guidance for the 2019 financial year**

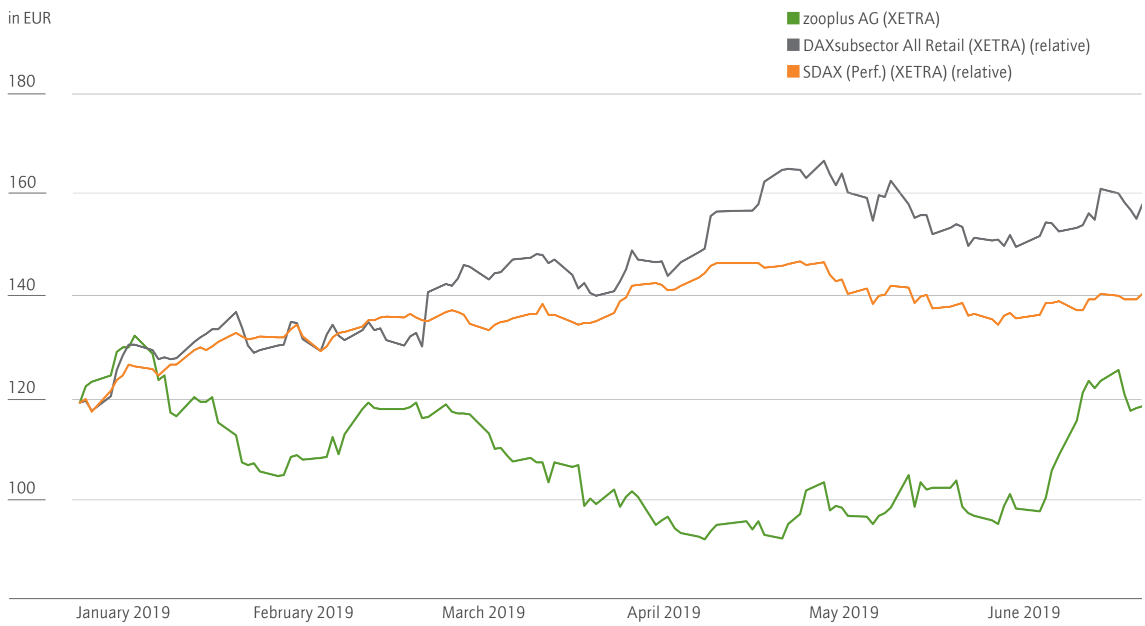


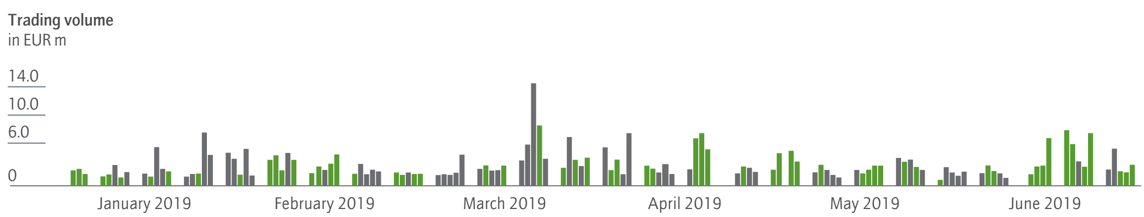
# Table of contents

# To the Shareholders

## The zooplus AG share

### Stock chart zooplus AG: January 2, 2019 through June 28, 2019



## Performance of the zooplus share in the first half of 2019

zooplus AG shares were 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 on the stock market was optimistic during the first six months of 2019, fueled by factors such as the central banks' willingness to ease monetary policy and the avoidance of a hard Brexit at the end of March 2019. The German indices – the DAX (+17.4 %), MDAX (+18.7 %), SDAX (+19.7 %) and TecDAX (+17.4 %) – were all able to record gains in this environment versus the prior year-end close on December 28, 2018, until the last trading day of the first half-year on June 28, 2019. The DAXsubsector All Retail Internet index – the relevant sector index for zooplus – had climbed 33.8 % from the end of 2018 until the end of June 2019. Still, risk factors such as a potential slowdown in economic growth, the trade dispute between the US and China, the conflict between the US and Iran and the continued lack of clarity surrounding Brexit continue to concern investors.

The zooplus share price initially increased at the beginning of 2019 and temporarily reached a level of around EUR 130 per share. In March, the company published its business figures for the past calendar year and issued its forecast for revenue and earnings development in 2019. The market reaction to this put the share price under pressure, so that at times it fell significantly short of the closing price for 2018. With the successful IPO on the New York Stock Exchange of the US online pet supply retailer Chewy Inc., zooplus shares also increased sharply in June. By the end of the first half of the year, the share price had recovered. It closed on Xetra on June 28, 2019 at EUR 119.80. This was 0.76 % higher than the shares' closing price on December 28, 2018 of EUR 118.90. The lowest Xetra closing price during the reporting period was EUR 91.60 on April 15, 2019, and the highest closing price for the period was EUR 132.20 recorded on January 10, 2019.

The market capitalization on June 28, 2019 equaled EUR 855.93 m based on 7,144,678 shares outstanding on that date.

## Analysts

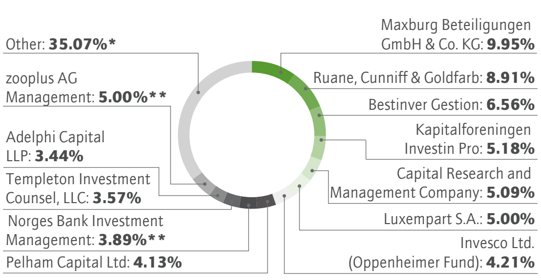
| Institution | Analyst | Latest update | Recom-menda-tion | Price target (EUR) |
|---|---|---|---|---|
| Baader Bank | Bosse, Volker | July 18, 2019 | Buy | 140.00 |
| Barclays | Rao, Alvira | July 18, 2019 | Under-weight | 100.00 |
| Berenberg | Letten, James | April 18, 2019 | Sell | 60.00 |
| Commerzbank | Riemann, Andreas | July 30, 2019 | Hold | 106.00 |
| Hauck & Aufhäuser | Salis, Christian | July 19, 2019 | Sell | 60.00 |
| J.P.Morgan Cazenove | Olcese, Borja | July 18, 2019 | Over-weight | 205.00 |
| Kepler Cheuvreux | Mauder, Nikolas | July 18, 2019 | Sell | 75.00 |
| Liberum | Brown, Wayne | July 18, 2019 | Buy | 160.00 |
| MainFirst | Sittig, Tobias | July 18, 2019 | Neutral | 111.00 |
| Metzler | Diedrich, Tom | July 18, 2019 | Sell | 87.00 |
| Quirin Privatbank | Marinoni, Ralf | March 27, 2019 | Sell | 90.00 |
| Warburg Research | Kleibauer, Thilo | March 22, 2019 | Hold | 112.00 |

## Key data

| | |
|---|---|
| WKN | 511170 |
| 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 June 30, 2019 | 7,144,678.00 |
| Number of shares as of June 30, 2019 | 7,144,678 |
| 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 June 28, 2019 | EUR 119.80 |
| Percentage change (since December 28, 2018) | +0.76% |
| 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

## Shareholder structure




As of July 9, 2019 ; calculation of interests based on the total number of voting rights of 7,144,678
Share ownership according to published voting rights notifications
* Free float of 90.05 % 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.

## 2019 Financial calendar

| | |
|---|---|
| October 17, 2019 | Preliminary sales figures for Q3 2019 |
| November 14, 2019 | Publication of the 2019 nine-month report |

# Interim Group Management Report

# Interim group management report of zooplus AG as of June 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 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 is generated from products for dogs and cats. zooplus also offers a wide range of free content and information on its websites, including 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 Hörselgau, Germany; Tilburg, Netherlands; Wroclaw and Krosno Odrzanskie, 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; Jirikov, 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, new logistics capacity was also put into operation in Stradella, Italy. This new location, situated near Milan, will facilitate faster deliveries to customers in Italy and a more efficient organization of the Italian logistics network over the long term. 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 these closures is the option to now increase the efficient use of our capacity by transferring activities, largely to the fulfillment center in Krosno Odrzanskie, 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 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 August 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 comprised in 2017 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. 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"), in addition to the continuing 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 the total sales at zooplus relates to pet food itself, which means the Group enjoys 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 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, which 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 10% of the total European pet 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 brick-and-mortar stores 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 from the substantially high growth of online retailing.

### v. Group structure

As of June 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 half of 2019 and as of June 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 half of 2019 and as of June 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
- Ulric Jerome, Director of MatchesFashion Limited (MatchesFashion.com), London, United Kingdom
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom
- Dr. Norbert Stoeck, freelance business consultant, Munich, Germany

### *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. For this reason, it is important that the Group set up the necessary structures and position itself today to generate significant medium- and long-term positive returns by virtue of its size and market leadership.

With this in mind, 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. zooplus continuously invests 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 for measuring its success from earnings before taxes (EBT) to earnings before interest, taxes, depreciation and amortization (EBITDA).

The new provisions of 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 H1 / 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 negative economic developments could have an impact on zooplus' business in the future. It is also not yet clear how protectionist tendencies within the EU and the US will affect international trade in goods and thereby overall economic growth and consumer purchasing power. The management believes that the 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.

#### ii. Performance of the zooplus Group in the reporting period

Sales in the first half of 2019 increased to EUR 727 m, amounting to a year-on-year percentage increase in the reporting period of 13 %. The rate of sales growth in the second quarter of 2019 amounted to 14 %, which was slightly higher than the rate achieved in the first quarter of 2019. During the following quarters, the Management Board expects sales growth to accelerate further as a result of the targeted measures taken and therefore confirms the forecast for sales growth in financial year 2019 of 14 % to 18 %. The sales retention rate for the customer base as a whole amounted to a currency-adjusted 92 % and was just slightly lower than the level in the prior year (H1 2018: 94 %). EBITDA reached EUR 4.5 m in the first half of 2019 compared to EUR – 5.0 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 half of 2019 with growth of 13.0 % to EUR 726.6 m compared to EUR 642.8 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. The trend in accelerating new customer acquisitions, which was already apparent towards the end of 2018, continued however in the first half of 2019. After a year-on-year increase of 15 % in the first quarter of 2019, the number of registered new customers increased in the second quarter by 32 %.

Sales of private label products in food and litter continued to develop favorably, increasing 29 % in the first half 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 %.

The high loyalty of existing customers ensured that the currency-adjusted sales retention rate, which equalled 92 % in the first half of 2019, remained at a very high level and only slightly below the level in the same period of the prior year (H1 2018: 94 %). Once again, this underscores the sustainability of the zooplus business model.

zooplus also generated other income of EUR 4.7 m in the first half of 2019 (H1 2018: EUR 3.2 m) and own work capitalized of EUR 1.2 m (H1 2018: EUR 1.8 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 half of 2019. The distinct above-average rise in private label sales, 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 0.7 percentage points year-on-year to 28.4 % in the first half of 2019 compared to 27.7 % for the same period of the previous year. This increase was due to a decline in the cost of materials ratio to 71.6 % of sales in the first half of 2019 compared to 72.3 % in the same period in 2018. 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 22.7 m (H1 2018) to EUR 26.8 m in the first half 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 3.5 % in the comparable 2018 period. This increase is the result of the continuous expansion of internal IT development capacity and the addition of staff in key departments.

#### Other expenses

Other expenses in the reporting period increased year-on-year from EUR 165.3 m to EUR 179.4 m. Other expenses mostly consist of expenses for logistics ⁄ fulfillment, marketing and payment transactions. These expenses declined from 25.7 % of Group sales in the prior-year period to 24.7 % in the first half 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 1.2 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 18.4 % in the first half of 2019 compared to 20.2 % 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 8.4 m were classified and recorded as depreciation and amortization. In the comparable 2018 period, logistics expenses of EUR 2.1 m were classified as depreciation due to their classification as a finance lease item and were also recorded within this item.

The price increases from the parcel service providers were more than offset by continued improvements in efficiency realized throughout the entire logistics network during the first half of 2019.

**Marketing expenses**

Marketing expenses are driven by the acquisition of new customers in all European markets. New customers acquisition mainly takes 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 have 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.

The share of marketing expenses relative to sales increased from 2.0% in the first half of 2018 to 3.3% in the first half of 2019 and reflects the consistent approach to investing in the sustainable acquisition of new customers and the expansion of our market position. The second quarter was also greatly influenced by the "20 years of zooplus" marketing campaign that began end of May 2019, making a direct year-on-year comparison not possible. Overall, 15% more registered new customers were acquired in the first quarter of 2019 and 32% more in the second quarter of 2019 compared to the same periods in the prior year.

Despite the rise in marketing expenses, the consistently low marketing expense ratio overall, combined with a very high level of customer loyalty, 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 half 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 in 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 2.2% 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 half of 2019, rental and similar expenses amounting to EUR 1.5 m were classified as depreciation and recognized as such.

**Depreciation and amortization**

At EUR 12.9 m, depreciation and amortization expenses in the first half of 2019 were significantly higher than in the same period of 2018 (EUR 3.9 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 8.4 m, as well as rental and similar expenses of EUR 1.5 m, were reclassified to depreciation and amortization. In the first half of 2018, depreciation and amortization amounted to EUR 2.1 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 – 0.3 m to EUR – 0.8 m in the first half of 2019. Of this amount, EUR 0.6 m were interest expenses in connection with the first-time adoption of IFRS 16.

### iii. Earnings development

Overall, zooplus generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 4.5 m in the first half of 2019 compared to EUR – 5.0 m in the prior-year period. Earnings before taxes (EBT) amounted to EUR – 9.1 m in the first half of 2019 compared to EUR – 9.2 m in the first half of 2018. The stabilization of the gross margin continued in the first half 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 incurred in the second quarter of 2019 compared to the prior quarter and the prior-year period.

zooplus generated a consolidated net profit / loss of EUR – 7.1 m (previous year: EUR – 6.6 m). At a rounded EUR – 7.0 m (previous year: EUR – 6.0 m), total comprehensive income differed from the consolidated net profit / loss as a result of a hedge reserve of EUR 0.1 m and currency translation differences of EUR – 0.1 m.

*d. Net assets*

Non-current assets at the end of June 2019 totalled EUR 101.2 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 35.5 m as of June 30, 2019, in connection with the first-time adoption of IFRS 16.

The net carrying amount of all rights-of-use totalled EUR 80.4 m as of June 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 115.1 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 are sufficient inventory levels and, consequently, high product availability.

Accounts receivable amounted to EUR 34.3 m as of June 30, 2019 (year-end 2018: EUR 28.1 m).

Other current assets increased as of June 30, 2019 to EUR 24.6 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 21.0 m as of June 30, 2019 compared to EUR 19.0 m at the end of 2018.

In addition, cash and cash equivalents declined by EUR 3.0 m from EUR 59.5 m at the end of 2018 to EUR 56.5 m as of June 30, 2019.

Equity at the end of June 2019 totalled EUR 105.0 m compared to EUR 111.1 m at the end of 2018. The decline is mainly due to the negative Group net profit / loss in the first half of 2019.

The increase in non-current and current lease liabilities as of June 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 62.1 m recognized as non-current lease liabilities and EUR 19.1 m as current lease liabilities.

Accounts payable rose to EUR 125.3 m at the end of June 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 17.9 m, contract liabilities were slightly higher than 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 353.9 m in comparison to their level of EUR 301.8 m as of December 31, 2018. The sharp rise is a result of the first-time adoption of IFRS 16.

*e. Financial position*

Positive cash flow from operating activities totalled EUR 9.2 m in the first half of 2019, compared to EUR 8.0 m in the first half of 2018. The key influential factor was the continued improvement in working capital.

Negative cash flow from investing activities totalled EUR – 2.4 m in H1 2019 compared to EUR – 4.3 m in H1 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.

Cash flow from financing activities amounted to EUR – 9.9 m in H1 2019 compared to EUR – 2.3 m in H1 2018 and mainly consists of a repayment of finance lease liabilities in the amount of EUR – 9.2 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*

Based on sales growth of 13 % for total sales of EUR 727 m, the Management Board considers the performance in the first half of 2019 to have been modest, as anticipated. From today's perspective, the expansion of the marketing approach – both online and offline – and the sharp rise in business with new customers is expected to accelerate the rate of sales growth in the second half of 2019.

## 2. Subsequent events

After the end of the first half 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 Brexit uncertainties and its aftermath 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 therefore on overall economic growth and consumer buying 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-over-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 77 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, August 14, 2019

# Consolidated Interim Financial Statements

# Consolidated balance sheet as of June 30, 2019 according to IFRS

## Assets

| in EUR | | 30/06/2019 | 31/12/2018 |
|---|---|---|---|
| A. | NON-CURRENT ASSETS | | |
| I. | Property, plant and equipment | 5,740,737.35 | 55,890,965.98 |
| II. | Right-of-use assets | 80,418,128.00 | n/a |
| III. | Intangible assets | 13,778,187.05 | 14,156,165.66 |
| IV. | Deferred tax assets | 1,278,324.16 | 0.00 |
| | **Non-current assets, total** | **101,215,376.56** | **70,047,131.64** |
| B. | CURRENT ASSETS | | |
| I. | Inventories | 115,102,011.93 | 107,559,691.30 |
| II. | Advance payments | 30,781.10 | 448,104.13 |
| III. | Accounts receivable | 34,311,444.66 | 28,144,164.99 |
| IV. | Other current assets | 24,625,031.91 | 16,144,387.00 |
| V. | Contract assets | 20,983,548.34 | 19,013,101.65 |
| VI. | Tax receivables | 860,760.71 | 885,554.04 |
| VII. | Derivative financial instruments | 275,547.99 | 0.00 |
| VIII. | Cash and cash equivalents | 56,517,058.98 | 59,521,301.59 |
| | **Current assets, total** | **252,706,185.62** | **231,716,304.70** |
| | | **353,921,562.18** | **301,763,436.34** |

## Equity and liabilities

| in EUR | | 30 / 06 / 2019 | 31 / 12 / 2018 |
|---|---|---|---|
| A. | EQUITY | | |
| I. | Subscribed capital | 7,144,678.00 | 7,143,278.00 |
| II. | Capital reserves | 101,746,682.46 | 100,794,343.16 |
| III. | Other reserves | − 1,753,535.93 | − 1,765,361.28 |
| IV. | Profit / loss for the period and profit / loss carried forward | − 2,142,458.61 | 4,911,555.33 |
| | **Equity, total** | **104,995,365.92** | **111,083,815.21** |
| B. | NON-CURRENT LIABILITIES | | |
| I. | Provisions | 323,361.00 | 320,792.97 |
| II. | Deferred tax liabilities | 0.00 | 821,754.13 |
| III. | Finance lease liabilities | 62,079,181.05 | 40,255,160.14 |
| | **Non-current liabilities, total** | **62,402,542.05** | **41,397,707.24** |
| C. | CURRENT LIABILITIES | | |
| I. | Accounts payable | 125,264,526.66 | 99,734,714.98 |
| II. | Derivative financial instruments | 180,609.34 | 52,243.23 |
| III. | Other current liabilities | 21,488,405.15 | 19,928,246.07 |
| IV. | Contract liabilities | 17,908,617.31 | 17,119,343.03 |
| V. | Tax liabilities | 62,653.99 | 122,733.18 |
| VI. | Finance lease liabilities | 19,062,708.48 | 9,757,572.14 |
| VII. | Provisions | 2,556,133.28 | 2,567,061.26 |
| | **Current liabilities, total** | **186,523,654.21** | **149,281,913.89** |
| | | **353,921,562.18** | **301,763,436.34** |

# Consolidated statement of comprehensive income from January 1 to June 30, 2019 according to IFRS

| in EUR | H1 2019 | H1 2018 |
|---|---|---|
| Sales | 726,645,945.16 | 642,783,216.50 |
| Other income | 4,681,688.85 | 3,164,223.72 |
| Own work capitalized | 1,224,369.00 | 1,773,098.39 |
| Cost of materials | − 519,979,490.78 | − 464,667,296.81 |
| Personnel expenses | − 26,774,949.79 | − 22,737,148.30 |
| of which cash | (− 25,883,696.49) | (− 22,062,177.67) |
| of which stock-based and non-cash | (− 891,253.30) | (− 674,970.63) |
| Impairment losses on financial assets | − 1,882,977.99 | 0.00 |
| Other expenses | − 179,428,539.98 | − 165,284,652.07 |
| of which logistics / fulfillment expenses | (− 133,651,293.17) | (− 129,842,424.88) |
| of which marketing expenses | (− 23,708,974.09) | (− 12,666,906.97) |
| of which payment transaction expenses | (− 6,055,161.35) | (− 6,637,465.18) |
| of which other expenses | (− 16,013,111.36) | (− 16,137,855.04) |
| **Earnings before interest, taxes, depreciation and amortization** | **4,486,044.47** | **− 4,968,558.57** |
| Depreciation and amortization | − 12,854,618.52 | − 3,902,828.64 |
| Financial result | − 751,395.26 | − 312,060.21 |
| **Earnings before taxes** | **− 9,119,969.31** | **− 9,183,447.42** |
| Taxes on income | 2,065,955.37 | 2,624,761.12 |
| **Consolidated net loss** | **− 7,054,013.94** | **− 6,558,686.30** |
| **Other gains and losses (after taxes)** | | |
| Differences from currency translation | − 86,514.75 | − 376,275.41 |
| Hedge reserve | 98,340.10 | 903,254.49 |
| **Items subsequently reclassified to profit or loss** | **11,825.35** | **526,979.08** |
| **Total comprehensive income** | **− 7,042,188.59** | **− 6,031,707.22** |
| **Earnings per share** | | |
| Basic | − 0.99 | − 0.92 |
| Diluted | − 0.99 | − 0.92 |

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

| in EUR | H1 2019 | H1 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Earnings before taxes | **– 9,119,969.31** | **– 9,183,447.42** |
| Adjustments for: | | |
| Depreciation and amortization | 12,854,618.52 | 3,902,828.64 |
| Non-cash personnel expenses | 891,253.30 | 674,970.63 |
| Other non-cash business transactions | – 157,781.08 | – 376,275.41 |
| Finance expenses | 751,669.87 | 301,841.78 |
| Finance income | – 274.61 | 10,218.43 |
| Changes in: | | |
| Inventories | – 7,542,320.63 | – 6,790,175.86 |
| Advance payments | 417,323.03 | 104,435.82 |
| Accounts receivable | – 6,167,279.67 | – 311,890.79 |
| Other current assets | – 8,480,644.91 | 7,150,370.65 |
| Contract assets | – 1,970,446.69 | – 15,443,265.31 |
| Accounts payable | 25,529,811.68 | 24,129,080.34 |
| Other liabilities | 1,560,159.08 | – 3,690,468.32 |
| Contract liabilities | 789,274.28 | 15,299,968.83 |
| Current provisions | 60,338.36 | – 4,656,438.44 |
| Non-current provisions | 2,568.03 | 80,111.89 |
| Deferred income | 0.00 | – 2,928,004.42 |
| Income taxes paid | – 169,561.70 | – 251,782.28 |
| Interest received | 274.61 | – 10,218.43 |
| **Cash flows from operating activities** | **9,249,012.15** | **8,011,860.33** |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment/intangible assets | – 2,397,019.04 | – 4,319,040.29 |
| **Cash flows from investing activities** | **– 2,397,019.04** | **– 4,319,040.29** |

**(Continued on next page)**

| in EUR | H1 2019 | H1 2018 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Proceeds from capital increase | 62,486.00 | 157,317.00 |
| Payments for the redemption of finance lease liabilities | – 9,227,702.09 | – 2,107,646.22 |
| Interest paid | – 751,669.87 | – 301,841.78 |
| **Cash flows from financing activities** | **– 9,916,885.96** | **– 2,252,171.00** |
| Currency effects on cash and cash equivalents | 60,650.24 | – 209,203.45 |
| **Net change of cash and cash equivalents** | **– 3,004,242.61** | **1,231,445.59** |
| 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 | 56,517,058.98 | 52,422,688.50 |
| **Composition of cash and cash equivalents at the end of the period** | | |
| Cash on hand, bank deposits | 56,517,058.98 | 52,422,688.50 |
| | **56,517,058.98** | **52,422,688.50** |

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

| in EUR | Subscribed capital | Capital reserves | Other reserves | Net profit/loss for the period and profit/loss carried forward | Total |
|---|---|---|---|---|---|
| **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 | 1,400.00 | 952,339.30 | 0.00 | 0.00 | 953,739.30 |
| Currency translation differences | 0.00 | 0.00 | –86,514.75 | 0.00 | –86,514.75 |
| Net loss for H1 2019 | 0.00 | 0.00 | 0.00 | –7,054,013.94 | –7,054,013.94 |
| Hedge reserve | 0.00 | 0.00 | 98,340.10 | 0.00 | 98,340.10 |
| **As of June 30, 2019** | **7,144,678.00** | **101,746,682.46** | **–1,753,535.93** | **–2,142,458.61** | **104,995,365.92** |
| **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 | 3,600.00 | 828,687.63 | 0.00 | 0.00 | 832,287.63 |
| Currency translation differences | 0.00 | 0.00 | –376,275.41 | 0.00 | –376,275.41 |
| Net loss for H1 2018 | 0.00 | 0.00 | 0.00 | –6,558,686.30 | –6,558,686.30 |
| IFRS 9 adjustment | 0.00 | 0.00 | 0.00 | 226,652.38 | 226,652.38 |
| Hedge reserve | 0.00 | 0.00 | 903,254.49 | 0.00 | 903,254.49 |
| **As of June 30, 2018** | **7,141,178.00** | **99,660,672.26** | **–852,477.28** | **457,459.71** | **106,406,832.69** |

# Notes

# Notes to the consolidated financial statements

## Notes and explanations to the interim consolidated financial statements

### Basis for preparing the interim financial statements

This half-year financial report as of June 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 half-year 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 half-year 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 / 06 / 2019 | 01 / 01 / 2019 |
|---|---|---|
| Land and buildings | 80,069 | 82,992 |
| Vehicles | 349 | 306 |
| **Total rights-of-use** | **80,418** | **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 June 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 33 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 apply 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 at 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 subscription rights to stock options can only be exercised if certain performance targets have been achieved. 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

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| kEUR | 30 / 06 / 2019 | 31 / 12 / 2018 | 30 / 06 / 2019 | 31 / 12 / 2018 |
| **Deferred taxes** | | | | |
| Derivative financial instruments | 0 | 17 | 32 | 0 |
| Finance lease assets | 0 | 0 | 26,454 | 16,502 |
| Finance lease liabilities | 26,694 | 16,515 | 0 | 0 |
| Tax loss carryforwards | 2,945 | 986 | 0 | 0 |
| Inventories | 298 | 214 | 0 | 0 |
| Internally generated intangible assets | 0 | 0 | 2,173 | 2,052 |
| | **29,937** | **17,732** | **28,659** | **18,554** |
| Thereof non-current | 23,399 | 14,260 | 22,120 | 15,283 |
| Thereof current | 6,538 | 3,472 | 6,539 | 3,271 |
| | **29,937** | **17,732** | **28,659** | **18,554** |

## Sales

| kEUR | H1 2019 | H1 2018 |
|---|---|---|
| Germany | 165,338 | 147,980 |
| France | 119,179 | 108,636 |
| Poland | 63,723 | 50,968 |
| Italy | 57,099 | 52,522 |
| Great Britain | 53,886 | 51,859 |
| The Netherlands | 45,824 | 41,448 |
| Spain | 39,591 | 37,361 |
| Belgium | 34,970 | 28,816 |
| Switzerland | 24,479 | 19,084 |
| Austria | 20,201 | 17,868 |
| Czechia | 18,260 | 15,613 |
| Denmark | 15,141 | 14,294 |
| Sweden | 14,148 | 12,960 |
| Finland | 13,106 | 11,421 |
| Other countries | 41,701 | 31,952 |
| **Total** | **726,646** | **642,783** |

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 June 30, 2019:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Assets in kEUR** | | | |
| Derivative financial instruments as hedging instruments | 0 | 276 | 0 |
| **Liabilities in kEUR** | | | |
| Derivative financial instruments as hedging instruments | 0 | 181 | 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:

| | Measurement category | Carrying amount | | Fair value | |
|---|---|---|---|---|---|
| kEUR | | 30/06/2019 | 31/12/2018 | 30/06/2019 | 31/12/2018 |
| **Financial assets** | | | | | |
| Accounts receivable | AC | 34,311 | 28,144 | 34,311 | 28,144 |
| Other financial assets | n/a | n/a | n/a | n/a | n/a |
| Other current assets<br>of which financial instruments pursuant to IFRS 7 | AC | 16,201 | 8,853 | 16,201 | 8,853 |
| Cash and cash equivalents | AC | 56,517 | 59,521 | 56,517 | 59,521 |
| Derivative financial instruments | n/a | 276 | 0 | 276 | 0 |
| **Total** | | **107,305** | **96,518** | **107,305** | **96,518** |
| **Financial liabilities** | | | | | |
| Accounts payable | FLaC | 125,265 | 99,735 | 125,265 | 99,735 |
| Other financial liabilities<br>of which financial liabilities pursuant to IFRS 7 | FLaC | 593 | 325 | 593 | 325 |
| Finance lease liabilities | n/a | 81,142 | 50,013 | 81,142 | 50,013 |
| Derivative financial instruments | n/a | 180 | 52 | 180 | 52 |
| **Total** | | **207,180** | **150,125** | **207,180** | **150,125** |

AC (Amortized Cost)
LaR (Loans and Receivables)
AfS (Available for Sale)
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 June 30, 2019 and December 31, 2018, correspond to their carrying amounts. This is mainly due to the short-term maturities of such instruments.

Notes

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

| kEUR | Measurement category | Carrying amount 30 / 06 / 2019 | Carrying amount 31 / 12 / 2018 | Fair value 30 / 06 / 2019 | Fair value 31 / 12 / 2018 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans and receivables | AC | 107,029 | 96,518 | 107,029 | 96,518 |
| Available for sale | n / a | n / a | n / a | n / a | n / a |
| **Financial liabilities** | | | | | |
| Financial liability at amortized cost | FLaC | 125,858 | 100,060 | 125,858 | 100,060 |

## Scope of consolidation

As of June 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 for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period. Consolidated net loss for the first six months of 2019 amounted to EUR – 7.1 m (previous year: EUR – 6.6 m). The average number of shares outstanding in the first six months of 2019 was 7,143,278, resulting in basic earnings per share of EUR – 0.99 (previous year: EUR – 0.92).

Diluted earnings per share are computed using the net profit 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 – 0.99 (previous year: EUR – 0.92).

## 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, August 14, 2019

The Management Board

Dr. Cornelius Patt Andreas Grandinger Dr. Mischa Ritter Florian Welz

# Responsibility Statement of the Management Board

To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, and the combined management report presents the Group's business performance, including the financial performance and the financial position, in a manner that gives a true and fair view and describes the principal opportunities and risks of the company's anticipated development.

Munich, August 14, 2019

Dr. Cornelius Patt    Andreas Grandinger    Dr. Mischa Ritter    Florian Welz

# Imprint


## Publisher

zooplus AG
Sonnenstraße 15
80331 Munich
Germany
Tel.: +49 (0) 89 95 006 – 100
Fax: +49 (0) 89 95 006 – 500

E-Mail: ir@zooplus.com
www.zooplus.de

## Investor Relations / Press

cometis AG
Unter den Eichen 7
65195 Wiesbaden
Germany
Tel.: +49 611 20 58 55 – 0
Fax: +49 611 20 58 55 – 66

E-Mail: info@cometis.de
www.cometis.de

## Concept, editing, layout and typesetting

cometis AG

## Photos

zooplus AG


The semi-annual interim report is also available in German. In case of discrepancies the German version prevails.

A digital version of this zooplus AG semi-annual interim 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 16. We do not assume any obligation to update the forward-looking statements contained in this report.

zooplus AG
Sonnenstraße 15
80331 Munich
Germany