zooplus

Semi-annual Report 2016

Highlights of the first half of 2016

Strong growth continues with sales rising 28.7 % to EUR 428.4 m (previous year: EUR 333.0 m)

Growth drivers include larger customer base, strong customer loyalty, and high sales retention rate

Earnings before taxes (EBT) rise to EUR 5.1 m (previous year: EUR 3.6 m)

Higher efficiency and greater economies of scale in all key operating areas

Company generates positive free cash flow of EUR 8.7 m (previous year: EUR 5.8 m)

Growth financed through operating business

Sales forecast increases from at least EUR 875 m to at least EUR 900 m for full-year 2016

Company reconfirms EBT forecast range of EUR 14 m to EUR 18 m

Table of contents

To the shareholders

The zooplus AG share

Stock chart zooplus AG: January 4 to June 30, 2016

Overview

zooplus AG's shares were admitted to the Frankfurt Stock Exchange's 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.

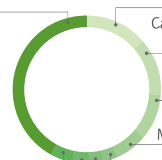
In the current financial year, zooplus shares have experienced moderate price declines. On the first trading day of the year, January 4, 2016, the shares closed on the Xetra exchange at a price of EUR 141.10. The share price subsequently declined amid a generally nervous market environment reaching a low for the reporting period of EUR 104.70 on February 8. The shares then moved firmly higher and surpassed the EUR 120 mark at the end of March.

At the end of the reporting period on June 30, 2016, shares of zooplus AG closed on the Xetra exchange at EUR 127.60. This amounted to a share price decline in the first half-year of roughly 9.6 %. The SDAX index, which lists the zooplus shares, fell in the same period by 2.9 %. The DAXsubsector All Retail Internet sector index, which also lists the zooplus share, experienced an even sharper decline of 29.0 %. As of the June 30, 2016 reporting date, zooplus AG's market capitalization amounted to roughly EUR 892.6 m. At the end of July, the company's free float as defined by the Deutsche Börse was 86.33 %.

Analysts

Institution	Analyst	Date	Recom-menda-tion	Target price (EUR)
Baader Bank	Volker Bosse	7/21/2016	Buy	175.00
Berenberg	Gunnar Cohrs	7/21/2016	Buy	160.00
Commerzbank	Andreas Riemann	7/21/2016	Buy	160.00
Deutsche Bank	Benjamin Kohnke	7/21/2016	Hold	135.00
Hauck & Aufhäuser	Christian Schwenkenbecher	7/21/2016	Buy	148.00
Bankhaus Lampe	Christoph Schlienkamp	4/6/2016	Hold	133.00
montega	Timo Buss	7/21/2016	Hold	125.00
Oddo Seydler Bank AG	Martin Decot	7/21/2016	Hold	137.00
Warburg Research	Thilo Kleinbauer	7/21/2016	Buy	150.00
quirin Bank	Ralf Marinoni	6/13/2016	Sell	105.00

Shareholder structure



As of July 18, 2016
Shareholder structure on the basis of the published voting right announcements
* According to Deutsche Börse the freefloat amounts to 86.33 %
** thereof 0.42% from instruments according to §25 WpHG

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, 2015	6,995,182.00
Share capital in EUR as of June 30, 2016	6,995,182.00
Number of shares as of June 30, 2016	6,995,182
Initial listing	5/9/2008
Initial issue price*	EUR 13.00
Share price as of January 4, 2016	EUR 141.10
Share price as of June 30, 2016	EUR 127.60
Percentage change	–9.57 %
Period high	EUR 141.10
Period low	EUR 104.70

Closing prices in Deutsche Börse AG's Xetra trading system
* This takes into account the capital increase from company resources in July 2011

2016 financial calendar

October 20, 2016	Preliminary sales figures for Q3 2016
November 17, 2016	Publication of the 2016 9M report

Interim Group Management Report

Interim Group management report of zooplus AG as of June 30, 2016

1. Business report

A. Business performance and economic environment

a. Group structure and business activities

i. Business divisions

zooplus AG, 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. The zooplus Group is the distinct market leader in Europe in this 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 expansion of the company's online market leadership in Europe. zooplus is working to achieve these objectives by continually expanding its infrastructure so that it can maintain its technological edge in the segment.

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' own private labels, and specialty articles like toys, care and hygiene products, as well as other accessories. zooplus also offers a wide range of free content and information on its websites including veterinary and other animal-related advice and interactive features such as discussion forums and blogs.

zooplus derives its sales from selling products out of its four central fulfillment centers located in Hörselgau, Germany; Tilburg, Netherlands; Wroclaw, Poland; and Chalon-sur-Saône, France. Since early 2015, a smaller fulfillment center in Strasbourg has assumed the processing of certain types of orders for the French and German markets. The locations of the central warehouses help the company ensure rapid and efficient deliveries and maintain a high degree of general product availability for its 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 based on its business model that combines a broad product range, attractive prices, an efficient flow of goods, and simple and convenient handling.

ii. Markets

zooplus operates in 30 countries across Europe through a variety of localized and cross-national online shops. zooplus estimates that the overall market volume in the European pet supplies segment in 2015 was roughly EUR 25 bn (gross). According to the company's own estimates, zooplus AG is the clear online market leader in terms of sales and active customer base by a wide margin in both the European high-volume markets of Germany, France, Netherlands, Spain and Italy, as well as within Europe overall. The company also estimates that it is the fastest growing company in its sector.

As of August 2016, zooplus operated a total of 25 localized online shops: In addition to the five high-volume markets mentioned above, the company also operates online shops in the United Kingdom, Belgium, Denmark, Finland, Ireland, Croatia, Austria, Poland, Romania, Slovakia, Switzerland, Slovenia, Sweden, the Czech Republic, Hungary, Portugal, Bulgaria, Norway, Greece, and Turkey. This effectively makes zooplus the sector's dominant provider in the online segment across Europe by a substantial margin compared to smaller local and national competitors.

In parallel with its zooplus brand, the Group also operates under its bitiba brand, which is a discount concept with a limited range of products that is already available in 13 countries.

iii. Key influential factors

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

Evolution of the European pet supplies market

The European pet supplies market currently comprises a total gross market volume of approximately EUR 25 bn. The high-volume markets in Germany, France, the United Kingdom, Spain, the Netherlands, and Italy alone account for some EUR 17 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 among 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 – 200 products in 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.

Overall, zooplus expects the market's volume to remain stable or increase slightly in the years ahead.

For 2016, zooplus expects market growth of roughly 2 % to 3 % in Europe. In Germany, around one-third of all households own one or more pets. zooplus assumes that the other key high-volume European markets are at a similar level. The changes in the market are due to changes in the animal population, as well as a shift in sales towards higher value products and categories within the food and accessories sector ("premiumization"), as well as an increasing "humanization" of pets.

Thanks to recurring patterns of demand, especially in the pet food segment, the pet supplies market has very low seasonality. Around 82 % of total demand relates to pet food itself, which means the Group enjoys exceptionally stable medium to long-term demand.

Development of online retailing

The Internet's development as a distribution channel for pet supplies is critically important to the Group. The availability of fast and reliable Internet access to large segments of the population is a basic prerequisite for European online retailing to consumers. The primary drivers are the availability of high-speed fixed Internet access and growing mobile access. zooplus customers, for example, can access the zooplus websites using their desktop computers, tablets, smartphones, or by using the zooplus app. Expanded access has driven the number of Internet users sharply higher in recent years, which in combination with the higher everyday use of search engines and other Internet platforms such as price information services and sites offering product comparisons, has prompted a significant increase in the general interest and participation in online shopping.

Over the past several years, e-commerce has gained in significance as an ever more important shopping distribution channel. According to publications by the German Retail Federation (Handelsverband Deutschland), B2C e-commerce sales in Germany totaled roughly EUR 42 bn in 2015, which corresponds to a year-on-year increase of 12 %. Further growth in European online retailing appears likely, particularly given the inherent advantages of online retailing compared to existing bricks-and-mortar retail concepts such as a broader product range and more convenient shopping. In addition, logistics service providers and parcel services are making a significant effort to further improve their quality of service for customers, which will also provide 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 amount of products sold over the Internet in the pet supply segment is still relatively low compared to other consumer product categories and largely driven by the sales zooplus itself generates across Europe. The company's internal estimates show that until now only 6 % to 7 % of the total European pet market has migrated online.

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

iv. Competitive position

Advantage 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 in the European market, but also a number of mostly regional providers such as independent pet stores with their own web shops and local delivery alternatives. 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 decisive for zooplus confidence that it is competitively well positioned. Other relative advantages such as brand recognition and the Group's financial strength also play a role.

At the same time, the company's existing base of active European customers helps ensure that there is 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, and convenience and particularly home delivery.

zooplus does not operate any physical stores or outlets. Instead, from four large central warehouses it supplies customers throughout Europe with a significantly larger product range than existing bricks-and-mortar retailers. At the same time, the Group's centralized structure and related efficiency advantages combined with predominantly automated business processes help offset certain size-based advantages still enjoyed by the larger bricks-and-mortar pet store chains, especially in product procurement. 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 and at the same time to strengthen its position in the overall online and bricks-and-mortar markets while continuing to profit considerably from the ongoing substantial growth of online retailing.

v. Group structure

As of June 30, 2016, the Group's scope of fully consolidated companies 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., Cracow, 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 Pet Supplies Import and Trade ltd., Istanbul, Turkey	100 %	(sales company for Turkey)

The following companies are not included in the consolidated financial statements:

- the wholly owned subsidiary zooplus EE TOV, Kiev, Ukraine, founded in the second quarter of 2011, with share capital of kEUR 10;
- the wholly owned subsidiary zooplus Nederland B.V., Rotterdam, the Netherlands, founded in November 2012, with share capital of kEUR 10;
- the wholly owned subsidiary zooplus d.o.o., Zagreb, Croatia, founded in February 2013, with share capital of kEUR 3; and
- the wholly owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013, with share capital of kEUR 25.

These four companies did not conduct any business activities during the reporting period and were not included in the consolidated financial statements because of their minor importance.

zooplus AG was managed by the following Management Board members during the 2016 financial year and as of June 30, 2016:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT, Logistics, Supply Chain Management and HR)
- Andrea Skersies (Sales & Marketing)
- Andreas Grandinger (Finance, Controlling, Legal, Investor Relations, Auditing, Procurement)

The Management Board is advised and controlled by the Supervisory Board. During the 2016 financial year and as of June 30, 2016, the Supervisory Board consisted of the following members:

- Christian Stahl (Chairman of the Supervisory Board), freelance entrepreneur in the investment business, London, United Kingdom (since May 31, 2016)
- Moritz Greve, Partner and Managing Director of Maxburg Capital Partners GmbH, Munich, Germany (Deputy Chairperson since May 31, 2016)
- Henrik Persson, Founder and Manager of Sprints Capital Management Ltd, London, United Kingdom (since May 31, 2016)
- Dr. Norbert Stoeck, freelance corporate consultant, Munich, Germany
- Dr. Felix Treptow, Authorized Officer at Maxburg Capital Partners GmbH, Munich, Germany (since May 31, 2016)
- Michael Rohowski, (Chairman of the Supervisory Board), Spokesperson for the management board of Burda Direkt Services GmbH, Offenburg, Germany (until May 31, 2016)
- Thomas Schmitt, Member of the Management Board for contract logistics / SCM of Schenker AG, Essen, Germany (until May 31, 2016)

- Dr. Rolf-Christian Wentz (Deputy Chairperson), freelance corporate consultant, Bonn (until May 31, 2016)
- Stefan Winners, Member of the Management Board responsible for national digital brands at Hubert Burda Media Group, Munich, Germany (until May 31, 2016)

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

The Group's aim is to maintain and significantly expand its market leadership in the European online pet supplies 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. This is the reason it is important for the Group to 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 stand at the core of the company's activities:

- Defend and expand market leadership
- Expand the customer base and continue to increase customer loyalty in all major European markets
- Further penetrate existing regional markets
- Increase the sales and contribution margin per customer each year

The overriding priority is to continue generating high growth while maintaining and increasing lasting operating profitability. Management sees this as the most logical strategy for promoting 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 still 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.

c. Technology and development

zooplus views itself first and foremost as a technology-driven Internet retailing group. The new and continued 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 segments have played a decisive role in the success of zooplus AG and the zooplus Group and, from today's perspective, will remain a fundamental building block to reaching the company's goals.

The existing proprietary software will be partially integrated and replaced in part by the future introduction of the new ERP system. Business areas in which these proprietary systems play a key role include:

- Price and margin management
- Logistics management and controlling
- Domestic and international payment processes
- Online marketing and customer acquisition
- Working capital management and procurement
- International Group controlling

B. Net assets, financial position, and results of operations

a. Financial and non-financial performance indicators

i. Financial performance indicators

The zooplus Group analyzes sales, margins, fulfillment and marketing costs to manage and monitor the earnings situation.

The yardstick for the Group's growth and business success is sales. As of the 2016 financial year, zooplus has been following the common market practice of reporting sales as its key growth indicator and no longer report total sales as in prior years. The key earnings figure for measuring the Group's success is earnings before taxes (EBT).

The performance indicator for the financial position is the equity ratio. The key ratios are calculated at the Group level in accordance with IFRS.

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 is the company's degree of market leadership in the European online pet supplies segment.

Two other key performance indicators are the sales retention rate 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 / 2016

i. The economy and overall market

There continues to be a risk that the euro debt crisis and currency exchange rates outside of Europe will have a major adverse impact on Europe's real economy. It is also not yet clear what additional risks and consequences may arise from the Brexit vote. Although the German economy has been able to decouple itself to a large extent from the rest of the eurozone, it cannot be ruled out that negative economic developments may have an impact on zooplus AG's business in the future. The management believes that a key influence on zooplus AG – compared to the general economic overview provided above – still remains the development of the specific industry and online retailing environment in the respective individual markets.

ii. Performance of the zooplus Group in the reporting period

The Management Board is pleased with the zooplus Group's continued positive performance in the first half of 2016 and believes the Group is ahead of plan to achieve its sales target and on track to reach its earnings (EBT) target for the 2016 financial year. The Group continued along its growth path and even accelerated its growth compared to the first quarter of 2016 achieving a year-on-year rise in sales of 29 % for the first half of 2016. The Group also continued expanding its market position versus competitors. Based on the positive business performance in the first half of 2016, the Management Board has raised its sales forecast from at least EUR 875 m to at least EUR 900 m for full-year 2016 and reconfirmed its original forecast for earnings before taxes (EBT) in the range of EUR 14 m to EUR 18 m.

In the first half of 2016, zooplus continued to benefit from economies of scale and efficiency gains in all of its key operating areas. The company also saw a further improvement in other operating income in the form of higher refunds for marketing and profited from continued customer loyalty which remained at the high level achieved in the prior year. As a result of these factors, zooplus generated earnings before taxes (EBT) of EUR 5.1 m in the first half of 2016 (H1 / 2015: EUR 3.6 m), reporting an improvement over the previous year's comparable period.

The Group also formally concluded a contract in the second quarter of 2016 for a fifth fulfillment center located in Antwerp, Belgium, as part of the company's continued capacity expansion in its logistics infrastructure. This center is scheduled to start operations in the fourth quarter of 2016 and will allow zooplus to keep pace logistically with the company's continued dynamic growth.

c. Results of operations

i. Development of sales and other income

As the European online market leader based on the company's own assessment, zooplus was able to significantly increase sales again in the first half of 2016. Sales in the reporting period were up 28.7 % reaching EUR 428.4 m following their level of EUR 333.0 m in the comparable period of 2015.

This growth was primarily driven by the continued expansion of the customer base in all the Group's geographic markets, the continued high level of customer loyalty, the sales retention rate among existing customers, and the growth in sales with new customers. The sales retention rate remained at the high level achieved in the prior year. Sales generated with new customers also increased sharply in the first half of 2016. Both of these trends highlight and attest to the sustainability of the company's business model.

The share of sales generated abroad rose to 74 % after a level of 72 % in the previous year's comparable period.

Other operating income in the first half of 2016 increased substantially compared to the prior year growing from EUR 11.1 m to EUR 20.2 m and now amounts to 4.7 % of sales compared to 3.3 % of sales in the first half of 2015. Sales consist solely of merchandise sales whereas other operating income mainly reflects customary industry refunds for marketing and other compensation.

Sales of pet supplies are largely immune to seasonal fluctuations.

The performance of sales and other operating income clearly shows that zooplus, as the market leader, is profiting comparatively more from the migration of demand from the traditional bricks-and-mortar sales channels to online retailing. The company's strategic market position has continued to be reinforced by the double-digit growth rates experienced in all local markets.

ii. Expense items

In contrast to previous reports, expense items are now reported as a percentage of sales – the company's key indicator – and are no longer reported as a percentage of total sales (sales plus other operating income).

Cost of materials

The company's cost of materials increased at a slightly faster rate than sales year-on-year in the reporting period. The cost of materials ratio increased 2.5 percentage points to 75.1 % in the first half of 2016 compared to the prior year (72.6 %). The company's gross margin (sales less cost of materials) declined from 27.4 % in the previous year's comparable period to 24.9 % in the first six months of the 2016 financial year. The reason for this decline was the higher share of food sales in relation to total sales and price adjustments made amid an intensely competitive e-commerce environment to allow the company to continue to offer customers the best value for money. This also served to reinforce the company's market leadership in Europe and was a key driver of the continued strong sales growth. The cost of providing customers a better value for money and a more attractive product range were more than offset by operating improvements in all cost items and a significant improvement in other operating income in the form of sharply higher refunds for marketing.

Personnel costs

Personnel costs in the first half of 2016 increased to EUR 13.8 m compared to EUR 12.0 m in the comparable period of 2015. This represents a year-on-year decline in the personnel cost ratio of 0.4 percentage points for a total personnel cost ratio of 3.2 % (in relation to total sales).

Depreciation and amortization

Scheduled depreciation and amortization in the first-half of the 2016 financial year was slightly higher than the previous year's level and amounted to EUR 0.5 m.

Other expenses

Other expenses, which mostly consist of logistics / fulfillment, marketing and payment transaction costs, increased from EUR 86.1 m in the 2015 comparable period to EUR 107.4 m in the reporting period. As a percentage of sales, other expenses fell from 25.9 % of sales in the first six months of 2015 to 25.1 % in the first half of 2016. The main contributors to this decline were the efficiency gains and economies of scale achieved in logistics, marketing, customer acquisition, payment transactions and other costs, which more than offset the fall in gross margin.

Logistics and fulfillment costs

Logistics and fulfillment costs in the first half of 2016 reached 19.7 % of sales compared to 20.1 % in the previous year's period, showing an improvement despite a higher number of international shipments. This improvement resulted, among others, from greater efficiency at existing logistics centers combined with advances made throughout the entire logistics network.

Marketing expenses

Expenses for customer acquisitions and marketing as a percentage of sales remained stable at the prior year's level of 1.6 % in the first half of 2016 despite the 28.7 % year-on-year increase in sales. This again confirms the high effectiveness of the company's marketing approach for acquiring new customers. The sales retention rate stayed at the previous year's high level.

Payment transaction costs

Payment transaction costs in the first half of 2016 totaled EUR 4.4 m compared to EUR 3.8 m in the previous year's period. At 1.0 % of sales, they comprised a slightly lower percentage of sales than in the previous year.

Other costs

Other costs in the reporting period, in addition to the costs for logistics, fulfillment, marketing, and payment transactions described above, included costs for customer relationship services, office rentals and technology, as well as general administrative expenses and other expenses incurred as part of the ordinary operating activities. Other costs as a percentage of sales in the first half of 2016 were driven lower by economies of scale and amounted to 2.8 % compared to their level of 3.0 % in the same period of 2015.

iii. Earnings development

During the first half of 2016, zooplus generated earnings before taxes (EBT) of EUR 5.1 m for a year-on-year rise (H1 2015: EUR 3.6 m) of EUR 1.5 m. This solid performance was primarily driven by the improvements in operating efficiency described above, the highly effective marketing strategy, and the ongoing strong sales growth. Higher other operating income also contributed to the rise in earnings. The combined impact of the effects described more than compensated for the decline in gross margin.

The consolidated net profit/loss generated in the first six months of 2016 amounted to EUR 3.1 m (H1 2015: EUR 2.1 m). At EUR 4.2 m (H1 2015: EUR 1.2 m), total comprehensive income differed from the consolidated net profit/loss due to the hedge reserve of EUR 1.3 m and currency translation differences of EUR -0.1 m.

d. Net assets
Non-current assets totaled EUR 10.8 m as of June 30, 2016, compared to EUR 11.3 m as of December 31, 2015. The major items include intangible assets of EUR 8.5 m and property, plant and equipment of EUR 2.3 m. The decline in deferred tax assets is primarily a result of the positive earnings development through the use of available tax losses carried forward.

Current assets amounted to EUR 160.8 m as of June 30, 2016 compared to their level of EUR 154.0 m at the end of 2015. This increase mainly resulted from the combination of a sharp rise in cash and cash equivalents from EUR 45.5 m to EUR 54.2 m, an increase in advance payments from EUR 1.4 m to EUR 4.0 m, a rise in accounts receivable from EUR 13.6 m to EUR 19.0 m, and an increase in derivative financial instruments from EUR 0.6 m to EUR 2.0 m. These increases were partly offset by a decline in other current assets from EUR 18.3 m to EUR 12.6 m and a reduction in inventory from EUR 74.5 m to EUR 69.0 m.

As of June 30, 2016, equity was slightly higher than its level on the December 31, 2015 reporting date and amounted to EUR 97.7 m. The equity ratio as of June 30, 2016 remained close to the level at the end of 2015 and was 56.9 %.

Accounts payables declined to EUR 33.6 m as of June 30, 2016 compared to EUR 35.3 m at the end of 2015.

As at the end of the previous year, there were no financial liabilities as of June 30, 2016. The Group continues to have flexible lines of credit totaling EUR 40.0 m. zooplus AG is not obliged to provide any collateral for these credit lines.

Total assets as of June 30, 2016, amounted to EUR 171.6 m and were therefore only slightly higher than their level of EUR 165.3 m on December 31, 2015, allowing the company to maintain solid balance sheet ratios despite the strong growth in sales.

e. Financial position
Cash flows from operating activities reached a level of EUR 10.6 m in the reporting period compared to EUR 7.2 m in the first half of 2015. Operating cash flows mainly benefited from a solid level of earnings before taxes during the reporting period and a reduction in working capital. Cash flows from investing activities amounted to EUR -1.9 m in the first six months of 2016 compared to EUR -1.4 m in the comparable period of 2015. Free cash flow in the first half of 2016 totaled EUR 8.7 m compared to EUR 5.8 m reported in the same period of 2015.

As a retail company, zooplus is subject to a considerable level of volatility in its balance sheet and cash flow related items such as inventories, liabilities, and VAT, which results in a much higher natural fluctuation in these figures throughout the year compared to the earnings figures presented.

f. Overall statement on the financial position
The first half of the 2016 financial year proved exceptional given the company's sales growth of 29 % to EUR 428 m and the upward revision in the 2016 full-year sales forecast from at least EUR 875 m to at least EUR 900 m. The company's strong performance was also underpinned by a EUR 1.5 m rise in earnings before taxes in the reporting period to a total of EUR 5.1 m.

2. Subsequent events

After the end of the first half of 2016, there were no events of particular importance that impacted the net assets, financial position, or results of operations.

3. Report on outlook, risks and opportunities

A. Outlook

Based on the latest forecasts, the underlying economic conditions are not expected to change materially in 2016. zooplus expects overall sales in the pet supply sector to increase slightly over the previous year. Irrespective of this, the company anticipates that the Internet will continue to grow in importance as a sales channel (e-commerce) and develop at a faster rate than the market overall. zooplus will benefit substantially from these trends.

Based on these two trends, the company expects to achieve the following results in the 2016 financial year:

- sales growth to a level of at least EUR 900 m
- earnings before taxes (EBT) in a range of EUR 14 m to EUR 18 m

In terms of the development of the key factors influencing net assets, financial position, and results of operations we expect

- a slight decline in the 2016 gross margin (in relation to sales);
- logistics and fulfillment costs as a percentage of sales to decline slightly in 2016 as a result of efficiency increases and economies of scale;
- marketing expenses related to customer acquisitions to fall marginally as a percentage of sales;
- an equity ratio between 40 % and 60 %;
- another year in which the company maintains its leading market position in the online retailing of pet supplies; and
- the sales retention rate to remain stable.

As in previous years, the priority in 2016 will be growth. Sustainable positive earnings development is also a key element of the company's strategy.

B. Risk report

The risk environment for zooplus AG has not changed materially in comparison to the presentation in the 2015 annual report (pages 54 to 59).

C. Opportunity report

The opportunity environment for zooplus AG has not changed materially in comparison to the presentation in the 2015 annual report (pages 60 to 61).

Consolidated interim financial statements

Consolidated balance sheet as of June 30, 2016 according to IFRS

Assets

in EUR		06/30/2016	12/31/2015
A.	NON-CURRENT ASSETS		
I.	Property, plant and equipment	2,303,329.80	1,373,161.41
II.	Intangible assets	8,453,536.39	8,049,517.78
III.	Other financial assets	47,708.71	47,708.71
IV.	Deferred tax assets	29,571.14	1,849,223.00
	Non-current assets, total	**10,834,146.04**	**11,319,610.90**
B.	CURRENT ASSETS		
I.	Inventories	69,004,530.74	74,507,693.18
II.	Advance payments	3,968,419.57	1,449,171.98
III.	Accounts receivable	18,988,072.83	13,621,488.45
IV.	Other current assets	12,615,543.64	18,255,442.75
V.	Derivative financial instruments	1,960,550.00	609,168.69
VI.	Cash and cash equivalents	54,218,460.61	45,530,788.75
	Current assets, total	**160,755,577.39**	**153,973,753.80**
		171,589,723.43	165,293,364.70

Equity and Liabilities

in EUR		06/30/2016	12/31/2015
A.	EQUITY		
I.	Subscribed capital	6,995,182.00	6,995,182.00
II.	Capital reserves	92,978,845.49	92,769,312.66
III.	Other reserves	1,146,576.69	5,868.77
IV.	Profit/loss for the period and losses carried forward	−3,448,405.46	−6,543,888.23
	Equity, total	**97,672,198.72**	**93,226,475.20**
B.	NON-CURRENT LIABILITIES	1,820,873.49	1,780,232.32
C.	CURRENT LIABILITIES		
I.	Accounts payable	33,602,659.91	35,266,274.27
II.	Derivative financial instruments	5,939.00	526,561.75
III.	Other current liabilities	25,170,611.88	23,370,191.04
IV.	Tax liabilities	857,384.82	693,616.79
V.	Provisions	10,210,576.22	8,385,853.93
VI.	Deferred income	2,249,479.39	2,044,159.40
	Current liabilities, total	**72,096,651.22**	**70,286,657.18**
		171,589,723.43	165,293,364.70

Consolidated statement of comprehensive income from January 1 to June 30, 2016 according to IFRS

in EUR	H1 2016	H1 2015
Sales	428,422,908.73	332,963,174.45
Other income	20,210,099.47	11,116,679.58
Cost of materials	−321,733,188.34	−241,869,697.24
Personnel costs	−13,795,473.62	−12,017,633.98
of which cash	(−13,585,940.79)	(−11,723,770.34)
of which stock-based and non-cash	(−209,532.83)	(−293,863.64)
Depreciation and amortization	−510,809.95	−388,468.67
Other expenses	−107,374,677.49	−86,089,527.34
of which logistics / fulfillment costs	(−84,267,754.46)	(−67,047,748.84)
of which marketing costs	(−6,701,171.01)	(−5,279,604.43)
of which payment transaction costs	(−4,372,995.24)	(−3,803,371.92)
of which other costs	(−12,032,756.78)	(−9,958,802.15)
Earnings before interest and taxes (EBIT)	**5,218,858.80**	**3,714,526.80**
Financial income	392.72	29,750.18
Financial expenses	−72,675.00	−113,493.15
Earnings before taxes (EBT)	**5,146,576.52**	**3,630,783.83**
Taxes on income	−2,051,093.75	−1,554,954.61
Consolidated net profit / loss	**3,095,482.77**	**2,075,829.22**
Other gains and losses (after taxes)		
Differences from currency translation	−114,002.80	73,301.76
Hedge reserve	1,254,710.72	−985,488.99
Items subsequently reclassified to profit or loss	**1,140,707.92**	**−912,187.23**
Total comprehensive income	**4,236,190.69**	**1,163,641.99**
Earnings per share		
basic	0.44	0.30
diluted (EUR / share)	0.43	0.29

Consolidated statement of cash flows from January 1 to June 30, 2016 according to IFRS

in EUR	H1 2016	H1 2015
Cash flows from operating activities		
Earnings before taxes	5,146,576.52	3,630,783.83
Adjustments for:		
Depreciation and amortization	510,809.95	388,468.67
Non-cash personnel costs	209,532.83	293,863.64
Other non-cash business transactions or business transactions with payments relating to other periods	−114,002.80	73,301.76
Interest and similar expenses	72,675.00	113,493.15
Interest and similar income	−392.72	−29,750.18
Changes in:		
Inventories	5,503,162.44	304,666.55
Advance payments	−2,519,247.59	−3,543,164.08
Accounts receivable	−5,366,584.38	−2,753,637.24
Other current assets	5,639,899.11	6,874,186.52
Accounts payable	−1,663,614.36	−4,368,269.06
Other liabilities	1,800,420.84	6,600,330.58
Provisions	1,824,722.29	586,619.43
Non-current liabilities	40,641.17	203,000.00
Deferred income	205,319.99	279,701.92
Income taxes paid	−698,551.82	−1,486,329.96
Interest received	392.72	29,750.18
Cash flows from operating activities	**10,591,759.19**	**7,197,015.71**
Cash flows from investing activities		
Payments for property, plant and equipment / intangible asset	−1,879,179.90	−1,359,785.76
Cash flows from investing activities	**−1,879,179.90**	**−1,359,785.76**
Cash flows from financing activities		
Interest and similar expenses	−72,675.00	−113,493.15
Cash flows from financing activities	**−72,675.00**	**−13,253.15**
Currency effects on cash and cash equivalents	47,767.57	−332.56
Net change of cash and cash equivalents	**8,687,671.86**	**5,823,644.24**
Cash and cash equivalents at the beginning of the period	45,530,788.75	31,966,234.96
Cash and cash equivalents at the end of the period	54,218,460.61	37,789,879.20
Composition of cash and cash equivalents at the end of the period		
Cash on hand, bank deposits	54,218,460.61	37,789,879.20
	54,218,460.61	**37,789,879.20**

Consolidated statement of changes in equity as of June 30, 2016 according to IFRS

in EUR	Subscribed capital	Capital reserves	Other reserves	Profit/loss for the period and losses carried forward	Total
As of January 1, 2016	**6,995,182.00**	**92,769,312.66**	**5,868.77**	**-6,543,888.23**	**93,226,475.20**
Increase from stock options	0.00	209,532.83	0.00	0.00	209,532.83
Currency translation differences	0.00	0.00	–114,002.80	0.00	–114,002.80
Net profit/loss for H1 2016	0.00	0.00	0.00	3,095,482.77	3,095,482.77
Hedge reserve	0.00	0.00	1,254,710.72	0.00	1,254,710.72
As of June 30, 2016	**6,995,182.00**	**92,978,845.49**	**1,146,576.69**	**–3,448,405.46**	**97,672,198.72**
As of January 1, 2015	**6,984,450.00**	**92,011,390.94**	**1,667,848.60**	**–14,471,014.94**	**86,192,674.60**
Increase from stock options	5,728.00	388,375.64	0.00	0.00	394,103.64
Currency translation difference	0.00	0.00	73,301.76	0.00	73,301.76
Net profit/loss for H1 2015	0.00	0.00	0.00	2,075,829.22	2,075,829.22
Hedge reserve	0.00	0.00	–985,488.99	0.00	–985,488.99
As of June 30, 2015	**6,990,178.00**	**92,399,766.58**	**755,661.37**	**–12,395,185.72**	**87,750,420.23**

Notes

Notes to the consolidated financial statements

as of June 30, 2016, according to International Financial Reporting Standards (IFRS)

Notes and explanations to the interim consolidated financial statements

Accounting principles

This half-year financial report as of June 30, 2016, was prepared in accordance with International Financial Reporting Standards as applicable in the European Union (EU). These consolidated financial statements comply with IAS 34 "Interim Financial Reporting".

The same accounting policies were applied as those applied to the consolidated financial statements for the financial year ended December 31, 2015.

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 by 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, 2016:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	1,961	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	0	0

The following table shows the assets and liabilities measured at fair value on December 31, 2015:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	609	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	527	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, a broker, an industry group, a 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 IAS 39:

kEUR	Measurement category	Carrying amount 30/06/2016	Carrying amount 31/12/2015	Fair value 30/06/2016	Fair value 31/12/2015
Financial assets					
Accounts receivable	LaR	18,988	13,621	18,988	13,621
Other financial assets	AfS	48	48	n/a	n/a
Other current assets of which financial instruments in accordance with IFRS 7	LaR	8,738	15,373	8,738	15,373
Derivative financial instruments	n/a	1,961	609	1,961	609
Cash and cash equivalents	LaR	54,218	45,531	54,218	45,531
Total		**83,953**	**75,182**	**83,905**	**75,134**
Financial liabilities					
Accounts payable	FLaC	33,603	35,266	33,603	35,266
Other liabilities of which financial liabilities in accordance with IFRS 7	FLaC	5,469	3,841	5,469	3,841
Derivative financial instruments	n/a	0	527	0	527
Total		**39,072**	**39,634**	**39,072**	**39,634**

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, 2016, and December 31, 2015, correspond to their carrying amounts. This is mainly due to the short-term maturities of such instruments.

The measurement of other financial assets (interests in non-consolidated Group companies) cannot be based on an active market or a quoted price, and the fair value cannot be determined by other means. Therefore, the disclosure of fair value has been refrained from. The company does not intend to sell these instruments.

All of the Group's financial liabilities are of a short-term nature with maturities of up to one year. Existing financial liabilities are repaid out of operating cash flows.

Aggregated by IAS 39 measurement categories, the Group's financial assets and liabilities are as follows:

in kEUR	Measurement category	Carrying amount		Fair value	
		30/06/2016	31/12/2015	30/06/2016	31/12/2015
Financial assets					
Loans and receivable	LaR	81,944	74,525	81,944	74,525
Available for Sale	AfS	48	48	n/a	n/a
Financial liabilities					
Financial liabilities at amortized cost	FLaC	39,072	39,107	39,072	39,107

Scope of consolidation

As of June 30, 2016, the Group's scope of fully consolidated companies 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., Cracow, 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 Pet Supplies Import and Trade ltd., Istanbul, Turkey	100 %	(sales company for Turkey)

The following companies are not included in the consolidated financial statements:

- the wholly owned subsidiary zooplus EE TOV, Kiev, Ukraine, founded in the second quarter of 2011, with share capital of kEUR 10
- the wholly owned subsidiary zooplus Nederland B.V., Rotterdam, the Netherlands, founded in November 2012, with share capital of kEUR 10
- the wholly owned subsidiary zooplus d.o.o., Zagreb, Croatia, founded in February 2013, with share capital of kEUR 3
- the wholly owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013, with share capital of kEUR 25

These four companies did not conduct any business activities during the reporting period and were not included in the consolidated financial statements because of their minor importance.

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 is 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 profit for the first half of 2016 amounted to EUR 3.1 m (previous year: EUR 2.1 m). The average number of shares outstanding in the first half-year of 2016 was 6,995,182, resulting in basic earnings per share of EUR 0.44 (previous year: EUR 0.30).

Diluted earnings per share is 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 0.43 (previous year: EUR 0.29).

Information in accordance with Section 37w (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-governancestatement.html.

Munich, August 18, 2016

The Management Board

Declaration of the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the group interim management report provides a fair review of the development and performance of the business and the position of the Group together with a description of the principal opportunities and risks associated with the Group's expected development during the remainder of the financial year.

Munich, August 18, 2016

Dr. Cornelius Patt | Andrea Skersies | Andreas Grandinger

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: kontakt@zooplus.de
www.zooplus.de

Investor Relations

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 experiences, 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 14. We do not assume any obligation to update the forward-looking statements contained in this report.

zooplus AG
Sonnenstraße 15
80331 Munich
Germany