zooplus

Annual Report 2020

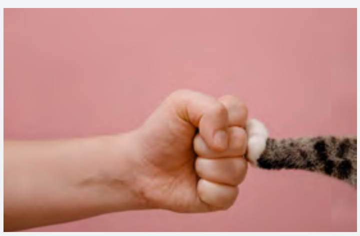
Creating moments of happiness

zooplus

Pets on a mission:
helping our human friends through lockdown.

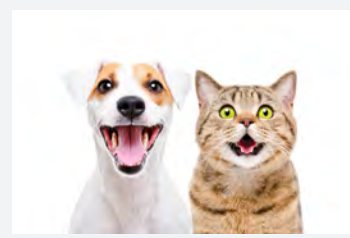
Best lockdown buddies

When all the playmates have to #stayathome, you are never alone if your best friend lives in the same household.



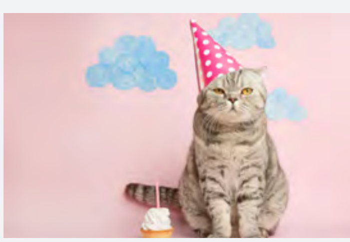
Stronger together

During lockdown, our pets provided us with comfort and companionship, helping us to get through these challenging times.



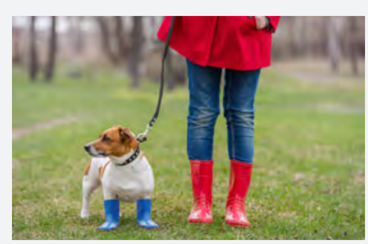
I'm so glad you are home!

Working from home means spending more time with our pets. And they are loving every moment of it!



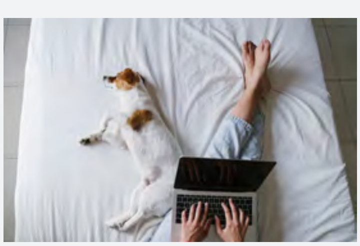
Part of the family

Happy Birthday to you! Pet parents would say „We cherish our pet like a child". And in these bland times, any happy reason is a good reason to celebrate.



Keeping healthy together

Going out on daily walks gives us a good reason to leave the house and exercise. No matter if it is raining cats and dogs.

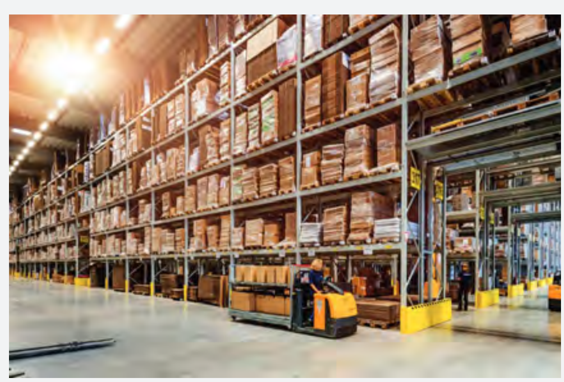


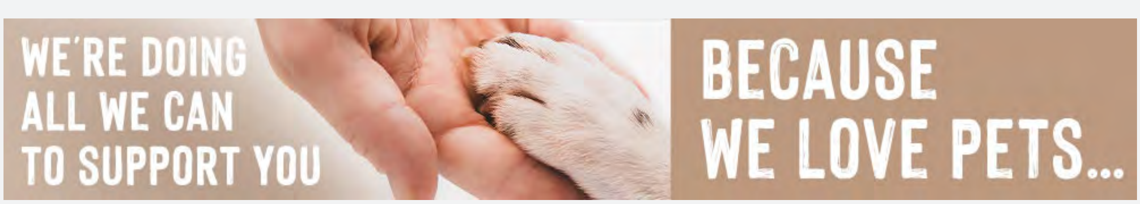
How pets enrich our lives

Many people have realized in lockdown how important animals are to emotional and physical health. The lockdown will end. The love for pets will remain.

Our customers know:
They can count on us, in all corners of Europe.

We fully recognize our responsiblity towards pets and pet parents who are depending on us to deliver essential goods safely and to their doorstep without disruption.





Being "Europe's pet parents' darling" makes us proud.

Germany

- **Germany's Best Online Shop** [Pet Supplies]
- **German Online Retail Award** [FMCG]
- **German Online Retail Award** [Overall]
- **Pet Retail Prize Online** [Pet Supplies]
- **Retailer of the Year** [Pet Specialist]
- **Top Shop 2020** [Leisure, Sports & Hobby]
- **Top Service Quality** [Pet Supplies]

Netherlands

- **Best Web Shop** [Home & Garden]
- **Best Web Shop** [Pet Specialist]
- **Best Web Shop** [Across Categories]

France

- **Best Online Pet Retailer** [Dog & Cat Supplies]

Italy

- **Retailer of the Year** [Pet Supplies]

UK

- **Best Online Pet Retailer** [Dog Supplies]
- **Best Online Pet Retailer** [Cat Supplies]

Spain

- **Best Online Shop** [Overall]
- **Exceptional Support** [Charity]

Czech Republic

- **Retailer of the Year** [Home, Garden & Breeder]

With an increasingly popular own brands assortment:

zooplus is Europe's leading online platform for pet supplies with the mission to create moments of happiness.

- Over 8,000 top products in stock and ready to ship
- Safe and secure online shopping experience across all devices
- Dedicated customer care team
- Easy online ordering and convenient, fast and reliable home delivery
- Creating more time for moments of happiness for pets and pet parents

The financial year 2020 at a glance

Covid-19 pandemic

The rise of the pandemic had a global impact on how businesses operate and on how consumers behave. As an online pure-player in an essential category, our business model proved to be resilient in this crisis environment.

Booming pet market

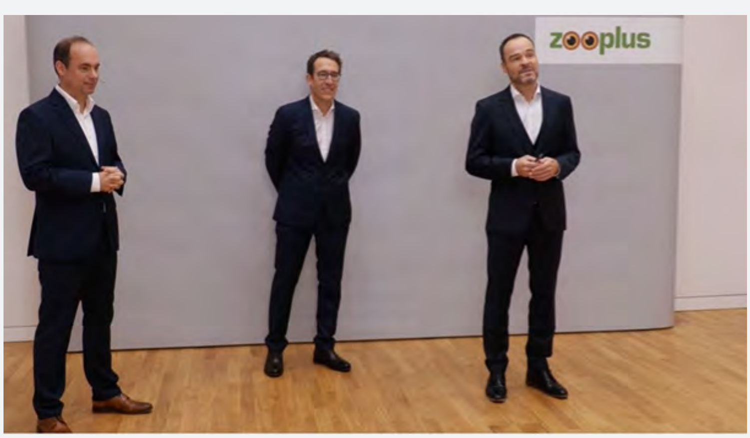
A large number of studies indicates that pet ownership is gaining more and more popularity, with an increasing number of households choosing to own a pet compared to previous years. This, combined with the tailwinds coming from premiumization in pet care and pets being viewed more and more as a family member make up for a highly attractive and growing market to operate in.

Record sales and revenue retention rate; Financial year 2020 guidance increased

2020 marked the year in which zooplus achieved 1.8 billion Euro in sales, reducing revenue churn to a mere 1% of sales, underscoring the valuable customer bond and the sustainable potential zooplus can further unlock from this highly recurring revenue stream in years to come.

First virtual Annual General Meeting and changes to Supervisory Board

On June 20th, zooplus hosted its first virtual AGM. Two new menbers were elected to the Supervisory Board on that day: Christine Cross and Tjeerd Jegen. Henrik Persson stepped down from his role in the Supervisory Board with the conclusion of the AGM.



First virtual Capital Markets Day

On November 17th, zooplus hosted its first virtual Capital Markets Day. The members of the Management Board presented the financial figures for the first nine months and gave an update on the Company's strategy.

Changes to the Management Board

Since mid 2020, the Management Board is comprised of three, long-standing company members: CEO Dr. Cornelius Patt, co-founder of zooplus, COO Dr. Mischa Ritter, and CFO Andreas Maueröder. The former CCO, Florian Welz, has left the company on his own request in June 2020.

Key financial highlights

		Q4 2020	Q4 2019	Change	2020	2019	Change
Sales	EUR m	502.7	419.4	+19.9 %	1,801.5	1,523.7	+18.2 %
Own brands sales share (% of sales)	%	16.6	14.5	+2.1 %p	15.6	13.8	+1.8 %p
Revenue retention rate* as of 12 / 31 / 2020	%	/	/	/	99	91	+8 %p
Gross Profit	EUR m	150.5	126.7	+23.9	546.9	441.6	+105.2
Gross Margin (% of sales)	%	29.9	30.2	– 0.3 %p	30.4	29.0	+1.4 %p
EBITDA	EUR m	15.5	5.1	+10.4	63.3	11.8	+51.6
EBITDA margin (% of sales)	%	3.1	1.2	+1.9 %p	3.5	0.8	+2.7 %p
EBT	EUR m	5.8	– 2.0	+7.8	30.3	– 15.9	+46.2
Consolidated net profit / loss	EUR m	3.5	– 1.4	+5.0	18.7	– 12.1	+30.8
EPS - Earnings per Share**	EUR	/	/	/	2.65	– 1.69	+4.34
Free Cashflow	EUR m	/	/	/	69.7	24.9	+44.8
Active repeat customers as of 12 / 31 / 2020	m	/	/	/	5.1	4.4	+0.7
Active customers as of 12 / 31 / 2020	m	/	/	/	8.3	7.6	+0.7
Employees	average FTE	/	/	/	768	713	+7.7 %

* Based on sales, fx-adjusted
** Undiluted

Table of contents

To the shareholders

3 Letter from the Management Board

5 Report of the Supervisory Board

9 Corporate Governance Report

19 Non-financial Report

29 Independent Practitioner's Report on a Limited Assurance Engagement on non-financial Reporting

31 The zooplus AG share

Combined management report

39 Fundamentals of the Group

45 Economic report

53 Report on risks and opportunities

66 Report on the outlook

67 Key features of the internal control and risk management systems as part of the (Group) accounting process

68 Remuneration report

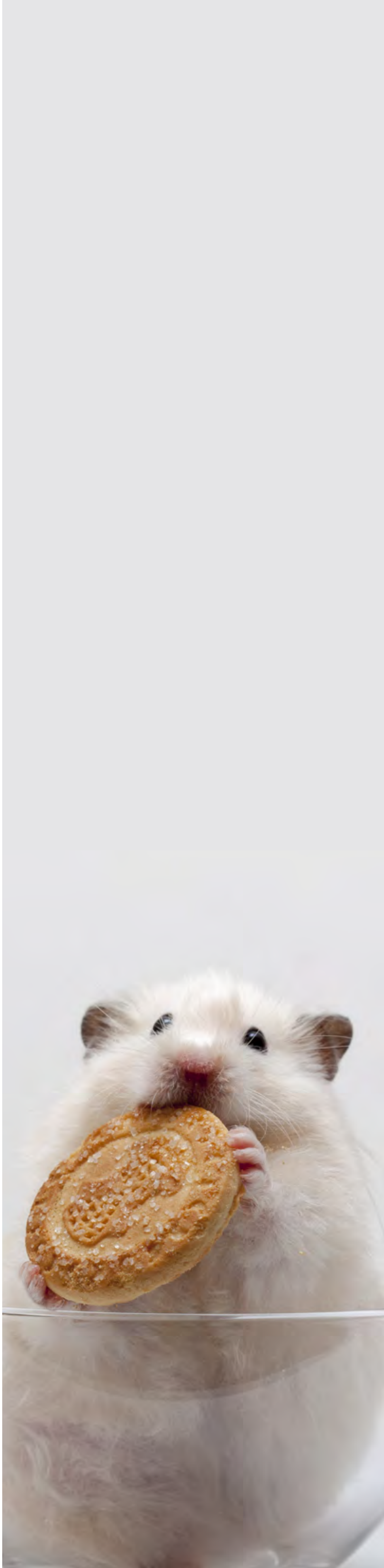
77 Takeover-related information

79 Corporate governance statement

79 Non-financial statement

Consolidated financial statements

83	Consolidated balance sheet
85	Consolidated statement of comprehensive income
87	Consolidated statement of cash flows
89	Consolidated statement of changes in equity
90	Notes to the consolidated financial statements
140	Responsibility Statement of the Management Board
141	Independent auditor's report
149	Glossary



To the shareholders

Letter from the Management Board

Dear Shareholders,

2020 has been an exceptional year for all of us. As the Board of Europe's leading pet platform, we are proud to have managed to navigate our company successfully through these challenging times. Due to the lockdown in many countries, our customers and their pets relied on us. We did not let them down. We delivered. We established a crisis response team very early on in the pandemic, focusing on securing the safety of our employees and our partners, protecting our loyal customer base, ensuring availability of products and delivery continuity. Last but not least, we also focused on safeguarding the financial stability of our business. And all this is reflected in record sales of EUR 1.8 bn (+18%), record revenue retention of 99% (+8%p), at least 95% product availability at all times and a strong free cashflow generation.

+18%

Top line Performance

99%

Revenue Retention Rate

Our customers rewarded us with even more loyalty, which brought revenue retention up to a level of 99% at the end of the year 2020. This means: We took 99% of our previous year's revenues into last year and managed to reduce churn almost to non-existence, compared to a revenue retention of 91% at the end of the year 2019. The number of active repeat customers increased by 16% to more than five million. This loyalty makes us proud and grateful. It is the foundation for our success, the reason why we came out stronger than ever of the year 2020. We are convinced that prospects for zooplus have never looked more promising.

As the market leader in the online pet category with an industry-leading loyal customer base, a scalable logistics platform and solid partnerships with all major international and local industry brands, we are perfectly positioned to further expand our market share in a growing total addressable market.

The European pet supplies market totaled roughly EUR 28 bn to EUR 29 bn (net) in 2020 and is expected to grow to roughly EUR 49 bn by 2030, which translates into a growth rate of 6% per year. This prospect is fueled by four irreversible trends: An increasing number of pets, the humanization of pets, the premiumization of pet food & care products and the shift towards online. With currently only approximately 17% of the market being online, there are still tremendous growth opportunities from consumer shifting to the online channel in the next years. As the only pan-European player we are very confident to capture a market share of roughly 9% to 10% of this total addressable market by 2025, as we aim to continuously extend our pet platform. To drive high-quality growth, we are focusing on further expanding our loyal customer base by reducing customer churn levels in our existing customer base, and at the same time continuing to attract new customers. We managed to reduce revenue churn in existing customers to a mere 1% in 2020 — and we aim to keep it that low as this is the basis for sustainable growth. We achieve this by focusing on loyalty. Our flagship loyalty program "Subscribe & Save" currently makes up 50% of zooplus repeat sales. And the benefit is not only on the customer side: Participants in the "Subscribe & Save" program show bigger than average baskets, higher frequency, and significantly lower customer churn rates. Our aim is to continue to expand this flagship loyalty program and deepen the bond with our customers. For this, we are shifting part of the marketing acquisition invest towards the loyalty program to ensure that customers who chose our ecosystem have close to zero reasons to leave.

~28bn

Pet Supplies Market in 2020 (EUR)

54%

Subscribe & Save Share

Our outstanding topline success is paired with an extensive improvement in margin management – through reduced promotional activities and by decreasing the number of loss-making orders, coupled with an active steering of the product sales mix. For example, 16% of our sales have been generated by our high-yield own brands business in 2020. With this exclusive and relevant product offering – including leading industry brands and popular local brands next to own brands, our superior and customer-centric loyalty programs and best-in-class service, we aim to ensure that our customers continue to spend even more of their pet food & supplies budget on our platform. We already shifted more customers towards bigger baskets in 2020. At the same time, we increased sales per active

281m

Own Brands sales volume (EUR)

repeat customer from EUR 361 at the beginning of 2019 to EUR 383 at the end of 2020. All this would not be possible without our strong data and analytics capabilities, which enable us to keep operations on an efficient level, whilst still offering best-in-class service to our customers and without missing out on possibilities for up- and/or cross-selling.

We are highly confident to continue expanding our foothold as the leading pan-European platform for pet supplies in the years to come.

zooplus is in the best shape ever, and this is thanks to our dedicated team: Their effort, inspiration and, above all, their loyalty helped us **achieve our mission of creating moments of happiness between pets and pet owners.**

Finally, we would like to extend a thank you from all zooplus staff members to our loyal shareholders for putting your trust in us, our strategy, and our great team.

Sincerely,

The zooplus AG Management Board

Dr. Cornelius Patt
(CEO)

Andreas Maueröder

Dr. Mischa Ritter

Report of the Supervisory Board

Dear Shareholders,

During the 2020 financial year, the Supervisory Board performed its duties in accordance with the law, Articles of Association and Rules of Procedure while continually monitoring and advising the Management Board in its management of the company and conducting the company's business.

Cooperation with the Management Board

As in previous years, the Supervisory Board can reflect on another year of close and very effective cooperation with the Management Board. Based on the Management Board's regular, timely and extensive reporting, the Supervisory Board was able to deal in detail with the company's position and development. The Management Board informed the Supervisory Board fully, continuously and promptly by means of both written and oral reports about the current earnings development of the company and the business segments, including the risk situation, risk management and compliance. The Supervisory Board also received information on projects and transactions of particular importance or urgency outside of Supervisory Board meetings. The chair of the Supervisory Board maintained close contact with the Management Board, particularly with the CEO and kept itself updated on the business outlook and material business transactions. The Supervisory Board was directly involved in all decisions of fundamental importance for the company and agreed in its resolutions with the proposals of the Management Board after conducting a detailed examination and discussion.

Focus of discussions in the 2020 financial year

During its regularly scheduled meetings, the Supervisory Board addressed the company's operating and strategic development and kept informed of the company's business performance, financial development, and operating environment during the past financial year based on detailed written and oral reports received from the Management Board. At the Supervisory Board meetings, members discussed and made decisions on numerous issues and actions requiring approval.

During the 2020 financial year, the Supervisory Board met for four scheduled meetings on March 23, 2020, June 29, 2020, September 16, 2020, and December 2, 2020. Due to the Corona pandemic, these meetings were held via video conference. Several resolutions based on the written circulation of documents, as well as by telephone, were made during the financial year.

A focal point of the Supervisory Board meetings was the Management Board's reporting on the business situation. This reporting included detailed information on the development of sales and earnings, the opportunities and risks of business development, the status of major ongoing and planned investment projects such as the expansion of logistics capacities, information on capital markets developments, significant measures taken by the Management Board to manage the business, as well as personnel and organizational matters. In addition, the Supervisory Board updated itself regularly about risk management, the audit results of the internal audit, the internal control systems and the compliance management system.

The Supervisory Board also conducted an assessment of the effectiveness of the performance of the duties of the Supervisory Board as a whole and its committees using a questionnaire.

At its meeting on March 23, 2020, the Supervisory Board discussed the current business performance and that of the past fiscal year 2019. The Supervisory Board reviewed the financial statements and management reports of zooplus AG and the Group as of December 31, 2019, as presented by the Management Board. It concurred with the results of the audit and approved the financial statements; the annual financial statements for 2019 were thus adopted. The Supervisory Board resolved to extend the appointment of Dr. Cornelius Patt as a member of the Management Board and, accordingly, his employment contract until the end of December 31, 2023. Other items on the agenda were the adoption of the topics for the Internal Audit department for 2020 and the issue of stock options to the Management Board and company employees under the 2018 Stock Option Program. Additionally, the Management Board and Supervisory Board dealt with the withdrawal from food distribution and the optimization of purchasing processes.

On May 8, 2020, the Supervisory Board resolved on the resolutions to be proposed to the Annual General Meeting and approved the Management Board's proposal to hold the 2020 Annual General Meeting virtually, without the physical presence of shareholders and their proxies, in accordance with Section 1 (2) sentence 1 of the Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 Pandemic ("COVID-19 Act"). Due to travel restrictions, it was resolved to assign the chair of the meeting to the deputy chair of the Supervisory Board, Mr. Greve. Another subject of the resolution was the further expansion of logistics capacities at the Antwerp logistics center in Belgium.

On June 24, 2020, the Supervisory Board resolved to conclude a termination agreement with Mr. Florian Welz, who resigned from the Management Board of zooplus AG as of the end of July 13, 2020. Mr Welz's responsibilities were allocated within the Management Board.

At its meeting on June 29, 2020, following the 2020 Annual General Meeting, the Supervisory Board appointed Mr. Tjeerd Jegen as a member of the Nomination Committee to succeed Mr. Henrik Persson, who left the Supervisory Board at the end of the 2020 Annual General Meeting. The Supervisory Board and Management Board then discussed strategic aspects and operational issues in the area of marketing and re-examined the topic of expanding logistics capacities at existing and potentially new locations.

On August 11, 2020, based on the authorization created by the 2020 Annual General Meeting, the Supervisory Board resolved to establish a 2020 Stock Option Program for the members of the Management Board and to issue stock options to the Management Board under that program.

The Supervisory Board meeting on September 16, 2020 focused on the organization and development of the company, as well as the topics of the current business development, the conclusion of new credit line agreements, the resolution on the expansion of the logistics network, and investments in the technical infrastructure.

At the meeting on December 2, 2020, the Management Board provided information on current business and market developments. It also presented to the Supervisory Board zooplus AG's planning for 2021, which was approved by the Supervisory Board after review and discussion. The meeting also dealt with compliance with the recommendations of the German Corporate Governance Code (the "Code") and the adoption of the declaration of conformity. In this context, the Supervisory Board also dealt, among other things, with the results of the assessment carried out on the effectiveness of the performance of its duties and the duties of the committees. Other subjects of resolution and discussion by the Supervisory Board were selected aspects of corporate social responsibility, operational issues, and the topic of capital market communications.

By resolution dated December 2, 2020, the Supervisory Board also reappointed existing Management Board member Dr. Ritter as a member of the Management Board for a period of three years with effect from December 1, 2021. Dr. Ritter's term of office had been set to end at the close of November 30, 2021. In the context of Dr. Ritter's reappointment, the Supervisory Board also resolved to conclude a new employment contract with him and issue stock options to him under the 2018 Stock Option Program.

Conflicts of interest of members of the Management Board and Supervisory Board, which must be disclosed to the Supervisory Board without delay and about which the Annual General Meeting must be informed, did not arise during the past financial year.

All members of the Supervisory Board attended all Supervisory Board meetings.

Composition of the Supervisory Board and Management Board

In the reporting year, the Supervisory Board comprised Mr. Christian Stahl (chair), Mr. Moritz Greve (deputy chair), Ms. Christine Cross, Mr. Ulric Jerome, Mr. Henrik Persson (until June 25, 2020), Mr. Tjeerd Jegen (from June 25, 2020) and Dr. Norbert Stoeck. Ms. Cross, who was appointed as a member of the Supervisory Board by court order in November 2019 until the end of the 2020 Annual General Meeting, was re-elected to the Supervisory Board by the 2020 Annual General Meeting. With effect from the end of the Annual General Meeting on June 25, 2020, Mr. Henrik Persson resigned from office at his own request. He was replaced by Mr. Tjeerd Jegen, who was newly elected to the Supervisory Board.

The members of the Supervisory Board as a whole are familiar with the sector in which the company operates. Among others, Dr. Stoeck is a qualified financial expert as defined by Section 100 (5) AktG.

In the financial year, the Management Board consisted of Dr. Cornelius Patt (CEO), Mr. Andreas Maueröder, Dr. Mischa Ritter and Mr. Florian Welz. Mr. Welz left the Management Board at the end of July 13, 2020.

Supervisory Board committees

The Supervisory Board has formed three committees from among its members to efficiently prepare selected topics: the Audit Committee, Personnel Committee and Nomination Committee.

In the reporting year, the **Audit Committee** comprised Dr. Stoeck (chair of the Audit Committee), Mr. Greve and Ms. Cross. Dr. Stoeck has special expertise and experience in the application of accounting principles and internal control procedures and is familiar with the auditing of financial statements. The members of the Audit Committee as a whole are also familiar with the sector in which the company operates.

The Audit Committee held four meetings during the reporting year – one face-to-face meeting with one member joining via video and three video conferences. All committee members attended all meetings of the Audit Committee. In its meeting on March 12, 2020, the Committee dealt extensively with the separate financial statements and consolidated financial statements of zooplus AG for the 2019 financial year. In subsequent meetings during the reporting year on March 23, 2020, September 16, 2020, and December 2, 2020, the Audit Committee dealt in depth with the company's accounting processes; the effectiveness of the internal, Group-wide control and risk management system and its further development. Other important topics were the internal audit, corporate and tax law issues, as well as the structure and conditions of supplier relationships. At the Supervisory Board meetings, the chairperson of the Audit Committee provided a complete report to the Supervisory Board on the committee meetings' content and results following the respective committee meeting.

The members of the **Personnel Committee** in the reporting year were Mr. Stahl (chair of the Personnel Committee), Mr. Greve and Mr. Jerome. The task of the Personnel Committee is to prepare the personnel decisions of the Supervisory Board plenum that resolve on the reappointment of the members of the Management Board. The resolution on the extension of the appointment of the members of the Management Board, the total remuneration of the individual members of the Management Board, the individual remuneration components and the regular review of the remuneration system are the responsibility of the Supervisory Board plenum, which receives recommendations from the Personnel Committee. The Personnel Committee did not hold any meetings during the reporting year but, instead, held in-depth conference calls concerning the respective changes to the Management Board. In particular, the Personnel Committee recommended the extension of Dr. Patt's appointment and the reappointment of Dr. Ritter and prepared the extensions or new conclusions of the respective employment contracts. The Personnel Committee also prepared the termination agreement with Mr. Welz on the occasion of his departure from the Management Board. Furthermore, the Personnel Committee dealt with the development of a remuneration system for the members of the Management Board, which is to be presented to the 2021 Ordinary Annual General Meeting for resolution.

The **Nomination Committee** in the reporting year comprised Mr. Greve (chair of the Nomination Committee), Mr. Stahl and Mr. Persson (until June 25, 2020) and Mr. Tjeerd Jegen (as of June 25, 2020). The Nomination Committee is tasked with proposing suitable candidates for election to the Supervisory Board for the nomination of Supervisory Board members to the Annual General Meeting. The Nomination Committee did not hold any face-to-face meetings in the reporting year but instead held several conference calls to thoroughly discuss the changes in the Supervisory Board following Mr. Persson resignation from office. The members of the Nomination Committee met in rotation with candidates for the Supervisory Board seat and were in close communication about the selection process. The Nomination Committee ultimately recommended that the Supervisory Board propose the election of Mr. Jegen as a member of the Supervisory Board at the Annual General Meeting 2020.

Corporate Governance

The Supervisory Board and Management Board are aware that good corporate governance is the basis for the company's success and therefore in the best interest of the zooplus AG shareholders and the capital market.

In this context, the Supervisory Board addressed the further development of corporate governance at zooplus AG, taking into account the new recommendations of the Code as amended on December 16, 2019. Together with the Management Board, the Supervisory Board issued a declaration of conformity with the recommendations of the Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the zooplus AG website (https://investors.zooplus.com/en/investor-relations/corporate-governance/declaration-of-conformity/). The implementtation of the Code's recommendations is reported in a separate section in this annual report.

Annual and consolidated financial statements as of December 31, 2020

During the Supervisory Board's financial statement meeting on March 18, 2021, and in view of the Audit Committees findings report, the Supervisory Board dealt in depth with the documents for the annual financial statements, the auditor's reports, the annual financial statements prepared according to German accounting standards (HGB), and the consolidated financial statements prepared according to IFRS, each as of December 31, 2020, the combined management report for the company and the Group for the 2020 financial year. The auditor's reports, the annual financial statements and consolidated financial statements both prepared by the Management Board and the combined management report of zooplus AG and the Group were presented to the Audit Committee and the Supervisory Board on schedule, giving them sufficient opportunity to review these documents.

The Munich branch office of the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main audited the financial statements prior to the Supervisory Board's review. There are no concerns as to the auditor's independence. In the auditor's opinion, the annual and consolidated financial statements are in compliance with the respective accounting standards and give a true and fair view of the company's and Group's net assets, financial position, results of operations and cash flows. In each case, the auditor issued an unqualified opinion. In addition, in its assessment of the risk management system, the auditor stated that the Management Board had taken the steps required in accordance with Section 91 (2) AktG to ensure the early detection of any risks that could jeopardize the company's existence.

The auditor's representatives were present during the Audit Committee's and Supervisory Board's discussions about the annual and consolidated financial statements reported on the audit's key findings and were available to furnish the Supervisory Board with additional information.

The Audit Committee recommended to the Supervisory Board that it approve the financial statements prepared by the Management Board. Upon a thorough examination of the annual financial statements, consolidated financial statements, and the management report, the Supervisory Board concurred with the respective auditor's reports. After the final result of the review from the Audit Committee and the examination by the Supervisory Board, there were no objections raised. The Supervisory Board approved the annual and consolidated financial statements at its meeting on March 18, 2021, and thereby adopted the annual financial statements of zooplus AG. The Supervisory Board also approved the management report, the group management report and the assessment of the company's future development.

For the 2020 financial year, as in the previous year, a separate non-financial group report was prepared pursuant to Sections 315c in conjunction with Sections 289c through 289e HGB. In accordance with the recommendation of the Audit Committee pursuant to Sections 170 and 171 AktG, the Supervisory Board examined the legal, proper and expedient preparation of the separate non-financial group report and critically examined the methods and procedures used by the Management Board as well as the data collection processes. The separate non-financial group report was subject to an audit review by the auditor. As part of the audit procedures performed and the audit evidence obtained, no circumstances have become known which would indicate that the non-financial group report has not been prepared in all material respects in accordance with Sections 315b and 315c HGB in conjunction with Sections 289c through 289e HGB. According to the final result of this audit, there were no grounds for objection. On March 18, 2021, the Supervisory Board approved the separate non-financial group report prepared by the Management Board.

A word of thanks

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all employees of the zooplus Group, particularly in this unusual and challenging year, for their outstanding personal commitment, with which they contributed to this successful financial year under special conditions.

The Supervisory Board would like to thank the members of the Management Board and all of the Group's employees for their outstanding commitment and personal dedication in times of extraordinary circumstances in the 2020 financial year, which was shaped by the corona pandemic. It is only thanks to them that the company's growth story can continue and the resilience of the business model can be further strengthened. The Supervisory Board would also like to thank the members of zooplus AG's Management and Supervisory members who left the company during the financial year, Florian Welz, Chief Commercial Officer of zooplus until July 2020, and Henrik Persson, a member of the Supervisory Board until June 2020, for their valued contribution to the further development of the Group.

Munich, March 2021
On behalf of the Supervisory Board

Christian Stahl
Chair of the Supervisory Board

Statement on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB), including the Report on Corporate Governance

Declaration of the Management and Supervisory Boards of zooplus AG pursuant to Section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Government Commission German Corporate Governance Code

1. The Management Board and Supervisory Board declare that zooplus AG has complied with the recommendations of the Code in the version of February 7, 2017 ("GCGC 2017") since the last Declaration of Conformity was issued on November 26, 2019, with the following exceptions:

   Item 3.8 (3) of the GCGC 2017: The existing D&O insurance policy does not provide for a deductible for members of the Supervisory Board. In the opinion of the Management Board and Supervisory Board, a deductible does not affect the sense of responsibility and loyalty with which members of the Supervisory Board perform the tasks and functions assigned to them.

   Item 4.2.3 (4) Sentence 3 of the GCGC 2017: In the event of the early termination of a Management Board member's contract, the severance payment cap is not calculated on the basis of the past financial year's total remuneration or, if applicable, on the expected total remuneration for the current financial year. In accordance with the provisions of the Management Board contracts, the severance payment caps are calculated taking into account the respective basic remuneration and the fair value of the stock options to be granted to the respective Management Board member until the termination date or, if applicable, the entitlements to be granted under a cash bonus plan. The Management Board and the Supervisory Board consider this approach to be appropriate in order to take into account the specific circumstances leading to the early termination of a Management Board position and the situation of the individual case at the time of the termination.

   Item 4.2.3 (2) Sentence 4 of the GCGC 2017: The members of the Management Board participate in a company stock option program. The stock options grant a right to subscribe to shares of the company at a set price after the conclusion of a set vesting period and provided that certain performance targets resolved by the Annual General Meeting are met. The stock option program does not include an explicit provision for taking negative developments into account. Negative developments are taken into account indirectly by the fact that the exercise of the option rights can become economically unattractive on the basis of the set exercise price. Accordingly, the Management Board and Supervisory Board declare a deviation here as a precaution.

   Item 5.4.1 (2) Sentence 2 of the GCGC 2017: The Supervisory Board has not set a standard limit for the term of office of Supervisory Board members. The Supervisory Board believes that a blanket rule limit does not take into account individual factors that would justify a longer membership for individual members of the Supervisory Board. The Supervisory Board would therefore like to retain the general option and flexibility to profit from the expertise of longstanding and experienced Supervisory Board members and to propose candidates for election to the Supervisory Board who have extensive experience with the company and have proven themselves through their work on the zooplus AG Supervisory Board.

   Item 5.4.6 (1) Sentence 2 of the GCGC 2017: The remuneration of Supervisory Board members does not give special consideration to the role of deputy chairperson of the Supervisory Board or to memberships in committees as the workload of the deputy chairperson and committee members does not differ significantly from that of the other Supervisory Board members.

   Item 7.1.2 Sentence 3 of the GCGK 2017: Mandatory financial information during the year is published no later than two months after the end of the reporting period and thus within the two-month period stipulated by the Exchange Rules of the Frankfurt Stock Exchange for the publication of quarterly statements by issuers listed in the Prime Standard. zooplus AG considers this deadline to be adequate enough to ensure proper accounting.

2. The Management Board and Supervisory Board further declare that zooplus AG complies with the recommendations of the Code in the version of December 16, 2019 ("GCGC 2020") with the following exceptions:

   F.2 of the GCGC 2020: Mandatory financial information during the year is published no later than two months after the end of the reporting period and thus within the two-month period stipulated by the Exchange Rules of the Frankfurt Stock Exchange for the publication of quarterly statements by issuers listed in the Prime Standard. zooplus AG considers this deadline adequate to ensure proper accounting.

G.17 of the GCGC 2020: There is no differentiation in the remuneration of the members of the Supervisory Board with regard to the remuneration of the deputy chairperson of the Supervisory Board and the members of committees. The amount of time spent by the deputy chairperson of the Supervisory Board and the members of committees does not differ significantly from the workload of the other members of the Supervisory Board.

G.1 ff. of the GCGC 2020: Section G.I. of the GCGC 2020 contains new recommendations on the remuneration of the Management Board members. In line with the rationale of the GCGC 2020 and the transitional provisions of the German Stock Corporation Act (Aktiengesetz – AktG) for the implementation of the new regulations on Management Board remuneration introduced under the Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II), which are closely related to the new recommendations of the GCGC 2020, the new recommendations of the GCGC 2020 for Management Board remuneration are not yet fully reflected in existing employment contracts. The Management Board and the Supervisory Board of zooplus AG will present the Annual General Meeting 2021 with a remuneration system for the Management Board members of zooplus AG that takes into account the new recommendations of the GCGC 2020 and which shall apply to all employment contracts newly concluded or extended after the Annual General Meeting 2021.

3. The recommendations of the GCGC 2020 will continue to be complied with in the future with the exceptions set out in Section 2 above.

Munich, December 2, 2020

On behalf of the Supervisory Board	On behalf of the Management Board
Christian Stahl Chairman of the Supervisory Board	Dr. Cornelius Patt CEO

In accordance with Section 161 (2) AktG, the Declaration of Conformity is permanently available for shareholders and all other interested parties on the company's website at http://investors.zooplus.com/en.

Corporate governance

In the following, the Management Board and the Supervisory Board provide the annual report on corporate governance in the company.

Responsible, sustainable and value-oriented corporate governance is an overriding priority at zooplus AG. Good corporate governance is a central element of the company's corporate management and provides the foundation for leading and overseeing the Group, its organization, business principles and structures for direction and supervision.

The purpose of the German Corporate Governance Code ("Code" or "GCGC") is to create a transparent framework both for the company's management and control. Zooplus AG considers good corporate governance to be an important tool for increasing the trust of shareholders, employees and customers. Therefore, the goal of zooplus AG's Management Board and Supervisory Board is to practice solid and responsible corporate management so as to create sustainable value.

Management and control structure

As a German stock corporation (AG), zooplus AG is subject to the German Stock Corporation Act and has a dual management and control structure, which is characterized by a strict separation between the Management Board as the management body and the Supervisory Board as the supervisory body.

Management Board

zooplus AG's Management Board manages the company under its own responsibility, free from third-party interference in accordance with statutory provisions, the company's Articles of Association, Rules of Procedure for the Management Board, Schedule of Responsibilities and the resolutions of the Annual General Meeting. The Management Board develops the company's strategic plans, obtains the agreement of the Supervisory Board and subsequently ensures the plan's implementation.

The members of the Management Board in the 2020 financial year were Dr. Cornelius Patt (CEO), Andreas Maueröder, Dr. Mischa Ritter and Florian Welz. Florian Welz resigned from the Management Board at the end of July 13, 2020.

The members of the Management Board have clear and separate duties. Management Board members are responsible for their own specific area as outlined in the Management Board's Schedule of Responsibilities and within the context of the Management Board's Rules of Procedure and resolutions. They should keep their fellow Management Board members continually informed of important issues in their respective areas. The CEO directs the overall management and guides the company's business strategy. In the company's interest, the members of the Management Board, as members of the governing body, are jointly responsible for the company's overall management.

Members of the Management Board should generally be no older than 70 years of age.

Supervisory Board

The Supervisory Board oversees and advises the Management Board in the management of the business. The Supervisory Board reviews the annual financial statements, the consolidated financial statements, the combined management report and the proposal for the appropriation of retained profits. The Supervisory Board adopts the zooplus AG annual financial statements and approves the consolidated financial statements subject to the results of the auditor's audit report. Included in the duties of the Supervisory Board are the appointing of Management Board members and preparing and concluding employment contracts with Management Board members.

In accordance with the Articles of Association, the Supervisory Board of zooplus AG consists of six members who are elected by the Annual General Meeting.

In the reporting year, the Supervisory Board was composed as follows: The Supervisory Board consisted of Mr. Christian Stahl (chairman), Mr. Moritz Greve (deputy chairman), Ms. Christine Cross, Mr. Ulric Jerome, Mr. Henrik Persson (until June 25, 2020), Mr. Tjeerd Jegen (from June 25, 2020) and Dr. Norbert Stoeck. Ms. Cross, who was appointed as a member of the Supervisory Board by court order in November 2019 until the end of the 2020 Annual General Meeting, was re-elected to the Supervisory Board by the 2020 Annual General Meeting. With effect from the end of the Annual General Meeting on June 25, 2020, Mr. Henrik Persson resigned from office at his own request. Mr. Tjeerd Jegen was newly elected to the Supervisory Board in his place.

The Supervisory Board and the Management Board discuss business development, planning, the company's strategy and its implementation at regular intervals. Within the scope of the company's strategic evaluation, risk management and reporting, the Management Board communicates with the entire Supervisory Board, not just its chairperson, to ensure that it can carry out its tasks as efficiently as possible.

The Supervisory Board has outlined its own Rules of Procedure. These define the Supervisory Board's tasks, obligations and internal organization.

In accordance with recommendation D. 13 of the Code, the Supervisory Board periodically assesses how effectively the Supervisory Board as a whole and its committees perform their duties. The Supervisory Board carried out the last review in December 2020 on the basis of an assessment survey, which was completed by each member of the Supervisory Board and specifically included questions on procedures within the Supervisory Board and the flow of information between the members of the Supervisory Board and between the Supervisory Board and the Management Board. The results were then discussed at a subsequent Supervisory Board meeting.

The members of the Supervisory Board do not perform any board functions or advisory duties for significant competitors of the company, nor do they have any personal relationship with a significant competitor. In addition, members of the Supervisory Board have no personal or business relationship with zooplus AG or its Management Board. The Supervisory Board does not include any former members of the Management Board.

The member of the Supervisory Board with expertise in the areas of accounting and auditing is Dr. Stoeck. Additionally, the members of the Supervisory Board as a whole are all familiar with the sector in which the company operates.

The Supervisory Board of zooplus AG has formed an audit committee, a personnel committee and a nomination committee. The committees report on their activities regularly in detail to the Supervisory Board.

The main task of the **Audit Committee** is to assist the Supervisory Board in fulfilling its supervisory obligation with respect to the accuracy of the annual and consolidated financial statements and the auditor's activities. It also monitors the effectiveness of the internal control system (ICS), internal auditing, organizational arrangements for compliance with legal provisions, and internal corporate guidelines (compliance), and the risk management system. The Committee is also responsible for the preparatory review of the non-financial reporting and commissions an auditor to examine this reporting, if necessary.

In the reporting year, the Audit Committee consisted of Dr. Stoeck (chairman of the Audit Committee), Mr. Greve and Ms. Cross. Dr. Stoeck has special knowledge and experience in the application of accounting principles and internal control procedures and is familiar with auditing financial statements.

Dr. Stoeck has been a member of the Supervisory Board of zooplus AG for more than 12 years. He is nevertheless considered to be independent of the company and its Management Board. Dr. Stoeck has no personal or business relationship with the company or its Management Board that could constitute a material and not merely a temporary conflict of interest. During his membership on the Supervisory Board, Dr. Stoeck has distinguished himself by critically scrutinizing corporate contexts and decisions precisely on the basis of his extensive knowledge of the company and its history. Dr. Stoeck has always shown without a doubt that he is able to accompany and monitor the company and its executive bodies without prejudice and that his judgment and voting behavior are free of any conflicts of interest arising from his longstanding involvement with the company.

In the reporting year, the **Personnel Committee** comprised Mr. Stahl (chairman of the Personnel Committee), Mr. Greve and Mr. Jerome. The Personnel Committee prepares the personnel decisions of the full Supervisory Board, which decides on the appointment or revocation of the appointment of Management Board members. Furthermore, the Personnel Committee submits resolution recommendations to the full Supervisory Board regarding the extension of the appointment of Management Board members, the total compensation of the individual Management Board members and the individual compensation components, as well as the periodic review of the compensation system.

In the reporting year, the members of the **Nomination Committee** were Mr. Greve (chairman of the Nomination Committee), Mr. Stahl and Mr. Persson (until June 25, 2020) and Mr. Tjeerd Jegen (from June 25, 2020). The Nomination Committee is responsible for nominating suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting for the election of Supervisory Board members. In doing so, special attention is paid to the statutory provisions and the recommendations and suggestions of the Code.

Competency profile, diversity concept and objectives for composition

The Supervisory Board has revised its competency profile and the objectives for its composition on the basis of the Code's new recommendations and has drawn up a diversity concept in accordance with Section 289f (2) no. 6 of the German Commercial Code (HGB).

According to this concept, the Supervisory Board of zooplus AG should be composed in such a way that the members, as a whole, possess the knowledge, skills and professional experience required for the Supervisory Board to properly perform its duties. The members, as a whole, should also be familiar with the sector in which zooplus AG operates in order to ensure qualified supervision of and advice to the Management Board of zooplus AG. The Supervisory Board shall pay attention to diversity in this regard. Proposals by the Supervisory Board to the Annual General Meeting for the election of Supervisory Board members shall, in addition to the requisite knowledge, skills and professional experience of the proposed candidates, also take appropriate account of the objectives resolved by the Supervisory Board for its composition and the adopted diversity concept, while at the same time striving to fill the competence profile for the body as a whole.

Competency profile

The Supervisory Board of zooplus AG shall be composed in such a way as to ensure qualified supervision of and advice to the Management Board of zooplus AG. Its members as a whole should have the experience, professional knowledge, independence, willingness to perform, integrity and personality required to perform the duties of the Supervisory Board properly and successfully in a capital market-oriented, internationally operating company. The Supervisory Board considers the following skills and expertise to be particularly crucial for the composition of the Supervisory Board of zooplus AG:

- General knowledge of retail and value creation along different value chains.
- General knowledge of the specifics of retail in the e-Commerce industry and of digital business models.
- General knowledge of the industries, markets and regions that are important for zooplus AG.
- General knowledge in the areas of operations, marketing and sales.
- General knowledge in the areas of accounting, bookkeeping and financial reporting.
- The expertise of at least one member in the areas of accounting or auditing (Section 100 (5) AktG).
- General knowledge in the fields of corporate governance, controlling, risk management and compliance.
- A willingness and ability to commit sufficient time and resources, including membership on Supervisory Board committees.
- Participation in training and continuing education at the members own initiative.

Diversity concept

The Supervisory Board of zooplus AG strives to achieve an appropriate level of diversity in terms of gender, internationality, age, professional training and background, as well as professional expertise and personality, in order to achieve a diverse composition of the Supervisory Board and thus enable decision-making based on different perspectives and a broad range of experience. In doing so, the Supervisory Board gives special consideration to the following criteria:

- At least three members of the Supervisory Board have significant international experience based on their background or occupation.
- At least three members of the Supervisory Board have different educational backgrounds and professional experience.
- At least three members are under 60 years of age.
- A set target for the proportion of women on the Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act (AktG) and a deadline for achieving it, to which reference is made.

Further targets for composition

Age limit

At the time of their appointment by the Annual General Meeting, the members of the Supervisory Board of zooplus AG shall generally not be older than 75 years of age. The Supervisory Board may decide however to make an exception to this rule in individual cases.

Independence

Taking the shareholder structure into account, the Supervisory Board considers a number of at least four independent members to be appropriate. According to the Code, a Supervisory Board member is independent of zooplus AG, its Management Board and any controlling shareholder if he or she has no personal or business relationship with zooplus AG, its Management Board or any controlling shareholder that could give rise to a material and not merely a temporary conflict of interest. In assessing independence, the Supervisory Board also specifically applies the criteria of the Code. According to these, a Supervisory Board member is generally no longer considered independent when the member or a close relative

- has been a member of the Management Board of the company in the two years preceding the appointment;
- has now or has had a direct or indirect material business relationship with zooplus AG or a company dependent on it during the year of his or her appointment;
- is a close family member of a member of the Management Board; or
- has been a member of the Supervisory Board for more than 12 years.

Length of membership

Membership in the Supervisory Board shall generally not exceed a period of 12 years.

Availability

Each member of the Supervisory Board ensures that it can afford the expected time required for the proper exercise of the Supervisory Board mandate. In particular, it must be borne in mind that (i) at least four ordinary meetings of the Supervisory Board are held, each of which requires appropriate preparation, (ii) sufficient time is available for reviewing the documents relating to the annual financial statements and consolidated financial statements, and (iii) membership in one or more Supervisory Board committees requires an additional time commitment. In addition, extraordinary meetings of the Supervisory Board or its committees may be required, if necessary, to deal with special topics.

Current composition of the Supervisory Board

The Supervisory Board of zooplus AG is composed in accordance with its competency profile and the above-mentioned objectives.

Succession planning

The Supervisory Board, together with the Management Board and with the support of the Personnel Committee, ensures the long-term succession planning for the Management Board. It does so by taking into account the requirements of the law and the Code as well as the criteria of the diversity concept adopted by the Supervisory Board for the Management Board. The Personnel Committee selects suitable candidates for membership on the Management Board of zooplus AG on the basis of the aforementioned criteria and the specific requirements for the necessary qualifications of a member of the Management Board of zooplus AG (specifically professional qualifications, skills and knowledge of zooplus AG's business, as well as prior experience) and conducts initial discussions with potential successors. The Personnel Committee then submits a recommendation for resolution. When necessary, the Supervisory Board and the Personnel Committee are supported by external advisors.

Information on targets for the representation of women on the Supervisory Board, Management Board and senior executive levels of zooplus AG

According to Sections 76 (4) sentence 1, 111 (5) sentence 1 AktG, targets for female representation on the Supervisory Board, the Management Board and the two management levels below the Management Board must be determined.

Proportion of women on the Supervisory Board

The Supervisory Board of zooplus AG consists of six members, one of whom is a woman, which corresponds to a proportion of 16.67%. The Supervisory Board of zooplus AG has renewed its resolution to set a target figure and has established a target for the proportion of women on the Supervisory Board of 33.33%, i.e., at least two members of the Supervisory Board should be a woman. This target figure is to be met by December 31, 2025.

Currently, one member of the Supervisory Board is a woman, which corresponds to a share of 16.67 %. The resolution to renew the target figure was not passed until March 18, 2021, so that the target for the proportion of women on the Supervisory Board is not yet met.

Proportion of women on the Management Board

The Management Board of zooplus AG currently consists of three members. In accordance with Section 111 (5) sentence 1 AktG, the Supervisory Board has decided not to stipulate a set target for the proportion of women on the Management Board until the self-imposed deadline of October 31, 2023. The Supervisory Board is of the opinion that, despite the attempt to have at least one woman on the Management Board, the candidate with the best possible qualifications for the Management Board mandate must be judged according to a variety of criteria.

Proportion of women in the first and second levels of management

In accordance with Section 76 (4) sentence 1 AktG, the zooplus AG Management Board established a target for the proportion of women of 33% for the first and second management levels below the Management Board, respectively. This target is to be achieved by June 30, 2021. The two levels of management, as defined by Section 76 (4) AktG, were established based on the existing reporting lines below the Management Board at zooplus AG. The above target levels are currently being achieved in both the first and second levels of management.

Diversity concept for the Management Board of der zooplus AG

In accordance with Section 289f (2) no. 6 of the German Commercial Code (HGB), the Supervisory Board has defined the following diversity concept for the composition of the Management Board of zooplus AG:

The aim of this diversity concept is to ensure appropriate diversity in the Management Board in terms of age, gender, professional training and experience, as the Supervisory Board believes that a variety of experiences, perspectives and backgrounds are essential to the company's long-term success.

The Supervisory Board and Management Board together ensure long-term succession planning for appointments to the Management Board. When selecting a candidate to join as a member of the Management Board of zooplus AG, the Supervisory Board pays particular attention to the candidate's professional qualifications, skills and knowledge, as well as prior experience.

For the composition of the Management Board, the Supervisory Board also pays particular attention to the following aspects:

- The members of the Management Board should generally have a variety of educational backgrounds and professional experience.
- The members of the Management Board should have management experience that would ideally include experience in an international environment.
- The Management Board should have a balanced age structure; the Supervisory Board has set an age limit of 70 for members of the Management Board.

Cooperation between the Management Board and Supervisory Board

In-depth discussions between the Management Board and Supervisory Board provide the basis for responsible corporate management.

The Management Board informs the Supervisory Board in a periodic, timely and comprehensive manner of all relevant company issues that relate especially to strategy, planning, business development, the risk situation, risk management and compliance. This includes information on any deviations in the company's business development versus previously formulated plans and targets and the reasons for these deviations. In a monthly meeting, the chairs of the Management Board and Supervisory Board discuss important issues concerning business development and other current topics. Critically assessing the course of business is one of the Supervisory Board's main tasks.

The Management Board's concrete tasks and duties towards the Supervisory Board are set out in the Management Board's Rules of Procedure. The Rules of Procedure specify the Management Board's obligations with respect to informing and reporting to the Supervisory Board and the provision that the Supervisory Board must approve any transactions of fundamental importance to the business.

Further information about the cooperation of the Management and Supervisory Boards can be found in the Report of the Supervisory Board.

Avoidance of potential conflicts of interest

In accordance with the Rules of Procedure for the Management Board, the members of the Management Board are required to disclose any conflicts of interest to the Supervisory Board immediately and to inform the other members of the Management Board. Members of the Supervisory Board are required to disclose conflicts of interest to the chairperson of the Supervisory Board without delay. Supervisory Board members with a material and not merely temporary conflict of interest shall have their mandate terminated. During the past 2020 financial year, no conflicts of interest arose among members of the Management Board or Supervisory Board in the course of their work for zooplus AG.

Remuneration

The Supervisory Board as a whole is responsible for determining the structure of the remuneration system as well as the remuneration of the individual members of the Management Board and regularly reviews the remuneration structure for appropriateness. Further details of the remuneration of the members of the Management Board are presented individually in the 2020 financial year in the remuneration report.

In accordance with the Articles of Association, in addition to the reimbursement of their expenses for the past financial year, the Supervisory Board members received annual fixed remuneration of EUR 40,000.00 during the reporting year, and the chair of the Supervisory Board received fixed annual remuneration of EUR 80,000.00. The chairs of the committees each received an additional annual fixed remuneration of EUR 5,000.00.

Shareholders and the Annual General Meeting

Shareholders may exercise their rights and voting rights at the Annual General Meeting. Each share is entitled to one vote. Shares with multiple voting rights or preferential voting rights do not exist for any shares nor does a cap in voting rights. The Annual General Meeting, in which the Management Board and Supervisory Board give an account of the preceding financial year, takes place annually. At the Annual General Meeting, shareholders have the option to exercise their voting rights in person, be represented by an authorized proxy of their choice or by a proxy appointed by the company.

The Management Board presents the Annual General Meeting with the annual financial statements and consolidated financial statements. The Annual General Meeting decides on the appropriation of any retained profits, approves the discharge of the members of both the Management Board and the Supervisory Board and elects the auditor. When required, the Annual General Meeting resolves changes to the company's Articles of Association, elects members to the Supervisory Board, and adopts other resolutions on the agenda.

Systematic risk management

The risk management system is a central component of zooplus' corporate governance and forms a key pillar of zooplus AG's corporate governance, together with the internal control system, compliance and internal audit. The risk management system serves to ensure adherence to the principles of good corporate governance and the compliance with legal requirements. The risk management system and internal controls enable zooplus AG to identify, analyze and evaluate risks in all areas of the Group and to take appropriate counteractions. The aim is the timely identification of potential events that could have a negative impact on the company's success or endanger zooplus AG and to respond appropriately. A high level of risk transparency in all areas of the company helps to keep risk and mitigation costs as low as possible. Risk management is also designed to ensure that the Group's financial, operational, and strategic goals are achieved as planned.

Transparency

In order to ensure the greatest degree of transparency possible, the company informs its shareholders, financial analysts, shareholder associations, the media, and interested members of the public regularly and promptly of the company's situation and any material business changes. This is done with the aim to strengthen investor confidence in the value potential of zooplus AG.

The company keeps stakeholders continually informed of relevant events in a timely and reliable manner. Insider information directly affecting the company is published immediately by the company in line with legal provisions. The company takes part in regular discussions with private and institutional investors at its Annual General Meeting and capital market events such as roadshows and conferences. In keeping with the principle of fair disclosure, the company treats all shareholders and key target groups equally when it comes to valuation-relevant information. The company promptly provides information to the general public on important new circumstances.

The company website http://investors.zooplus.com/en serves as the central platform for providing the latest information on the company. The company's financial reports, presentations from analyst and investor conferences, and press and ad-hoc announcements are also available on the company's website. The key dates of recurring publications and events (such as annual reports, interim reports, the Annual General Meeting) are published well in advance.

Interested parties can also view the notifications for the reportable securities transactions of the Management Board and Supervisory Board of zooplus AG and persons closely associated with them, referred to as manager's transactions, on the company's website at http://investors.zooplus.com/en. Such notifications are published by the company immediately after receiving the information pursuant to Article 19 MAR. The same applies to voting right notifications received by the company pursuant to Section 33 ff. WpHG.

Accounting and auditing

Group accounting is conducted in accordance with International Financial Reporting Standards (IFRS), while the financial statements of the parent company are prepared pursuant to German standards (German Commercial Code – HGB). Reporting is conducted in accordance with statutory requirements and stock market regulations by means of the annual financial statements and quarterly interim reports. The annual report and company website are also published in English in accordance with international standards. The annual and interim reports are published online on the company's website at http://investors.zooplus.com/en.

The Management Board prepares the consolidated financial statements, and these are reviewed by the auditor and the Supervisory Board. The Munich branch office of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected as the auditor by the 2020 Annual General Meeting. The auditor has submitted a declaration of independence to the Supervisory Board as evidence of its independence. The auditor took part in the meeting of the Audit Committee on March 11, 2021, and that of the Supervisory Board on March 18, 2021, with respect to the 2020 annual financial statements and consolidated financial statements. At these meetings, the auditor reported the results of the audit of the zooplus AG annual financial statements as of December 31, 2020 (HGB) and the zooplus Group consolidated financial statements as of December 31, 2020 (IFRS) and the combined management report to the Audit Committee and Supervisory Board.

The auditors of zooplus AG agreed that the chairman of the Supervisory Board should be promptly informed of any possible disqualifying reasons or reasons for exclusion discovered in the course of the audit when these issues cannot be resolved immediately.

Relationships with shareholders, who are classified as related parties according to the applicable accounting standards, are described in the notes to the consolidated financial statements.

Corporate values and compliance

Compliance with all applicable regulatory provisions is of fundamental importance for the business success of the zooplus Group.

The goal of compliance at zooplus AG is therefore to promote a corporate culture based on ethical, moral and social values and to systematically minimize the risk of sanctions, financial losses and reputational damage for the company and its employees by taking preventive measures, uncovering rule violations and punishing misconduct. To this end, zooplus AG has strengthened the company's compliance function in terms of personnel last year and is continuously working to expand and further develop its compliance management system (CMS).

Compliance program

zooplus AG takes a risk-based approach to formulating and implementing compliance principles, measures and controls. Activities related to data protection, antitrust law and anti-corruption are the focus of compliance at zooplus AG due to their importance to the company and in order to meet the company's supervisory duties. The CMS also covers other topics relevant to regulatory and criminal law (e.g., insider trading, trade sanctions, money laundering, property crimes).

The core of the CMS at zooplus AG is the Code of Conduct, which applies to all employees worldwide, covers all relevant topics and sets out minimum legal and ethical standards for everyday work activities and conflict situations. The Code of Conduct serves as a guiding principle for the Management Board, managing directors, executives and employees alike. In addition to the internal Code of Conduct, zooplus AG has also developed a Supplier Code of Conduct, which sets out clear expectations for the business behavior of contractual partners and is incorporated into all supplier contracts.

The CMS also includes guidelines, standardized processes, controls, job aids and/or target group-oriented training measures for the individual risk areas. The nature and scope of the topic-specific compliance activities depend on the risk assessment of the individual topics. The awareness of compliance-relevant issues will also be increased. To accomplish this, internal and external communication about compliance at zooplus is continuously being expanded in order to provide guidance and support to employees at all times, as well as regular transparency to the various stakeholder groups.

Whistleblower system

zooplus AG also provides the option to submit anonymous and retaliation-free information about the serious personal misconduct of employees, such as committing corruption. Tips are followed up seriously while confidentiality and discretion are kept a top priority. All matters resulting from the use of the whistleblower system are investigated and processed by the Whistleblower Compliance Team. zooplus AG has also set up an external reporting office, which is staffed by a trusted external attorney.

All tips on suspected cases will be followed up. Internal compliance investigations will be carried out for cases based on concrete evidence. If we detect misconduct on the part of our employees, we may take disciplinary action in accordance with the labor laws.

No legal proceedings were brought against zooplus AG for unfair conduct during the financial year, and no suspicious activity reports were submitted via the whistleblower system.

Non-Financial Report

At zooplus, a successful business does not stop with the achievement of financial performance targets but also encompasses a firm commitment to society and the environment. Our understanding of sustainability is based on the conviction that we can best achieve our economic goals and consistently grow profitably by doing our part to be environmentally and socially responsible. The company therefore welcomes the European Directive 2014/95/EU regarding "Disclosure of non-financial and diversity information by certain large undertakings and groups" as an important step toward the greater integration of sustainability and Corporate Social Responsibility (CSR) issues in group reporting and management across Europe.

In the following, we provide information on sustainability issues that will help better understand our business performance and the future development of our company. The combined separate non-financial report published here meets the requirements of the German CSR Directive Implementation Act (CSR-RLUG) in accordance with Sections 289b (3) and 315b (3) of the German Commercial Code (HGB). The report explains the issues in the 2020 financial year in the areas of the environment, society, diversity, responsible corporate action and animal welfare that are important not only to our external target groups but also from a corporate perspective.

Corona-pandemic

The spread of the novel coronavirus that emerged at the turn of 2019 / 2020 developed into a pandemic with global impact during the financial year. To contain the spread of the virus, protective measures in the form of restrictions were implemented by governments worldwide. In European countries, a distinction was made between so-called "essential" and "non-essential" categories in the retail, public and service sectors, among others. zooplus AG operates in the pet supplies category, which has been classified as systemically relevant as an overarching category of consumer staples. As a result, the Group was able to maintain its operations throughout Europe largely without disruptions during the 2020 financial year. The Group reacted at an early stage by setting up an internal crisis team. The Group pursued the following key objectives: ensuring safety for employees and business partners, giving preference to loyal existing customers, ensuring availability of products and services, and, last but not least, safeguarding the financial stability of the company.

Key facts and reporting limits

The CSR Directive Implementation Act principally requires the presentation of the implications, management concepts, results, key performance indicators and significant risks concerning at least five aspects: environmental issues, employee concerns, social concerns, respect for human rights and the fight against bribery and corruption. In the "Animal Welfare" section, zooplus AG reports on a sixth aspect, as the protection of animal rights is a major concern of zooplus customers and, at the same time, a decisive non-financial factor influencing the company's success.

Within the scope of a materiality analysis conducted during the 2020 financial year, an update of the 2018 independent evaluation was carried out describing all of the relevant non-financial aspects for zooplus AG that are essential for a sustainable business development from both a Group perspective and the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public). The Management Board and the responsible departments took part in this evaluation. The impact of our business activities and the impact on our business performance are presented in the diagram below:

The materiality analysis and the corresponding risk assessment were prepared in compliance with the requirements of the CSR Directive Implementation Act (CSR-RLUG).

The standards of the Global Reporting Initiative (GRI) served as a guideline in selecting the key figures but were not used in providing further details. This pertains to the information on working conditions, diversity and equal opportunity, among others.

The concepts presented pertaining to the handling of the non-financial issues labeled as key issues apply to the Group and zooplus AG equally. Any divergent information is indicated. The Group includes the parent company zooplus AG, as well as all domestic and foreign companies included in zooplus AG's scope of consolidation in accordance with IFRS 10. References to information outside of the group management report are made to provide additional information and are not part of the non-financial report.

The non-financial report for the 2020 financial year was reviewed by the zooplus AG Supervisory Board. On behalf of the Supervisory Board, the auditing company PricewaterhouseCoopers GmbH WPG audited the non-financial report in accordance with the ISAE 3000 (revised) audit standard with limited assurance. For more information, please refer to the assurance report, which follows directly after the non-financial report within the annual report.

Corporate social responsibility risks are also being taken into account in zooplus' risk management in the 2020 financial year, where they will be evaluated as potential risks, particularly in the compliance risk category, in aggregated risks such as antitrust, bribery and corruption, and sustainability and ethics, but also in operational risks. In the materiality/probability matrix, only risks from the Compliance risk category exceed the materiality threshold. The Group counters risks with appropriate, targeted measures as part of its risk strategy. The Group's major risks can be found in the risk report in the "Risk and opportunities report" section of the Annual Report 2020.

Business model

zooplus AG is Europe's largest specialized online retailer of pet supplies in terms of sales, and by far the market leader in its segment. The company's product range of approximately 8,000 items specializes in pet food and accessories in all of the major pet segments.

For a more detailed description of the business model, please refer to section entitled "Fundamentals of the Group" of combined management report within the Annual Report 2020.

Environmental issues

Environmental standards in the supply chain

The cultivation and further processing of raw materials for animal feed and pet accessories can be linked, in some cases, to major environmental burdens. Soil degradation, climate damage and loss of biodiversity can all result from a lack of environmental standards in the production or extraction of raw materials for products sold by zooplus.

The raw material palm oil is used as a high-quality fat source for the production of animal feed. The share of palm oil from sustainable cultivation in the animal feed sector has increased from 15% in 2015 to 26% in 2017.[1] The excessive catching of fish – a common ingredient in pet food – has also been connected with a long-term adverse effect on ecosystems. The same applies to the raw material wood, which is processed primarily for pet accessories. In light of this, we have made it our goal to contribute to the conservation of resources by procuring our materials responsibly.

As an online retailer, zooplus itself does not manufacture any pet food or accessories but, instead, purchases them directly from local and international brand manufacturers. zooplus AG's private label brands and those of its subsidiaries are also manufactured by contract manufacturers. To ensure that all suppliers minimize the potentially negative environmental impact of the commercial products they manufacture as much as possible, the Group requires suppliers to commit to the zooplus Supplier Code of Conduct, which applies to suppliers, manufacturers and their approved subcontractors. The Code of Conduct requires that suppliers and service providers adhere to the high ethical, moral and social values of zooplus; otherwise, zooplus reserves the right to end the business relationship. In the interest of protecting the environment and ecosystems, the Code of Conduct requires suppliers to comply with all applicable regional and national environmental protection laws without exception and to strive for the fulfillment of international environmental standards. The Purchasing and Legal departments, which report directly to the Management Board of zooplus AG, are responsible for the integration of the Supplier Code of Conduct into the supplier contracts. The compliance with the Supplier Code of Conduct of suppliers is regularly reviewed by zooplus AG.

To ensure that the timber products marketed by zooplus on the European Single Market for the first time have been legally sourced, the company complies with the due diligence requirements defined by the EU Timber Regulation by requiring clear evidence from suppliers of the entire procurement path. zooplus AG works together with external experts for the implementation.

In the 2020 financial year, the Supplier Code of Conduct was a component of all supplier contracts concluded with direct domestic and international suppliers. About 96% of the procurement volume stems from Europe. Other sourcing countries include mainly Canada, China and Thailand.

[1] https://www.forumpalmoel.org/imglib/Palmoelstudie%202017_Meo_FONAP_ho.pdf

Low emission logistics

zooplus generally assumes that online retailing with a low return rate has ecological advantages compared to purchases made in bricks-and-mortar stores.[2] These advantages stem from concentrating the stock of goods in central warehouses and pooling the transportation of goods to the end-user, which avoids much of the traffic in cities and municipalities. The majority of greenhouse gas emissions directly generated by online retailing arise in the logistics processes – in other words, during the transportation from the manufacturer to the logistics centers and the shipping to the customer. The transportation sector as a whole accounts for about a quarter of the world's energy-related CO2 emissions.[3] In view of the expected growth rates in online retailing, our goal is the environmentally friendly design of logistics processes as our contribution to the global fight against climate change.

For this reason – and for reasons of cost efficiency – zooplus employs its own team exclusively for the coordination and further development of the logistics and distribution structure. To minimize procurement channels and reduce the associated CO2 emissions, zooplus has launched a pilot project to develop direct procurement methods together with a few selected suppliers. In the 2020 financial year, about one-third of the goods were procured from the suppliers participating in this pilot project. Since being launched in 2018, the project was expanded and additional suppliers were integrated. Together with zooplus, the suppliers involved in the project will continue to commit to the project goal in the coming financial year in order to significantly transport routes further significantly and consequently reduce CO2 emissions.

The optimal flow of goods and speed of delivery are decisive in improving process efficiency and increasing customer satisfaction, which also makes them critical drivers of business success. Merchandise management and inventory management are both handled by the company's own proprietary systems. The European-wide dispatch to the customer takes place via domestic and international parcel services. zooplus does not utilize its own infrastructure to deliver packages to customers but instead works together with relevant service providers. Together with these services providers, zooplus works to continually maximize the efficiency of its logistics centers and improve the flow of goods.

zooplus delivers to customers in 30 European countries. Roughly 29% of the deliveries to customers take place in German-speaking countries. In addition, through the establishment of logistics centers in the most important international markets (including the Netherlands, Belgium, France, Spain, Poland, Italy and Great Britain), we have optimized the transportation routes to the end customer in various European countries. zooplus has been using so-called "parcel routing" since 2012. It is an algorithm-based concept that ensures that logistical routes within the zooplus logistics network are optimized and customer orders are sent, for example, using a method that avoids unnecessarily dividing the shipment into several packages to avoid additional transportation. In order to maximize the capacity utilization of the individual parcels and, in turn, the delivery vehicles, zooplus has also developed a system called "parcel builder". This system is a proprietary system for selecting suitable packaging sizes and formats and ensures that parcel service providers can take as many parcels as possible in one trip. This also reduces packaging waste and empty volume in packages is avoided as much as possible.

A major driver of the CO2 intensity in the mail-order business tends to be the high proportion of returned goods that need to be transported from the customer back to the retailers' logistics centers. Unlike online retailers in other segments, zooplus AG is hardly affected by returns due to its product mix. Size and the individual tastes of customers play a minor role in the purchase of pet food and pet supplies. In the 2020 financial year, as in previous years, the return rate at zooplus was at a very low level of 1%.

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[2] https://www.sciencedirect.com/science/article/abs/pii/S0959652614006489

[3] International Energy Agency 2020 at: https://www.iea.org/reports/co2-emissions-from-fuel-combustion-overview

Ecological footprint

As an innovative and disruptive company, zooplus strives to reduce its CO2 emissions and to help customers do the same by purchasing the goods at zooplus rather than purchasing through traditional procurement channels. For this purpose, an internal Carbon Footprint Action Plan that was formed in 2018 and includes short-, medium- and long-term measures for recognizing and reducing CO2 emissions is pursued. As part of this project, it was determined that the internationally recognized Greenhouse Gas Protocol would be the method used to record the carbon footprint along the zooplus value chain. Following an initial internal measurement of greenhouse gas emissions with a focus on logistics in the 2019 financial year, CO2 emissions last year were measured along our entire value chain across all areas of the company in collaboration with the Center for Sustainable Corporate Management at the University of Witten/Herdecke – from outgoing merchandise at our suppliers to parcel delivery to our customers ("Scope 1, 2 and 3"). This project identified those areas in the supply chain that offer excessive potential for reducing our environmental footprint. The focus for future improvements lies in particular in inbound logistics, which are carried out by sea, and in parcel delivery. In addition to optimizing our own influencing factors in both areas, we also actively engage in dialog with existing service providers and explicitly consider their approaches to climate-friendly logistics when selecting new service providers. For example, in some regions zooplus already has parcel service providers in its portfolio that guarantee climate-neutral shipping by offsetting CO2 emissions through initiatives by the corresponding parcel service provider. Since the 2020 financial year, zooplus decided to rely on 100% recycled materials for any filling materials in the parcels. By using fillers made from recycled materials, zooplus could significantly reduce the CO2 footprint of its packaging materials.

In addition, measures are continuously being taken in other areas of the company to reduce the CO2 footprint. For example, some warehouse and administrative locations within the zooplus network are already being operated using 100% renewable energy. Correspondence with customers has been digitized as much as possible, and invoicing to customers has been switched from paper invoices to the resource-saving alternative of sending digital invoices. In addition, greater emphasis is being placed on sustainability, particularly with regard to product packaging in the own brand portfolio. To meet growing consumer demand for environmentally friendly packaging, zooplus is using fully recyclable product packaging for the first time for its latest products from the "Wolf of Wilderness" product line, the flagship brand in its own brand portfolio.

Animal welfare

For zooplus, animal welfare includes supporting selected animal charities and animal welfare organizations. In the same spirit, zooplus provides customers the opportunity to donate to selected animal charities using the bonus points they earn when shopping at zooplus. In 2020, around 570,000 customers took advantage of this offer and donated a total of over 100 million bonus points to a variety of different organizations. zooplus also sells a special in-house label called "zoolove," and donates 10% of the sales from this label to selected animal organizations. As part of the 2020 Christmas campaign, this donation campaign was expanded to include other selected zooplus own brands. zooplus regularly presents various animal welfare organizations, in different countries, and allows zooplus customers to select organizations by vote. In 2020, around EUR 330,000 were donated to various animal organizations via the zooplus charity brand.

In the coming years, zooplus will continue to expand its own brand "zoolove" and, based on the overall growth of zooplus, will continue to provide substantial donations to selected animal welfare organizations to further promote general animal welfare.

Product safety and transparency

Product safety

Alongside the growing "humanization" of pets, one issue gaining in importance is the quality and safety of pet food and accessories. Pets are often given the same status as other family members, and similarly, their health depends on a balanced diet free from residues and contaminants. It is our aim to ensure our products undergo quality assurance checks to confirm that pet food is not contaminated as a result of unsuitable preservatives, heavy metals, microorganisms or toxins. The same applies to accessories lacking product safety standards, which can have serious implications for animal welfare. In order to prevent this, manufacturers carry out their own corresponding product safety tests as part of their respective nationally applicable due diligence obligations, or they commission specialized laboratories. Corresponding certificates or proof must be provided by the zooplus suppliers. We comply with legal obligations by making the safety data sheets available. For our private label brands and direct purchases, we routinely request to see the audits and certificates of our suppliers. zooplus is also currently working together with a variety of institutes to further ensure product safety. Pet food testing is carried out primarily by Intertek. Specifically, when importing goods from China, Intertek China is commissioned to conduct pre-shipment tests in cooperation with Intertek Germany. Even in the pandemic environment, the Group endeavored to meet its own high quality standards and carried out more test series. On-site audits could not take place in 2020 due to travel restrictions. In the 2020 financial year, the company also commissioned Intertek to carry out standardized audits for the Group. In the non-food own brand area, the company cooperates with the TüV-Süd institute to ensure that the products comply with all European Union safety and chemical regulations.

zooplus mitigates product safety risks that may arise from improper storage, packaging or shipping by dispatching its own employees to fulfillment centers operated by service providers to ensure compliance with all quality assurance standards there. The latter are documented in the contractual relationships with our logistics partners. As a result of the pandemic shaped environment in the 2020 financial year, some of these fulfillment center inspections were conducted in digital form where possible. zooplus has also clearly defined recall processes for products recalled due to safety risks that have already been placed in circulation. There were no recall campaigns for own brand products in the 2020 financial year. Supplier-initiated recalls for products from well-known brand manufacturers are managed in accordance with processes defined by zooplus.

Product transparency

Next to product safety aspects, the manufacturing conditions, origin and transparency of product ingredients play an increasingly important role for zooplus customers. Increasingly, product-specific information, such as the effect of ingredients on animal welfare or environmental production conditions, is a part of the purchasing decision. The technological possibilities to provide extensive product information in online retailing can make a particularly important contribution to promoting sustainable and responsible consumption.

This is why zooplus attaches significant importance to providing its customers with the most complete product information possible. Providing this information occurs to a far greater extent with an online shop than is possible in bricks-and-mortar retail, where only product packaging serves this purpose. In order to offer the clearest possible product visualization options in the online store, a virtual 360° product display is also available for selected non-food items in addition to a diverse selection of product images. Interested customers can find information on any type of organic certification and an indication of source for each product including a complete list of ingredients on the zooplus website. The scope and specific content of this information are prescribed not only by law but are also a requirement in our contracts with suppliers. In addition to this information, zooplus also shares nutritional tips for pets with its customers, including responsible consumption and facilitates a transparent exchange of customer ratings for individual products.

In addition to product information, zooplus offers an information service for pet owners throughout Europe through the zooplus magazine. In connection with the veterinarian and animal shelter search offered by zooplus AG, the Group did not receive any reportable grievances in 2020.

zooplus believes that customer satisfaction and retention in the future will be even more dependent on the preparation and provision of product-related information, including information on sustainability issues and animal welfare, and other topics. Over and above the legal requirements, customer satisfaction surveys are conducted at least once per year and are increasingly asking customers for their opinions on these issues in order to be able to provide customers even more guidance and product information in the future. Recent zooplus customer surveys have shown that the majority of customers pay particular attention to environmentally friendly product manufacturing and packaging

Employee welfare

Working conditions

The number of employees has risen steadily in the past several years. In the 2020 financial year, an average of 768 employees worked directly for zooplus. The number of employees has increased on average by around 19% since 2015. zooplus' business success largely depends on the commitment, knowledge and performance of its employees. zooplus invests in a work environment that promotes innovation, team spirit, commitment and motivation so that it is able to attract and retain qualified employees. This also benefits the employees themselves in that they can personally develop their skills at zooplus through individual advanced training courses and participate in the company's success through variable salary components.

The employees of zooplus' logistics partners, who are sometimes exposed to greater physical strain, also make an important contribution to the business success. These include, for example, packaging and the lifting of heavy goods. The fulfillment centers operated by zooplus' partners employed on average roughly 3,000 employees in the 2020 financial year. In contrast to the employees directly employed by zooplus, these employees are typically in the low-wage segment. The same applies to the employees of logistics service providers. In order to ensure the best possible working conditions for the employees of logistics partners within the scope of zooplus' power, the company works with these service providers on the basis of long-term contracts with minimum employment-related requirements. In addition to occupational health and safety regulations, these requirements also include the payment of the country's respective minimum wage. The quality managers in the fulfillment centers employed by zooplus are also asked to pay particular attention to the occupational health and safety of the local employees. To make heavy physical work easier, zooplus and its partners in the fulfillment centers regularly test the introduction of digital and mechanical work facilitation for lifting heavy goods, among others.

In the 2020 financial year, which was dominated by the pandemic, zooplus had a special duty of precautionary care and safety towards its employees. In addition to flexible home office solutions with modern equipment, a hygiene and safety concept for the workplace, and together with the logistics partners in the fulfillment centers, was also developed and implemented at the beginning of the pandemic. Following the outbreak of the pandemic and the introduction of restrictions, the Group decided to offer home office to all employees where possible. A pilot phase for the return to the offices was launched in mid-May with a maximum workforce of 20%. However, in the fall months of 2020, starting in September, it became clear that the majority (around 90% of the workforce) preferred the home office.

Even before the pandemic, regular employee meetings – known as townhall meetings – were also held in a virtual and interactive form, so that the continuous exchange with the managers could continue to take place.

The Human Resource department at zooplus supports the company's organizational strategies with specially designed personnel tools and measures. In an environment for excellent employees that is highly competitive in all areas, zooplus AG always pays market salaries. Employee compensation consists of fixed and variable salary components, as well as intangible benefits, which may vary according to country-specific standards. To show special appreciation for the outstanding work performed in the challenging 2020 financial year, zooplus management decided to pay a special bonus to all direct employees at the end of the year.

In order to create an equally employee-friendly and performance-oriented working environment, zooplus invested not only in expanding and modernizing its business premises, but also in equipping its employees with the necessary home office hardware. Even prior to the pandemic outbreak, the company had been committed to offering flexible teleworking. To promote the health of employees, zooplus offers preventative measures that include offers such as flu vaccinations, eye examinations, ergonomic workstation equipment and visits to fitness centers. These offers for the employees are largely subsidized by the company.

The management tools at zooplus combine the general performance evaluation with the personal target assessment and include the employee's progress in his/her current position. These individual discussions between the manager and the employee take place at least once or twice a year. These evaluations are intended to support the company's claim to having a performance-oriented corporate culture while at the same time supporting the employee individually and optimally with regard to personal challenges. In addition, the company is increasingly using instruments to facilitate continuous exchange and feedback during the year so that it can quickly identify areas for action and respond appropriately.

As part of the zooplus DNA and the company's pet policy, employees are given certain opportunities to bring their dogs to work. Employees also benefit from in-house discounts when purchasing zooplus products.

The employee fluctuation rate at zooplus was 11.1% in the past financial year, and substantially below of the previous year's rate of 16.4%.

zooplus also welcomes employee initiatives and provides the room necessary for employee development, including meet-ups for networking across sectors within the IT community and the internal "Go Green" initiative that promotes an environmentally friendly design in everyday settings. Integrating voluntary activities during team events, for example, is also important at zooplus.

Diversity and equal opportunity

With an average age of 35 years at the end of financial year 2020, zooplus employees tend to be younger than employees of other traditional retailers. zooplus saw the importance of diversity within the scope of human resources as a key success factor very early and, consequently, defined strong company diversity as one of its objectives. The interaction of people with different ideas, strengths, skills and cultural backgrounds leads to the best possible solutions to future challenges. As of the December 31, 2020 reporting date, zooplus had 59 different nationalities across all locations (including working students and interns).

Diversity is an integral part of zooplus' corporate culture and has been incorporated into all personnel development and recruitment measures as a priority of the company's personnel strategy. The fair balance of female and male employees has thus far made the formulation of definite quota targets seem unnecessary. Despite this, the company has stated in its Code of Conduct that any form of employee or occupational discrimination will not be accepted. Instead, recruitment and promotion decisions are based solely on an individual's abilities and not on personal characteristics such as gender, race, religion or belief. zooplus employees also address a variety of diversity areas within the scope of their own initiatives. As part of the company's "Culture Days", intercultural exchange is promoted to encourage cooperation. In the IT community, zooplus employees also work to increase the share of female IT specialists in the industry by getting involved in campaigns related to the topic of women in IT. The PANDA event, which was part of the cooperation with the Panda | Women Leadership Network on the topic of "Women in E-Commerce," also gave the go-ahead for the establishment of a working group to address the issues of diversity, inclusion and gender equality within the zooplus Group and the industry.

The proportion of female employees at the company was 50% as of December 31, 2020. Under the guiding principle of diversity, the company will continue to focus on ensuring that women are represented as equally as possible in management positions in the future. As of December 31, 2020, the proportion of female employees in management positions (before the level of 'Management Board') at zooplus AG and across all zooplus companies was 44%.

Respect for human rights

Social standards

The cultivation and further processing of raw materials for pet food and pet accessories may not only be accompanied by ecological burdens but also inadequate labor and social standards. For example, the production of intermediate meat and fish products in Southeast Asia, as well as accessories with textile components may be associated with human rights violations. Specific forms of forced labor and child labor in the countries of origin of the intermediate products of the goods sold by zooplus have been repeatedly discussed in the media. Although zooplus has not been linked to these types of human rights violations, the company is aware of its responsibility to respect human rights along its entire value chain.

The most important tool for preventing human rights abuses is the Supplier Code of Conduct. It obliges zooplus, its suppliers and their contractors to unconditionally comply with international human and labor law requirements. Compliance with the Supplier Code of Conduct is ensured through social audits as part of the due diligence and the clearance of business partners.

In the years ahead, the company plans to increase its attention on the issue of social audits and involve external partners in the process.

Combating bribery and corruption

Corruption and price fixing

The extensive network of supply chains and the global sales markets give rise to the risk of unfair agreements in retailing. Corruption and antitrust incidents can distort market conditions and thereby hinder fair competition, which impacts the individual consumer as well as economic performance as a whole. The detection of such incidents can sometimes lead to high fines and a significant loss of reputation.

A clear definition of what is and is not permitted provides for a transparent framework. Therefore, zooplus has formulated binding guidelines for dealing with matters relating to antitrust and corruption law in its company-wide Code of Conduct. The antitrust requirements, particularly with regard to the structuring of sales prices, are specified in a topic-specific guideline. This is supplemented by annual training courses for the relevant employee groups, which are intended to ensure sufficient awareness of the risk of corruption and price fixing. The plan is to expand the training program in 2021 as part of a general revision of the compliance curriculum and make it even more target group-specific.

To provide practical support to employees in their regular dealings with suppliers, particularly in connection with contract and price negotiations, the compliance department provides working aids and supports other departments in preparing their own compliance-related working material for the topics of corruption and antitrust law. Control mechanisms are also integrated into the relevant business processes to minimize the risk of antitrust violations and corruption (specifically the internal departmental four-eye control principle, the involvement of the Legal department in the contract process, and separation of functions).

zooplus takes a clear stance towards its suppliers and business partners with regard to responsible conduct and compliance with the applicable laws and regulations at all times. As part of the Supplier Code of Conduct, which is an integral part of all supplier contracts, zooplus formulates its own ethical, moral and social position, as well as its expectations regarding the business conduct of contractual partners. A compliance slide is also a mandatory part of every annual meeting presentation with suppliers where price fixing, or the exchange of advantages or benefits are clearly rejected.

No legal proceedings were brought against zooplus for unfair conduct in the financial year 2020, and no suspicious activity reports were submitted via the whistleblower system.

Compliance management system

Compliance and ethical behavior by companies has been gaining in importance for many years. Not only do violations of applicable law carry the threat of penalties and fines but the associated official investigations can result in considerable effort and high costs. Particularly the long-term effects of compliance violations on a company's reputation have come to light in recent years in the context of various national and international compliance scandals. Increasingly, decisions made by customers, on the labor market or in securities trading are influenced by or made dependent upon a company's integrity.

To address this, zooplus has established a compliance management system (CMS) based on the structure of the IDW PS 980 auditing standard, which is continuously expanded and developed. The CMS comprises three levels of action: prevention, detection and response. The aim of the CMS is to ensure that employees comply with the law and internal company regulations in their business activities by taking preventive measures, detecting violations and punishing misconduct. This is intended to protect zooplus and its employees from major damage resulting from breaches of regulations such as criminal and administrative fine proceedings, claims for damages, and negative media coverage. Although the establishment of a functioning CMS cannot completely eliminate the risk of rule violations, it can reduce it. The Compliance department is responsible for CMS at zooplus. The department's staff was increased in 2020. The compliance function is integrated into the Legal department, which reports directly to the chief financial officer.

As part of risk management, the risk areas relevant to compliance are identified, regularly reassessed and analyzed. Due to their importance for the company and its business activities and/or due to the generally high potential risk, the CMS at zooplus focuses on the risk areas of data protection, antitrust law and anti-corruption. In addition, however, the CMS also includes dealing with other issues relevant to regulatory or criminal law, such as fraud and breach of trust, theft and embezzlement, insider trading, money laundering and sanctions, as well as violations of environmental, labor and consumer protection law that are subject to fines or penalties.

Risks in the individual risk areas are systematically minimized through the implementation of principles, measures and/or controls. the type and scope of compliance activities are based on the respective risk assessment. Components of the compliance program in the risk areas include guidelines, standardized processes, separation of functions and dual control principle (where relevant), job aids and target group-oriented training measures. In the future, these preventive compliance activities will also be supplemented by increased internal auditing activities on compliance-related topics in order to identify further need for action at an early stage and to effectively expand and improve the compliance program. In addition, zooplus offers an internal whistleblower system or an external reporting office to provide anonymous and non-retaliatory information about compliance violations or serious misconduct by employees.

The zooplus compliance program is embedded in a corporate culture that is characterized by moral values and faithful cooperation and as such promotes lawful and ethical behavior. The Code of Conduct, which applies to all zooplus Group employees worldwide, is an expression of this corporate culture and serves as a guiding principle for the Management Board, executives and employees alike. It sets minimum standards that provide guidance on lawful and ethical conduct in day-to-day work and in conflict situations. In addition, internal and external communication on compliance at zooplus is continuously expanded in order to provide guidance and support to employees at all times as well as regular transparency to the various stakeholder groups.

Data protection

As an online retailer, zooplus receives vast customer data as part of the business process. Insecure data storage and processing may violate the right to informational autonomy and the protection of personal rights and privacy. The numerous data scandals of well-known companies in the past have increasingly directed public attention on how companies handle their data. The publication of incidents can lead to huge losses in sales and sustainably harm consumer confidence. Protecting personal data is therefore a top priority at zooplus.

For this reason, the zooplus data protection team was further expanded in 2020. Compliance with data protection regulations, guidelines and procedural instructions is ensured by the internal data protection team and by an external data protection officer. Training courses for employees ensure that they are familiar with data protection regulations.

Should an incident occur, it is emphatically followed. zooplus is also supported by external service providers who manage payment data securely and have the appropriate PCI ('Payment Card Industry') compliance certifications.

In 2020, no formal proceedings were initiated by the data protection authorities against zooplus, and any inquiries by the data protection authorities were answered by means of statements and modifications.

zooplus continues to work on further expanding its data protection processes so that it can continue to meet all relevant requirements for a best possible data protection in the future.

Independent Practitioner's Report on a Limited Assurance Engagement on non-financial Reporting[4]

To zooplus AG, München

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of zooplus AG, München, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

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[4] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

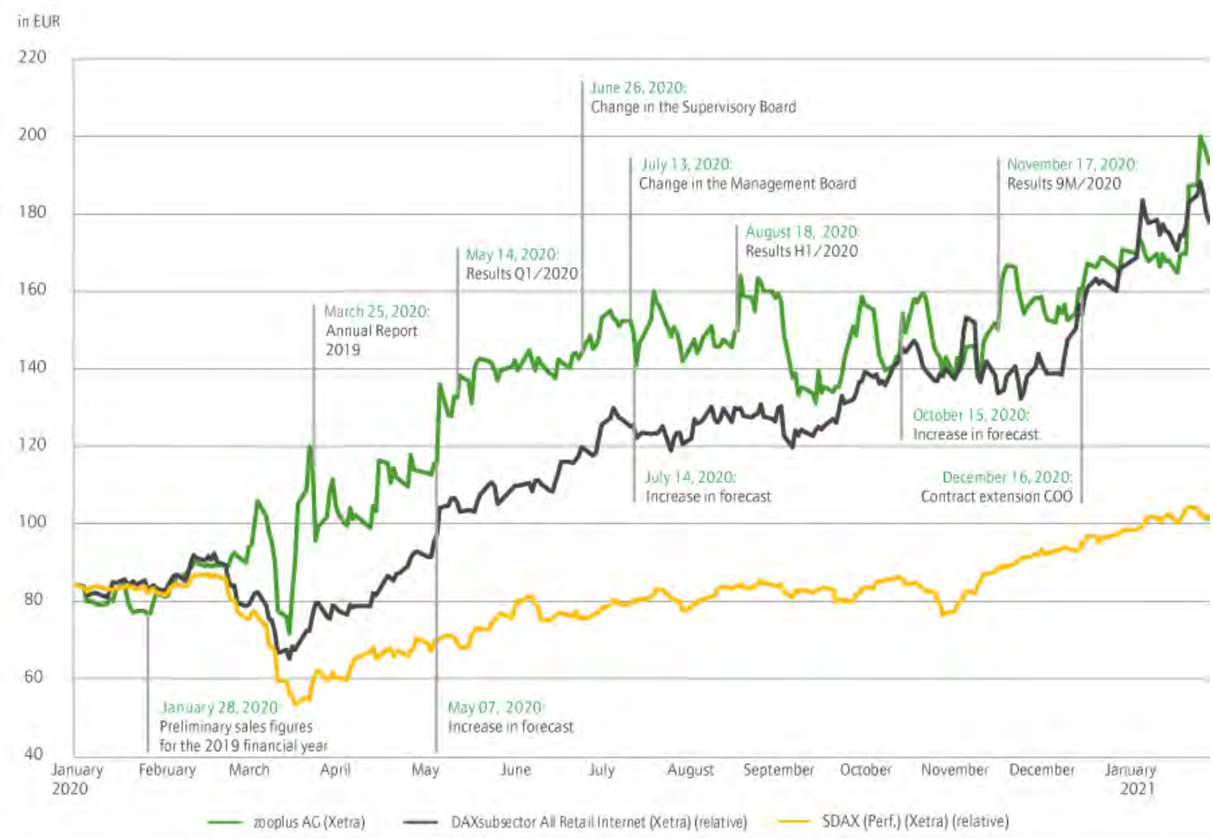
Munich, 18 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink Wirtschaftsprüfer German public auditor	ppa. Nico Irrgang

The zooplus AG share

Stock chart zooplus AG: January 2, 2020 to January 29, 2021



Source: www.arriva.de

The share

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.

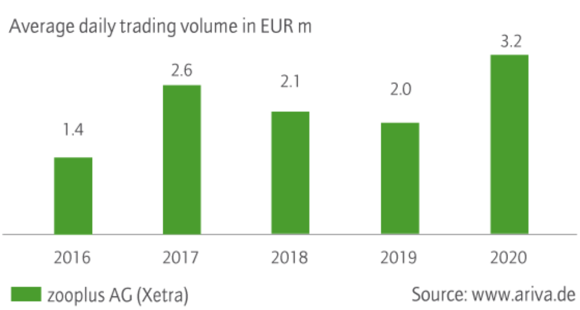
2020/21 share performance

The year 2020 showed an overall positive development of the German stock market despite the severe corona crisis. In the first quarter, the global spread of the coronavirus with the accompanying widespread lockdowns in the euro zone, the USA and China triggered a stock market crash, whereupon the DAX plunged by up to 25% in spring 2020. Among other things, interim easing of national lockdowns, expansive monetary and fiscal policies worldwide, the prospect of corona vaccines, the Brexit agreement, and Joe Biden's election victory in the USA led to a shift of the mood on the stock markets and significant price rises in the further course of the year. Against this backdrop, the German DAX (+3.5%), MDAX (+8.8%), SDAX (+18.0%) and TecDAX (+6.6%) indices performed positively in 2020 compared with their year-end levels on December 30, 2019. The DAXsubsector All Retail Internet sector index, which is relevant for zooplus AG, showed a gain of 102.3% in 2020, more than doubling the year-end closing price for 2019. zooplus shares exited Xetra trading on December 30, 2020, with a year-end closing price of EUR 169.80. Compared with the closing price on December 30, 2019 (EUR 85.40), the share price thus increased by 98.8% in the past year. As a result, the zooplus share almost doubled, significantly outperforming the SDAX index, in which the company is listed. In the wake of the first COVID-19 upheavals on the stock markets, the zooplus share price initially came under pressure and reached its low for the period under review on March 16, 2020, closing at EUR 71.70 on Xetra. An overall upward trend solidified over the second quarter. The share was boosted in particular by the positive guidance updates in view of the very good business performance, which took place on May 7, July 14, and October 15, 2020. During the 2020 financial year, the zooplus share reached the highest Xetra closing price of the year of EUR 170.80 on December 29, 2020. The positive development of the zooplus share continued through January 2021. By January 29, 2021, the share price had risen by 12.5% compared with the year-end price in 2020 to a Xetra closing price of EUR 191.00.

Capital measures and market capitalization

At the beginning of 2020, zooplus had a total of 7,146,688 shares. This number increased in the course of the year to 7,149,178 shares as of December 31, 2020 as a result of the exercise of options, resulting in share capital of EUR 7,149,178.00 at the end of 2020. At a Xetra closing price of EUR 191.00, the market capitalization of zooplus AG as of January 29, 2021 was EUR 1,365.5 m.

zooplus share liquidity in 2020 at a significantly higher level



In 2020, the average daily trading volume in zooplus shares in Xetra trading was EUR 3.2 m and significantly higher than in the prior year. The average trading volume in 2020 was more than 50% higher than in 2019.

Key data

WKN	511170
ISIN	DE0005111702
Ticker symbol	Z01
Share capital in EUR as of December 31, 2019	7,146,688.00
Share capital in EUR as of December 31, 2020	7,149,178.00
Number of shares as of December 31, 2020	7,149,178
Initial listing	May 9, 2008
Initial issue price*	EUR 13.00
Share price as of December 30, 2019	EUR 85.40
Share price as of December 30, 2020	EUR 169.80
Percentage change (since December 30, 2019)	+ 98.8 %
Period high	EUR 170.80
Period low	EUR 71.70

Closing price in Deutsche Börse AG's Xetra trading system
* Taking into account capital increase from company resources in July 2011

Investor relations

Maintaining and increasing the trust of shareholders, analysts and other capital market participants is a top priority for zooplus AG and its management team. The aim of zooplus' investor relations activities is to routinely communicate important corporate information to shareholders and interested parties in a timely manner and ensure that they are kept as up-to-date as possible on the company's development.

To achieve this, the investor relations department is available for all those interested. To provide even greater access to information, the company holds conference calls and webcasts with the publication of its quarterly results. Following these events, the public is given access to the corresponding documents on the zooplus website under the investor relations section.

In 2020, the Management Board participated in various virtual investor conferences in Germany and abroad as part of investor relations activities. In addition, zooplus held its first virtual Capital Markets Day on November 17, 2020.

The Management Board and investor relations were also available to investors and analysts to answer questions and take part in one-on-one discussions. Currently, 12 sell-side Analysts provide regular coverage of zooplus AG.

Investor Relations contact

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Diana Apostol
Sonnenstraße 15
80331 Munich, Germany

Fax: +49 89 95 006 503
Email: ir@zooplus.com
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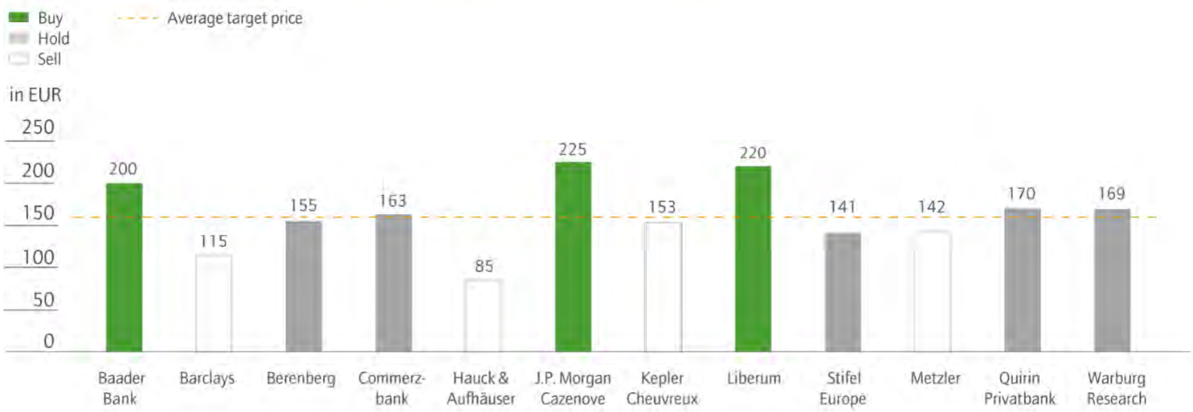
Analysts

Analyst recommendations for zooplus AG as of February 9, 2021



Latest updates

Institution	Analyst	Latest update
Baader Bank	Bosse, Volker	November 17, 2020
Barclays	Rao, Alvira	December 10, 2020
Berenberg	Claes, Catharina	November 26, 2020
Commerzbank	Riemann, Andreas	November 17, 2020
Hauck & Aufhäuser	Salis, Christian	November 18, 2020
J.P. Morgan Cazenove	Olcese, Borja	November 18, 2020
Kepler Cheuvreux	Mauder, Nikolas	January 20, 2021
Liberum	Brown, Wayne	October 19, 2020
Stifel Europe	Kamenicek, Clara	November 17, 2020
Metzler	Diedrich, Tom	February 8, 2021
Quirin Privatbank	Marinoni, Ralf	October 16, 2020
Warburg Research	Kleibauer, Thilo	November 18, 2020

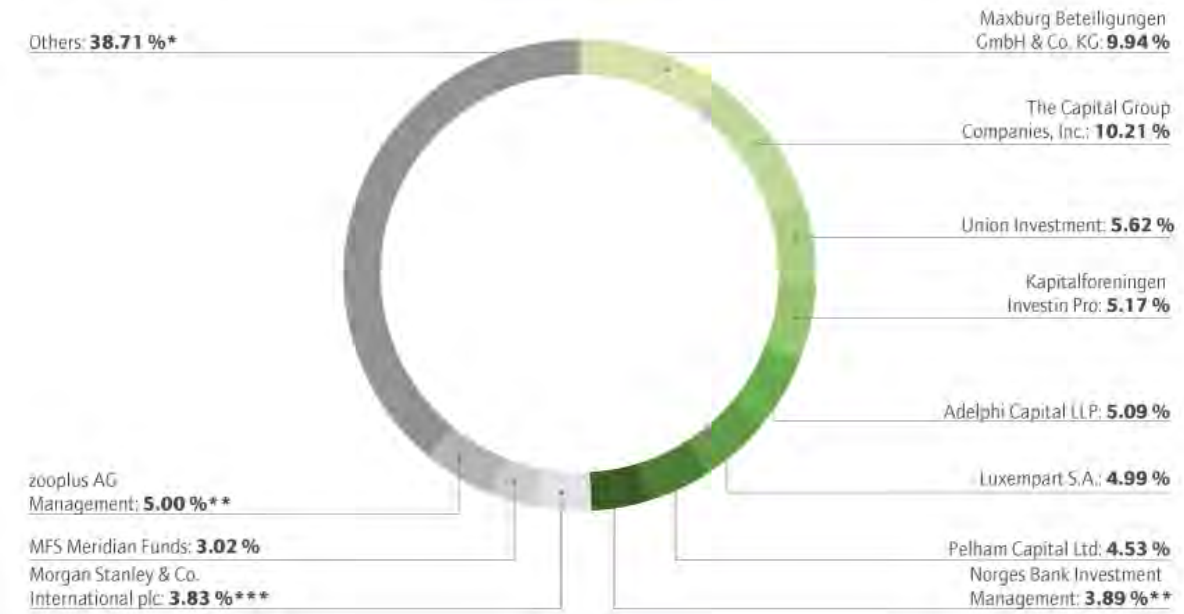
Annual General Meeting

The Annual General Meeting of zooplus AG was held in Munich on June 25, 2020. Due to the extraordinary circumstances caused by the spread of the coronavirus, the Annual General Meeting was held as a virtual Annual General Meeting without the physical presence of shareholders or their proxies. 72.7% of the voting capital was represented. The CEO of zooplus AG, Dr. Cornelius Patt, explained the company's business performance in 2019 to the shareholders and highlighted zooplus' strong positioning in the market for pet supplies. Items on the agenda of the Annual General Meeting were the following:

- The resolution on the discharge of the Management Board for the 2019 financial year
- The resolution on the discharge of the Supervisory Board for the 2019 financial year
- The election of the auditor and group auditor for the 2020 financial year
- Election to Supervisory Board
- Resolution on the authorization to grant subscription rights to members of the Management Board of zooplus AG (2020 Stock Option Program) and the creation of Conditional Capital 2020 as well as an amendment to the Articles of Association
- Resolution on the authorization to acquire treasury shares in accordance with Section 71 (1) no. 8 AktG and on the use of treasury shares with possible exclusion of subscription rights
- Resolution on the creation of a new Authorized Capital 2020 with possible exclusion of subscription rights and amendment to the Articles of Association
- Resolution on an amendment to the Articles of Association with regard to the conditions of participation

With the exception of the second to the last item, the proposed resolutions were adopted by the Annual General Meeting. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected as auditor of the financial statements and consolidated financial statements for the 2020 financial year. Ms. Christine Cross, who was appointed to the Supervisory Board by court order at the end of 2019 on an interim basis following the resignation of former Supervisory Board member Karl-Heinz Holland, was elected to the Supervisory Board of zooplus AG by the Annual General Meeting. Mr. Henrik Persson, member of the Supervisory Board, resigned from office at the end of the 2020 Annual General Meeting. Mr. Tjeerd Jegen was newly elected to the Supervisory Board by the Annual General Meeting to replace the vacant seat on the Supervisory Board.

zooplus shareholders



As of February 2, 2021
Calculation of interests based on the total number of voting rights of 7,149,178.
Share ownership according to published voting rights notifications.

*Free float of 90.06 % according to the definition of Deutsche Börse.
**Including equity instruments.
***Including shares from trading book.

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.

Shareholder structure

The free float of zooplus AG shares is 90.06% as defined by Deutsche Börse. Compared to the shareholder structure published in the last annual report, the following changes occurred in recent months: Morgan Stanley & Co., USA, appeared as a new investor with a position above the reporting threshold of 3%, and Union Investment, Germany, appeared as a new investor with a position of more than 5%. The Capital Group Companies, USA, expanded their position to more than 10%. Pelham Capital, Bermuda, and Luxempart, Luxembourg, reduced their positions, each falling below the reporting threshold of 5%. The shareholdings of Ruane, Cunniff & Goldfarb, USA, and Bestinver Gestión, Spain, each fell below the reporting threshold of 3%.

Financial calendar 2021

May 12, 2021	Publication of 2021 Q1 Quarterly Statement
May 20, 2021	2021 Ordinary Annual General Meeting
August 17, 2021	Publication of the 2021 Half-Year Report
November 16, 2021	Publication of 2021 Q3 Quarterly Statement

Combined management report

39	Fundamentals of the Group
45	Economic report
53	Report on risks and opportunities
66	Report on the outlook
67	Key features of the internal control and risk management systems as part of the (Group) accounting process
68	Remuneration report
77	Takeover-related information
79	Corporate governance statement
79	Non-financial statement

Combined Management Report

2020 Financial Year

This combined management report concerns both the zooplus Group and zooplus AG.

1. Fundamentals of the Group

Business model and business areas

zooplus AG (hereinafter also referred to as "zooplus" or "the Group") is the leading e-commerce retailer in the pet supplies sector in Germany and Europe. Founded in 1999, zooplus as a trusted and convenient online shopping platform for pet food and pet supplies is dedicated to providing pet lovers and pet owners alike with the best possible service. Measured in terms of sales and active customer base, zooplus is the market leader in Europe in the online pet supplies segment.[5] With its extensive product range, zooplus serves customers across 30 countries in Europe with offerings in 24 languages. The company sells products under the shop brands 'zooplus' and 'bitiba'. The product range includes around 8,000 food and accessory items in the dog, cat, small animal, bird, aquarium, and horse categories. Items include everyday staples, such as specialty trade pet food brands; zooplus' own brands; specialty articles, like toys; care products; and other accessories. The majority of sales are generated from products for dogs and cats. zooplus also offers a wide range of free content and information on its websites, including veterinary and other animal-related advice, as well as interactive features such as discussion forums and blogs. Users can access the shops through a variety of channels, such as desktop, mobile applications ("apps") and through our mobile websites. Through our multi-platform approach, zooplus offers its customers a seamless digital shopping experience.

zooplus generates its sales from merchandise sold within the scope of its online retail activities. The goods are prepared for shipment to customers from the central logistics centers in Hörselgau, Germany; Tilburg, the Netherlands; Wroclaw and Krosno Odrzanskie, Poland; Chalon-sur-Saône, France; Antwerp, Belgium; and Coventry, Great Britain. These locations are complemented by medium-sized, more specialized logistics centers in Mühldorf, Germany; Cabanillas del Campo, Spain; Stradella near Milan, Italy; and Jirikov, Czech Republic, which take on certain types of orders for individual markets, providing an ever-denser logistics infrastructure with even better proximity to the customer. The locations of our logistics centers ensure fast, efficient and flexible delivery combined with high overall product availability for customers throughout Europe. The continuous expansion of the logistics network lays the groundwork for zooplus' continued planned growth in the years ahead. Goods are shipped to zooplus' customers in cooperation with national and international parcel service providers.

From a customer perspective, zooplus sets itself apart from the competition through a combination of fast and reliable delivery, a positive shopping experience and an attractive product range and pricing.[6]

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[5] Management assessment based on the analysis of financial reports and publications of key competitors in the European market
[6] Based on a 2020 customer survey for localized shops in Germany, France, Belgium and Switzerland

Sourcing and sales markets

The Group sources its goods primarily in Europe. Other procurement markets include North America, Thailand and China. In addition to well-known, internationally distributed food and accessory brands, the product portfolio is supplemented by national brands that are of particular interest to animal lovers.

zooplus operates with localized and cross-national web shops throughout Europe selling its products in 30 countries. According to the most recent assessment of the zooplus AG management at the end of the 2020 financial year, the market volume for the pet supplies segment in Europe in 2020 totaled roughly EUR 28 to EUR 29 bn (gross).[7] Within Europe, zooplus is the online market leader[5] in pet supplies, measured in terms of sales and active customer base. According to management estimates, even with the demand pressure that emerged as a result of the pandemic, only 17% of the business volume in the European pet supplies market was transacted using online channels in 2020. This figure highlights the potential to further expand online penetration in the pet supplies category in Europe.

As of March 2021, the company operated a total of 25 localized web shops under the zooplus store brand. In addition to the high-volume markets of Germany, France, the United Kingdom, the Netherlands, Spain, Italy and Poland, other markets include Belgium, Denmark, Finland, Ireland, Croatia, Austria, Romania, Slovakia, Switzerland, Slovenia, Sweden, the Czech Republic, Hungary, Portugal, Bulgaria, Norway and Greece. Under the bitiba brand, which is designed as a discount concept with a narrower product range, the Group operates in 14 countries alongside the zooplus brand.

Two influential factors that are decisive for the online retailing of pet supplies are the development of the pet supplies segment and the general development of online retailing in Europe.

Competitive position

Advantages over online competitors

Generally, there are lower barriers to market entry in online retail than in bricks-and-mortar retail. In the European market, zooplus not only competes with international (online) retailers 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 who are in direct competition with zooplus are entering new countries. These trends increase the number of retailers coming into direct competition with zooplus.

zooplus has the advantage that its size gives 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 sourcing, own brands development, logistics, technology, customer service, and marketing is a deciding factor in zooplus' view that it is very well positioned versus its competitors. Other relative advantages such as a pan-European presence and the Group's financial strength also play a role.

At the same time, the established base of active European customers also helps 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 technologically efficient and scalable value creation chain combined with an outstanding shopping experience in terms of selection, price and convenience and especially easy home delivery.

zooplus does not operate any bricks-and-mortar stores or outlets but instead supplies a wide range of products to customers throughout Europe from a total of eleven logistics 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[5] in the online retailing of pet supplies.

zooplus' goal is and remains to strengthen and expand its leading position in the online segment while strengthening its position in the overall online and bricks-and-mortar markets and profiting substantially from the continued high growth of online retailing.

[7] Based on Euromonitor International 2020 and management assessments

Organization and Group structure

The zooplus Group is controlled by zooplus AG, based in Munich, Germany. As of December 31, 2020, 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
zoolog Services sp. z o.o., Wroclaw, Poland	100%	Service company for Poland
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100%	(In liquidation)
Tifuve GmbH, Munich, Germany	100%	(Dormant company)
zooplus EE TOV, Kiev, Ukraine	100%	(Dormant company)
zooplus d.o.o., Zagreb, Croatia	100%	(Dormant company)

The liquidation of the Turkish subsidiary zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey, was initiated on December 8, 2020. The Turkish subsidiary had already discontinued its operating activities at the end of 2019 due to the cessation of activities in the Turkish market.

Management and control of zooplus AG

zooplus AG was managed by the following Management Board members during the 2020 financial year and as of December 31, 2020:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT, Sales & Marketing, Human Resources, Vendor Management Corporate Accounts)
- Andreas Maueröder (Finance, Controlling, Legal, Investor Relations, Internal Audit, Vendor Management SME[8])
- Dr. Mischa Ritter (Logistics, Supply Chain Management, Own Brands Development, Accessories, and Customer Care)
- Florian Welz (Sales & Marketing, Procurement, and Category Management), until July 13, 2020

Mr. Welz's responsibilities were reallocated to the members of the Management Board.

[8] SME refers to 'small/medium enterprises'

The Management Board is advised and controlled by the Supervisory Board. During the 2020 financial year and, as of December 31, 2020, 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
- Ulric Jerome, freelance entrepreneur in the tech and e-commerce sector and investor, London, United Kingdom
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom, member of the Supervisory Board until June 25, 2020
- Dr. Norbert Stoeck, freelance business consultant, Munich, Germany
- Christine Cross, freelance business consultant, Cheltenham, Gloucestershire, United Kingdom
- Tjeerd Jegen, CEO of HEMA B.V., Amsterdam, the Netherlands, member of the Supervisory Board as of June 25, 2020

The average number of employees in the reporting year, excluding the Management Board, was 768 (previous year: 713).

Employees are crucial to zooplus' success. Regular internal training and the widespread participation of employees in external training courses have improved the employees' work quality and their potential to create value despite the challenges presented with the novel coronavirus. For more information on employee topics, we refer to the non-financial report included in the Annual Report 2020.

Strategy

The Group's goal is to maintain its existing market leadership in terms of sales[5] in the European online pet supplies segment and expand it further in order to substantially increase the company's medium and long-term earnings potential.

Our strategy focuses on continually expanding our business with new and existing customers. To achieve this, we are striving to strengthen our regional market presence and market penetration, measured by our sales as a percentage of the total online market for pet supplies across all European regional markets. In pursuing this strategy, we intend to further consolidate our market position as a leading supplier while at the same time increasing the gap between us and our competitors. In the company's view, the online retailing of pet supplies in Europe continues to offer excellent growth opportunities to be able to achieve significant positive returns in the medium and long term based on its critical size and market leadership[5].

Within the European retail landscape, pet supplies represent an important market segment. According to management's most recent estimate as of the end of financial year 2020, the European pet supplies market comprised a net volume of EUR 28 bn to EUR 29 bn[7]. Increasing populations and the progressive "humanization" of pets in most countries are pointing towards continued growth in the overall market for years to come. Moreover, Europe's online retail sector is also expected to continue to see significant growth.

Our persuasive product promise to our customers consists of fast and reliable delivery, a positive shopping experience and an expansive and relevant product range at competitive prices. We focus on continuously improving our product promise in order to remain an attractive partner for our customers as well as our suppliers.

zooplus AG's performance is based on the company's operational back-end structures. They include centralized European logistics and international merchandise management as well as an integrated pan-European technology platform that enables the targeted control of the individual regional markets.

Thanks to our technology-based logistics infrastructure, we are able to pull key levers to improve cost efficiency and maximize customer satisfaction, including the optimized flows of goods, packing efficiency and quality, as well as the speed of delivery of each parcel. These, in turn, are key drivers to our business success. Both merchandise management and inventory management are handled by the company's proprietary systems. Europe-wide shipping to customers is handled by national and international parcel service providers. Together with the respective service providers, the company is continuously working on optimizing efficiency in the logistics centers and improving the flow of goods. All logistics centers work together in a closely synchronized production network. This is a major driver to efficiency.

Highly specialized software solutions in all key business areas have been crucial building blocks for zooplus AG's success in recent years and will continue to make a significant contribution to achieving the company's goals in the future. Business areas in which highly specialized systems are used include Price and Yield Management, Logistics Management and Controlling, National and

International Payment Processes, Online Marketing and Customer Acquisition, and Working Capital Management and Procurement.

A seamless connection to domestic and international payment systems is of significant importance to zooplus AG as an online retailer. The company offers virtually all of the leading European payment methods for payment processing. Sophisticated credit checks have succeeded in keeping default rates at a low level.

To be able to provide the most positive and successful user and shopping experience possible on our web shop and mobile applications, we work continuously on our digital products and digital user experience. With our loyalty programs, we not only increase the loyalty of our customers, but also enhance the shopping experience and customer retention. For the shop brands zooplus and bitiba, we offer customers a mobile application in the respective local language. In addition, our customer service supports the shopping experience in 24 European languages. Next to intelligent price control, we offer customers special conditions in the form of discounted or free shipping once a certain purchase volume is reached. Our bitiba shop brand customers can also earn volume discounts on their purchases. zooplus shop brand customers can benefit from a discount of 3% on average with every purchase as part of their paid membership to the "Subscribe & Save"[9] loyalty program. They can also earn bonus points with every subsequent purchase, which can be redeemed for products in the bonus store or donated to animal welfare organizations.

Another success factor in customer experience is our strategic steering of our product range. In addition to offering major international food and accessory brands, we place importance on complementing our product range with local food and accessory brands that are relevant for the customer, in addition to our quality-oriented own-brands assortment. At the same time, the strategic management of the product range enables the Group to set itself apart from the competition and achieve significant advantages in terms of gross margin, thereby boosting operating profitability.

Our own-brands portfolio consists of an exclusive brand world developed in-house, where a persuasive range of products has already been established. This includes premium dry and wet food for dogs and cats under the brands Concept for Life, Wolf of Wilderness, Wild Freedom, Purizon, Rocco, Cosma, Lukullus and Feringa, as well as other company brands such as Briantos, My Star, Smilla, and Tigerino. Strategically, the company places particular emphasis on consistently differentiating our own existing brands in order to establish a strong brand core and ensure sustainable brand building. The products and brands introduced thus far have been met with strong customer acceptance and help to bind customers even more strongly to the company. zooplus has an internationally positioned purchasing department and a broad-based product range. In the 2020 financial year, sales of own brand products amounted to 18% of the total sales in the area of food and litter.

zooplus AG offers a comprehensive and persuasive range of products across all categories overall, which also takes into account local characteristics of the individual markets in Europe. zooplus offers customers a huge selection encompassing approximately 8,000 food and accessory items from the dog, cat, small animal, bird, aquarium, and horse categories. This vast range of brands and products includes staple products such as standard food brands, supplemented by own brands and specialty items such as grooming products, bedding, toys and other accessories. Due to the fact that dogs and cats make up the largest share of the individual pet categories, the focus of the brand range is on dog and cat food and accompanying accessories.

To provide this type of product selection at a market-leading value-for-money ratio, it is necessary to maintain strategically close relationships with all key suppliers and manufacturers throughout Europe. zooplus AG purchases all key products in its product range directly from the respective manufacturers. Sourcing is carried out internationally via more than 200 suppliers. In the future, zooplus intends to continue working closely with its suppliers to further tailor its product range in accordance with the market's developments and requirements and the specific needs of each country's customers. zooplus AG therefore places great value on the brand strength and innovative power of its suppliers, as the Group believes that a brand portfolio of leading national and international brands is a key success factor in terms of consumer acceptance. zooplus AG and all zooplus Group companies are committed to conducting their business relationships and purchasing high-quality goods and services in a manner consistent with our high ethical, moral and social values. The company is dedicated to ensuring that goods and services are sourced only from suppliers that strive to uphold and observe ethical principles of conduct. The zooplus Supplier Code of Conduct sets out the requirements and expectations that our suppliers and their associated companies (including suppliers, factories and approved subcontractors) must meet in order to do business with zooplus AG and its associated companies.

Marketing and new customer acquisition also play an important role in expanding the business. Our goal is to increase our active customer base in all European markets. The focus of new customer acquisition is mainly on online marketing to ensure that we encounter customers where they have direct and easy access to zooplus – online. The company focuses primarily on traditional

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[9] For example, the savings plan on the German zooplus shop page at https://www.zooplus.de/content/savingsplan_terms [Convenience translation available on the zooplus.co.uk shop at https://www.zooplus.co.uk/content/savingsplan_terms]

online advertising such as search engine marketing and optimization and affiliate marketing. In addition, the company hosts a wide range of social media channels on Facebook, Twitter, Instagram, YouTube and others.

Achieving economies of scale serves as a base for the Group to continue improving its cost efficiency in connection with a sustainable operating profitability. Against the backdrop of the Group's further growth opportunities within Europe, the management considers this strategy to be a sensible one for the quarters and years ahead for a long-term increase in corporate value. In all areas, the management and control of targets are based on key indicators that are reviewed regularly and can be adjusted and modified in the short or medium terms when necessary. The company attaches particular importance to clearly communicating its corporate goals to employees as well as to the public.

Management system

Financial performance indicators

The key performance indicator used to measure the Group's growth and business success is sales. The Group measures its operating profitability on the basis of earnings before interest, taxes, depreciation and amortization (EBITDA). The Group focuses on free cash flow (cash flow from operating activities plus cash flow from investing activities) as a suitable key indicator of its financial position.

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.

Furthermore, the currency-adjusted revenue retention rate (recurring sales in the financial year from new and existing customers in the previous year as a percentage of the previous year's sales) is an essential key figure for the sustained expansion of the business.

Technology and development

zooplus sees itself first and foremost as a technology-oriented online retail group. The new and continued development of the core processes and essential systems of our business model are initiated and driven largely internally. External partners are brought in when they complement our internal know-how and implementation capacity.

Proprietary systems and highly specific software solutions in all key business areas have made a decisive contribution to the success of zooplus AG and the zooplus Group in recent years and, from today's perspective, will continue to be an essential component in achieving the company's goals in the future. zooplus is continuously investing in the development of additional software development capacities to reflect to an even greater extent the importance of internal systems for the continued improvement in product quality and optimization of internal processes and algorithms. The proprietary systems are supplemented by standard systems available on the market to ensure that they are able to meet the Group's specific requirements at all times.

In 2020, the focus lied in the advancing the existing processes in the areas of customer care and, logistics as well in the optimization of our digital product range.

2. Economic report – business development and position of the Group

Macroeconomic and sector environments

Economic environment

The corona pandemic has forced governments in many parts of the world to take drastic measures such as contact restrictions and curfews with negative consequences for the economy. According to the latest estimate of the International Monetary Fund (IMF), the corona pandemic is expected to cause an even greater decline in the global economy than previously expected. The IMF estimates economic contraction in 2020 will amount to minus 3.5%, while a recovery and economic growth of 5.5% is expected for the following year. For the eurozone, the IMF expects a growth rate of 4.2% in 2021, which is a significant improvement compared to the decline of 7.2% in 2020. Even for the regions particularly affected by the pandemic such as France, Italy and Spain the IMF remains optimistic and expects these countries to record positive performance in 2021.[10] There is a risk that the effects of the euro debt crisis and exchange rate risks both in and outside of Europe could have a significant negative impact on the European real economy. The effect of the United Kingdom's exit from the European Union is also a factor that is still difficult to fully estimate. These risks, in addition to global political stability risks, mean that a very slow recovery or even a renewed downturn in economic development cannot be ruled out. Such a development could also affect zooplus' business in the future. Furthermore, it is still impossible to predict how protectionist tendencies within the EU and on the part of the USA will affect international trade and, consequently, general economic growth and consumer purchasing power.

It turns out that pet supplies have become a strongly sought-after product groups in online retail during the corona pandemic. In the course of 2020, zooplus AG has registered exceptional consumer interest in all European countries since the beginning of the pandemic as well as an accelerated migration of customers towards more efficient online channels for pet supplies.

Development of e-commerce

E-commerce, as an increasingly important sales channel for retailers, has gained importance in recent years. According to the e-commerce consumer study by the German E-Commerce and Distance Selling Trade Association (BEVH), e-commerce sales in Germany in 2020 increased by roughly 15% year-on-year to EUR 83.3 bn (gross). The BEVH sees the corona pandemic as a major driver for the acceleration of trade towards e-commerce and does not expect this trend to reverse.[11] In France, according to the Federation of E-Commerce and Distance Selling (FEVAD), e-commerce sales have increased by around 9% to EUR 112 bn in 2020 thanks to the accelerated digitalization of online retailing.[12] In Poland, e-commerce sales are expected to have increased by 26% (based on local currency) to the equivalent of EUR 17.3 bn.[13] In Italy, since the outbreak of the pandemic, there has been a particular acceleration in e-commerce transactions in the grocery product sector.[14] The increase in UK online retailing is also expected to be particularly strong: according to the market research company e-Marketer, this market is expected to have grown by around 35% (based on local currency) to the equivalent of EUR 125.7 bn.

A survey by the E-Commerce Europe association on the impact of the corona pandemic on online retailing during the second lockdown found that parcel delivery services were better prepared for the situation and, despite stronger demand around the Christmas holidays, recorded fewer delays.[15]

Continued growth in online retailing in Europe seems more than likely, particularly in view of the inherent advantages of online retailing over existing bricks-and-mortar retail concepts, including the breadth of the product range, shopping convenience and price competitiveness. zooplus offers its customers access to its websites via desktop, tablet, mobile phone and its own zooplus app. Logistics service providers and parcel shippers are also continuously working to further improve delivery flexibility and quality for end customers.

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[10] World Economic Outlook Update, January 2021, International Monetary Fund

[11] BEVH Consumer Study 2020 at https://www.e-commerce-magazin.de/einkaufsverhalten-der-deutschen-wie-es-sich-waehrend-der-pandemie-veraendert-hat/

[12] Federation for E-Commerce and Distance Selling (FEVAD) at https://www.fevad.com/bilan-du-e-commerce-en-2020-les-ventes-sur-internet-atteignent-112-milliards-deuros-grace-a-la-digitalisation-acceleree-du-commerce-de-detail/

[13] PMR Market Experts at COVID-19 epidemic expected to lead to record growth of e-commerce market in 2020 - PMR Market Experts

[14] Il Sole 24 Ore at https://www.ilsole24ore.com/art/e-commerce-17percento-2019-ma-coronavirus-stravolge-settore-ADA4HcR?refresh_ce=1

[15] E-Commerce Europe Association survey at https://www.ecommerce-europe.eu/wp-content/uploads/2021/01/Coronavirus-Survey-Report-January-2021.pdf

Development of the European pet supplies market

According to management's most recent estimate as of the end of financial year 2020, the European pet supplies market comprised a net volume of EUR 28 bn to EUR 29 bn[7]. The primary sales channels for pet supplies in all European countries are bricks-and-mortar pet supply stores, garden and DIY stores as well as classic supermarkets and discounters. The main differences between the individual bricks-and-mortar retail concepts in the pet supplies sector are their range of products and product positioning. While large supermarkets and discounters generally limit themselves to a peripheral range of around 150 to 200 product variants on a small-scale and usually in low-priced food areas, larger pet store chains cover a complete range of products in the areas of food (entry price level to premium) as well as accessories (including toys, care products, pet furniture and technology). zooplus sees its relevant market segment as classic specialist stores as well as the related specialist store product areas in the supermarket segment.

According to the Group's estimate, the online penetration of the pet supplies segment was approximately 17% of the total market in 2020, which is still relatively low compared to other product categories. Overall, zooplus continues to expect a continued increase in online penetration in the category in the years ahead, which will also lead to an increase in market volume in the e-commerce segment. zooplus is therefore very well positioned as the European online market leader[5] in the pet supplies segment to continue to benefit from these sustainable shifts in the existing distribution and retail structures.

In 2021, the Management Board of zooplus AG expects the pet supplies category to grow by around 5% in Europe. In the company's view, the changes in the market are being driven by an increasing pet population, a shift in the sales spectrum towards higher-quality products and categories within the areas of food and accessories ("premiumization") and the sustained and further increasing "humanization" of pets.

The pet supplies market has very little seasonality due to recurring demand patterns, especially in the pet food segment. At zooplus, for example, around 86% of total demand at zooplus consists of pet food, leading to the Group's assessment that the pet market has a stable medium and long-term demand structure.

Business performance of the Group

Previous year's 2020 guidance

With the publication of the 2019 Annual Report on March 25, 2020 and the last update on October 15, 2020, the Group communicated the following guidance for the 2020 financial year based on the assumption that the further impact of the corona pandemic on both the overall economic situation and the Group's situation would not deviate significantly from the extent known at that time:

- Sales in the range of EUR 1.770 bn to EUR 1.810 bn, corresponding to year-on-year sales growth of 16% to 19%
- Operating profitability, measured by earnings before interest, taxes, depreciation and amortization (EBITDA), in the range of EUR 50 m to EUR 65 m

The Management Board communicated the following expected development of key indicators for the results of operations, net assets and financial position with the publication of the 2019 Annual Report on March 25, 2020:

- Gross margin (relative to sales) at the level of the previous year
- Growth in 2020 financed entirely from free cash flow (positive free cash flow)
- Maintain the market leadership position in online retailing of pet supplies measured by sales
- Continue the trend towards a stabilization in the revenue retention rate
- As in previous years, growth remained the priority in 2020, with a focus on sustainable and future profitable growth.

Actual performance in the 2020 financial year compared to previous year's guidance

Sales in the 2020 financial year increased to EUR 1,802 m, corresponding to an absolute growth of EUR 278 m. The percentage increase in sales was 18%, which was at the upper end of the target corridor of the sales guidance of EUR 1.770 bn to EUR 1.810 bn, for a year-on-year sales growth rate in the range of 16% to 19%. The company was able to finance its growth from its continued positive free cash flow. At the end of the financial year, free cash flow was EUR 69.7 m (2019: EUR 24.9 m), underlining the company's strong cash generation. The revenue retention rate, adjusted for currency effects, as an indicator of customer loyalty, was 99%, which was significantly above the previous year's level of 91%.

The Group's EBITDA reached EUR 63.3 m in the 2020 financial year and was also at the upper end of the target corridor of the earnings guidance for EBITDA in the range of EUR 50 m to EUR 65 m.

The gross margin was above the expectations set at the beginning of the financial year, reaching a level of 30.4% for full-year 2020 (2019: 29.0%).

The company maintained its position as the market leader[5], measured by sales, in the European online retailing of pet supplies.

Group's results of operations, financial position and net assets

The following chapter describes the zooplus Group's results of operations, financial position and net assets in accordance with IFRS. The zooplus Group's performance essentially mirrors that of zooplus AG. zooplus AG is discussed separately in chapter "zooplus AG (according to HGB)".

Results of operations

Development of sales, other income and own work capitalized

zooplus continued its growth trajectory in the 2020 financial year. Sales in comparison to the 2019 financial year increased by EUR 278 m or 18.2% to EUR 1,802 m (2019: EUR 1,524 m). This development was driven mainly by an increase in the average sales per existing customer in combination with a positive development in new customer business, both also supported by a robust demand in the pet supplies category across all regional markets. zooplus continued to consolidate its position as the European market leader[5] in the online retailing of pet supplies, measured by sales and customer base, in the past financial year. The Group followed a quality-oriented approach to acquire new customers during the 2020 financial year. The changes made at the beginning of the year to improve customer loyalty also contributed to the positive development of sales growth.

Sales of own brands in the food and litter segment developed particularly well. In the past financial year, this segment recorded an increase of 33.7%, which was significantly higher than the overall growth of food and litter sales. This brought up the share of this high-margin product range in relation to the total sales of food and litter to 18% (2019: 16%).

The strong loyalty and increase in the average sales per existing customer during the 2020 financial year yielded a record currency-adjusted revenue retention rate of 99% at the end of 2020; once again highlighting the sustainability of the business model.

The development of sales overall clearly shows that zooplus, as the online market leader in pet supplies[5], continues to benefit from a migration of demand away from traditional bricks-and-mortar retail sales channels to online retailing. With double-digit growth across all regional markets, the strategic market position has been strengthened and, in the Group's opinion, provides an excellent basis for further growth.

In addition, zooplus generated other income of EUR 5.0 m in the 2020 financial year (2019: EUR 5.0 m). Due to the continuous focus on the expansion and improvement of the proprietary software platform, the Group recorded own work capitalized of EUR 1.1 m (2019: EUR 2.1 m).

Expense items

The following chapter provides a brief overview of the development and amounts of the key expense items. Please refer to the consolidated financial statements and the notes to the consolidated financial statements for detailed figures. All of the percentages provided in the following section are approximate figures and may be subject to slight rounding differences compared to the figures presented in the consolidated financial statements. The expense items are stated as a ratio of sales, which is the key performance indicator.

Cost of materials

The cost of materials increased at a rate slightly below that of sales. The gross margin amounted to EUR 546.8 m compared to EUR 441.6 m in 2019. The proportionately lower rise was reflected in a gross margin of 30.4% (2019: 29.0%). The gross margin development during the past financial year was positively supported, above all, by an optimization in the product sales mix as part of the earnings management strategy. This included further disproportionately stronger growth in own brand sales and an increased focus on profitable sales and customers. As a result, zooplus could continue to offer customers an attractive combination of pricing and product promise during the 2020 financial year, taking into account the competitive situation, and further expand the company's market-leading position in Europe.

Personnel expenses

Personnel expenses increased from EUR 55.3 m in 2019 to EUR 67.5 m in the 2020 financial year, corresponding to a slight rise in the personnel expense ratio to 3.7% (based on sales; 2019: 3.6%) compared to the previous year. The percentage increase in personnel expenses compared to the previous year was a result of one-off costs in the context of personnel adjustments and higher expenses for variable remuneration in connection with better business performance. Herein included are also one-off bonus payments as part of the corona personnel strategy. In the 2020 financial year, excluding the Management Board, the Group employed an average of 768 people (previous year: 713).

Impairments on financial assets

Impairments recognized on financial assets amounted to EUR 3.7 m in the 2020 financial year (2019: EUR 4.1 m).

Logistics and fulfilment 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 18.1% in the reporting year, compared to 18.3% in the previous year. As a result of the corona pandemic, the Group's efficiency in the logistics area declined, mainly due to the addition of capacities in the transport and fulfillment area and more cost-intensive load distribution within the logistics network. In contrast, a higher value per box had a positive effect on the logistics cost ratio, which more than compensated for price increases by parcel service providers and the aforementioned efficiency losses.

Marketing expenses

Marketing expenses are driven first and foremost by the acquisition of new customers in all European markets. New customer acquisitions take place mainly in the area of online marketing, where the effectiveness of individual campaigns can be measured continuously, providing an opportunity to adjust individual activities accordingly. This is true for the entire spectrum of search engine optimization and marketing via affiliate marketing to other online partners, as well as for online direct marketing. In the 2020 financial year, marketing expenses recorded a significant year-on-year decrease of 1.8 percentage points relative to sales (FY 2020: 1.5%; FY 2019: 3.3%). In terms of new customer acquisitions, the Group continued on a quality-driven path since the beginning of the year, increasing the volume of sales from repeat new customers by 17%, measured as of the second transaction. Marketing expenses were targeted and, on the whole, 47% below the prior year's level. As a result, zooplus was able to substantially increase its marketing efficiency and, at the same time, sustainably boost its growth based on improved customer quality. These successes underscore not only the appeal of the zooplus product range and customer proposition but also the Group's more focused strategy to acquire high-yielding new customers.

Payment transaction expenses

Payment transaction expenses relative to sales remained stable at 0.8% (2019: 0.8%).

Other miscellaneous expenses

Other miscellaneous expenses include expenses incurred primarily in the areas of customer service, office rentals, general administrative costs, technology costs and other expenses in the ordinary course of business. At 2.5% of sales in the 2020 financial year, other miscellaneous expenses were above prior year (2019: 2.3%).

Depreciation and amortization expenses

Depreciation and amortization expenses amounted to EUR 31.3 m in the 2020 financial year (2019: EUR 26.3 m) and resulted largely from depreciation of right-of-use assets in connection with leases accounted for under IFRS 16. These related primarily to rental and similar expenses in the area of logistics infrastructure and general business operations in the amount of EUR 22.8 m (2019: EUR 20.3 m). Depreciation and amortization also included extraordinary amortization of intangible assets in the amount of EUR 1.9 m (previous year: EUR 0.0 m).

Financial expenses

At EUR -1.3 m, the financial result in the 2020 financial year was close to the previous year's level of EUR -1.4 m. Of this amount, EUR -1.1 m (previous year: EUR -1.2 m) concerned interest expenses in connection with the application of IFRS 16.

Earnings development

In summary, zooplus achieved operating profitability measured by earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 63.3 m in the 2020 financial year. The Group thus recorded a significant increase of EUR 51.5 m compared to the previous year. The main drivers responsible for this increase were the significant increase in the gross margin from improvements in the steering of the product sales mix and cost efficiency gains in the area of marketing (advertising expenses). In addition, a high level of logistics efficiency was maintained despite the crisis-plagued environment. The increase in operating profitability also drove the improvement in the EBITDA margin to 3.5% for the 2020 financial year, compared to an EBITDA margin of 0.8% in the 2019 financial year. Earnings before taxes (EBT) amounted to EUR 30.7 m (2019: EUR -15.9 m), which marked a significant improvement over the previous financial year.

Overall, zooplus achieved a consolidated net profit of EUR 18.9 m (previous year: EUR -12.1 m). A tax charge of EUR 11.7 m in 2020 had a negative impact compared with the previous year (2019: tax benefit of EUR 3.8 m). Total comprehensive income of EUR 20.8 m (previous year: EUR -12.3 m) differed from the consolidated net profit by the amount of the hedge reserve of EUR 0.2 m and the difference from currency translation of EUR 1.7 m.

Financial position

The Group continually monitors its liquidity position by means of liquidity planning. The Group's goal is to maintain a balance between continually covering its financial needs while ensuring its flexibility utilizing overdraft facilities and loans. zooplus uses cash pooling techniques, in some cases across borders, to effectively manage the Group's liquidity. Any remaining short-term liquidity spikes are offset using overdraft facilities.

The positive cash flow from operating activities totaled EUR 74.4 m for 2020, compared to EUR 28.1 m in 2019. The positive operating result had a positive impact on the development of the cash flow.

Negative cash flow from investing activities (EUR -4.7 m in 2020 compared to EUR -3.2 m in 2019) resulted from investments in hardware and software components in the form of purchases and investments in internally generated intangible assets and operating and office equipment.

Cash flow from financing activities (EUR -23.6 m in 2020 compared to EUR -20.1 m in 2019) mainly includes the repayment of lease liabilities in the amount of EUR 23.1 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.

The overall changes in cash and cash equivalents during the year were primarily the result of the company's positive earnings development and further improvements in working capital.

The available liquidity based on the Group's available lines of credit significantly exceeded the level required to secure business operations at all times. In the 2020 financial year, zooplus was able to meet all of its payment commitments at all times.

Capital resources

zooplus AG has access to flexible credit lines totaling EUR 70.0 m with five independent credit institutions without the need to provide collateral. There were no liabilities to credit institutions at the end of 2020.

For the existing credit lines of EUR 70.0 m, there are covenants in the form of minimum equity of EUR 100 m and an EBITDA of more than EUR 25.0 m. These covenants are based on the consolidated financial statements according to IFRS. The Management Board expects to continue to meet the terms of these covenants in the coming year.

Net assets

Non-current assets totaled EUR 102.2 m as of the 2020 reporting date and were slightly below the previous year's figure of EUR 102.9 m. While there was an increase in the right-of-use assets of EUR 6.3 m, mainly due to the exercise of extension options for the warehouse logistics centers in Antwerp, Belgium, and Chalon-sur-Saône, France, and the lease agreement for zooplus AG's headquarters in Munich, there was a decrease in intangible assets of in total EUR 5.6 m, mainly due to scheduled depreciation and amortization, as well as to impairments of EUR 1.9 m. Deferred tax assets also recorded a year-on-year decline of EUR 3.2 m, from EUR 3.6 m to EUR 0.4 m. This decline resulted from the utilization of all tax loss carryforwards.

In the reporting year, the zooplus Group recognized own work capitalized of EUR 1.1 m (2019: EUR 2.1 m) and amortization of internally generated intangible assets of EUR 2.7 m (2019: EUR 2.0 m). Only an insignificant amount of research cost was incurred.

Within current assets, inventories increased sharply by EUR 39.0 m compared to the previous year to EUR 156.7 m. This rise reflected the targeted focus on general product availability in periods of robust demand for pet supplies. zooplus maintains close communication with its suppliers to ensure continued general product availability.

Accounts receivable amounted to EUR 30.3 m at the end of 2020 (previous year: EUR 27.7 m).

Other current assets increased to EUR 63.8 m as of December 31, 2020 compared to EUR 47.7 m as of the end of 2019 due to a higher number of claims against suppliers for marketing services and the higher number of creditors with debit balances as of the reporting date.

Cash and cash equivalents at the end of the 2020 financial year amounted to EUR 109.8 m, an increase of EUR 45.5 m compared to the previous year's figure of EUR 64.3 m. This rise resulted primarily from the increase in the operating result.

Equity at the end of 2020 totaled EUR 123.9 m, compared to EUR 100.8 m at the end of 2019. This increase was mainly due to the consolidated net profit of EUR 18.9 m.

The increase in non-current and current lease liabilities as of December 31, 2020, compared to the end of the previous year, is due to the exercise of extension options described under non-current assets and the corresponding recognition of lease liabilities. In total, an amount of EUR 64.5 m is reported as non-current lease liabilities and EUR 24.2 m as current lease liabilities.

Accounts payable increased to EUR 148.9 m at the end of 2020 compared to EUR 125.1 m at the end of 2019, mainly due to the rise in purchasing volume and better payment terms with suppliers.

Contract liabilities of EUR 31.5 m were significantly higher than at the end of the previous year (previous year: EUR 14.0 m), mainly due to investments in existing and new customer loyalty programs. A total of EUR 2.3 m of the contract liabilities are recognized as non-current.

Other current liabilities consisted primarily of value-added tax liabilities.

The maturity structure of accounts payable and other liabilities was consistently in the short-term range of less than one year. This was mainly due to the nature of the most important liability items (accounts payable and VAT liabilities).

In the 2020 financial year, the company used derivative financial instruments in the form of forward exchange contracts to hedge foreign currencies that are material for the Group.

The company's total assets at the end of the reporting period amounted to EUR 463.2 m, compared to EUR 361.0 m as of December 31, 2019. This sharp increase was mainly due to investments in product availability and an increase in cash and cash equivalents resulting from the operating result.

Overall statement

The sales growth of 18% to a total of EUR 1,802 m and operating profitability of EUR 63.3 m in 2020 were at the upper end of the target corridor of the expectations. Based on continued robust consumer demand in the pet supplies category, sales and earnings accelerated in the course of the year.

At 99%, the currency-adjusted revenue retention rate reached an all-time high in the reporting year. The continued trend in 2020 towards stabilizing and improving the gross margin is also worth noting. The Group's overall development in 2020 is a validation of zooplus' strategic approach of focusing on expanding its market position and exploiting the tremendous market potential. It is also important to emphasize that this continued high overall growth was financed entirely from the company's positive free cash flow.

Against the backdrop of the continued dynamic growth, the current liquidity situation, and zooplus' position as the European online market leader[5] in the pet supplies category, the Group believes it is very well equipped to finance robust growth in the coming year, as well as the related effects on its working capital.

zooplus AG (according to HGB)

i. Corporate structure and business activities

zooplus AG, headquartered in Munich, is the parent company of the Group and, as such, is responsible for the strategic corporate management and control of the Group's subsidiaries. The development of zooplus AG, by far the largest operating group company, largely reflects the development of the Group as a whole. The Group's financial and non-financial performance indicators also apply to zooplus AG. zooplus AG prepares its annual financial statements and management report in accordance with the provisions of the German Commercial Code (HGB).

ii. Results of operations

Sales and other operating income

In the past financial year, zooplus AG was able to increase its sales by 19.6% compared to the previous year. Sales in 2020 increased from EUR 1,550.1 m in 2019 to EUR 1,853.7 m and reflect the sale of merchandise to customers as well as customary marketing refunds and sales of merchandise to subsidiaries.

Other operating income in the 2020 reporting period increased from EUR 38.6 m in the prior year to EUR 44.7 m. Relative to sales, other operating income was 2.4% and slightly below the previous year's level of 2.5%. Other operating income mainly consisted of costs passed on to subsidiaries, currency gains and reversals of provisions.

The following chapter provides a brief overview of the most important expense items in terms of their amount and development. All percentage figures in the following chapter are approximate values and may be subject to minor rounding differences compared to the figures in the annual financial statements. The expense items are stated as a ratio of sales.

Cost of materials

The company's cost of materials in the reporting year increased from EUR 1,158.4 m to EUR 1,354.8 m and, relative to sales, at a lower rate of year-on-year 17.0%. The cost of materials ratio reached 73.1% in 2020, an improvement of 1.6 percentage points compared to the previous year (74.7%). As a result, the company's gross margin increased to 26.9% (2019: 25.3%).

Personnel expenses

Personnel expenses rose from EUR 36.8 m in 2019 to EUR 43.6 m in 2020, resulting in a stable personnel expense ratio (relative to sales) of 2.4% compared to the previous year. The average number of employees during the year, excluding the Management Board, was 419 (previous year: 411).

Depreciation and amortization

At EUR 3.4 m, expenses for scheduled depreciation and amortization in the 2020 financial year were slightly lower than in 2019 (EUR 3.5 m). Impairments amounted to EUR 1.9 m in the 2020 financial year (previous year: EUR 0.0 m).

Other operating expenses

Other operating expenses increased in the reporting period compared to the same period last year from EUR 395.6 m to EUR 454.4 m. Other operating expenses mainly consisted of expenses for logistics/fulfillment, marketing and payment transactions. At 24.5%, their percentage share of sales was below the level of the previous year (2019: 25.5%).

Profit and loss transfer agreements

In the 2020 financial year, income from profit transfer agreements amounted to EUR 0.3 m (previous year: EUR 2.2 m) and expenses from loss transfer agreements to EUR 4.2 m (previous year: EUR 9.1 m).

Results

In the 2020 financial year, zooplus AG achieved earnings after taxes of EUR 29.1 m compared to EUR -11.2 m in the previous year and a net income for the year of EUR 28.5 m (previous year: EUR -11.8 m).

iii. Net assets

Non-current assets declined to EUR 8.6 m in the 2020 financial year, compared to EUR 10.9 m as of December 31, 2019. In addition to scheduled depreciation and amortization, this decline resulted from impairments on intangible assets in the amount of EUR 1.9 m, slightly offset by additions in connection with a conveyor system.

Within current assets, inventories increased from EUR 112.6 m at the end of 2019 to EUR 152.4 m, reflecting the targeted focus on general product availability in periods of robust demand for pet supplies. zooplus maintains close communication with its suppliers to ensure continued general product availability.

Accounts receivable reached a net amount of EUR 27.3 m at the end of 2020 (previous year: EUR 25.0 m). In the 2020 financial year, fully impaired accounts receivable of EUR 2.9 m (previous year: EUR 2.6 m) were derecognized.

Cash and cash equivalents increased year-on-year by EUR 40.5 m to EUR 94.2 m at the end of the 2020 financial year. The increase was mainly due to the operating result.

Equity totaled EUR 116.7 m at the end of 2020, compared to EUR 88.1 m at the end of 2019. The increase was mainly due to net profit for the year and the accompanying retained earnings.

Other provisions increased from EUR 38.2 m in the previous year to EUR 57.9 m at the end of the 2020 financial year. This increase was mainly due to a rise in provisions for outstanding invoices in connection with the increased purchasing volume and a provision for levies still to be paid.

Accounts payable amounted to EUR 111.2 m as of December 31, 2020, compared to EUR 91.0 m at year-end 2019. The increase is mainly due to the growth of the company and improvements in payment terms with suppliers and service providers.

In the 2020 financial year, the company used derivative financial instruments in the form of forward exchange contracts to hedge the currencies significant for the company.

Other liabilities in the reporting period increased from EUR 20.8 m at the end of 2019 to EUR 29.3 m as of December 31, 2020 and mainly concerned VAT liabilities.

The maturity structure of the liabilities was consistently in the short-term range of less than one year.

The company's total assets amounted to EUR 347.1 m at the end of the reporting period, compared to EUR 264.7 m as of December 31, 2019.

iv. Financial position

Cash flow from operating activities totaled EUR 43.8 m in 2020 compared to EUR 2.6 m in 2019 largely due to the net profit for the year.

Cash flow from investing activities of EUR 2.9 m in 2020 compared to EUR 0.0 m in 2019 was influenced by investments in hardware and software components in the form of purchases and investments in internally generated intangible assets and investments in operating and office equipment.

Cash flow from financing activities (EUR -0.4 m in 2020 compared to EUR -0.7 m in 2019) includes the repayment of loans from affiliated companies and interest paid, partially offset by proceeds under stock option programs.

v. Report on risks and opportunities for zooplus AG

The main opportunities and risks for zooplus AG, as the Group's parent company and only significant operating company in the zooplus Group, are reflected in the Group's opportunities and risks described in the Report on risks and opportunities. zooplus AG is integrated into the Group-wide risk management system. The description of the internal control system as required by Section 289f (1) of the German Commercial Code (HGB) is provided in chapter "key features on the internal controls and risk management system as part of the (Group) accounting process".

vi. Outlook for zooplus AG

The expectations described in the Report on the outlook for the zooplus Group also apply to the development of zooplus AG as the parent company of the Group.

3. Report on risks and opportunities

Risk report

All entrepreneurial activities involve risk; without risk, there would be no entrepreneurial opportunities. zooplus is exposed to a variety of internal and external risks in the course of its regular business activities, as well as due to its focus on growth and the continual improvement in the company's competitiveness.

zooplus considers risk management to be an essential tool in ensuring that these risks are transparent, evaluated and their handling is considered as part of a well-founded and justified decision-making process. This enables zooplus to assess risks according to the company's risk appetite and to consciously (or partially) take them on, mitigate them, transfer them or eliminate them when possible or necessary.

This risk report does not include opportunities. For a description of the opportunities, please refer to the opportunities report.

Risk management system

In accordance with Section 91 (2) of the German Stock Corporation Act (AktG), the Management Board of zooplus AG has established a risk management system that is a central component of zooplus' corporate governance and, together with the internal control system, compliance, and internal audit, forms a key pillar of corporate governance. It serves to ensure that the principles of good corporate governance are followed and that the legal requirements are complied with. The risk management system and internal controls enable zooplus to identify, analyze and evaluate risks in all areas of the Group and to take appropriate countermeasures. The objective is to promptly identify potential events that could have a negative impact on the company's success or endanger zooplus and to take the appropriate action. A high level of risk transparency across all areas of the company makes it easier to optimize risk and mitigation costs. In addition, risk management is designed to ensure that the Group's financial, operational, and strategic goals are achieved as planned.

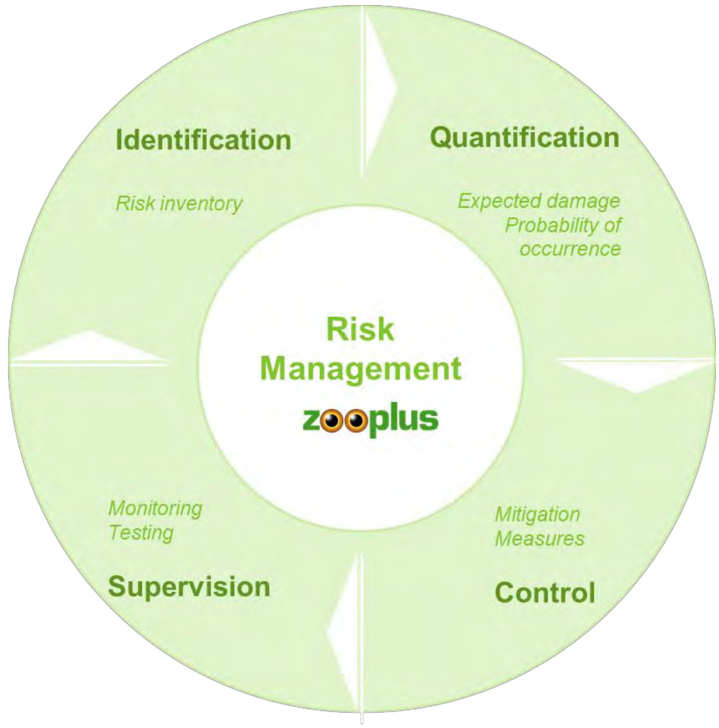
The principles of risk management at zooplus are defined in a policy that regulates the following essential components:

- Structure and processes of the risk management organization
- Key risk terms, calculations, and assumptions
- Documentation and handling of risks within the zooplus Group
- Essential reporting structures and reports

The policy is subject to ongoing review and adjustments, as necessary.

The organization of risk management for the entire Group rests with the parent company and involves dedicated risk officers and risk owners for the individual business units, as well as a central risk manager. The risk officer is responsible for the risks arising in his area. Setting the tone from the top and the active and regular involvement of the Management Board are essential components of the risk culture. The risk owner is usually the person responsible for the operational area. The risk owner prepares and updates the periodic risk reports and coordinates them with the risk officer and reports to the risk manager. The risk manager controls the risk management process and is responsible for the consolidation of the risk reports, the joint analysis of the risks with the risk owner and risk officer and the quarterly risk reporting to the Management and Supervisory Boards.

zooplus' risk process consists of the following four steps:



Material risks are identified and recorded in the risk inventory, which, in addition to the subject of the risk, also records its financial impact and probability of occurrence (quantification), as well as necessary measures (control). Only significant risks (financial impact of at least EUR 1 m in relation to EBITDA) that represent a negative deviation from the plan are recorded in risk management. The assessment of the risks is carried out against the respective valid 12-month plan. Potential (currently not relevant) risks are recorded on a watch list for further observation outside the risk inventory. In addition, ad hoc reporting criteria are defined that trigger an immediate unscheduled risk report to the Management Board and the risk officers concerned. The product of financial impact and probability of occurrence results in the assessed risk from which the risk categories are derived.

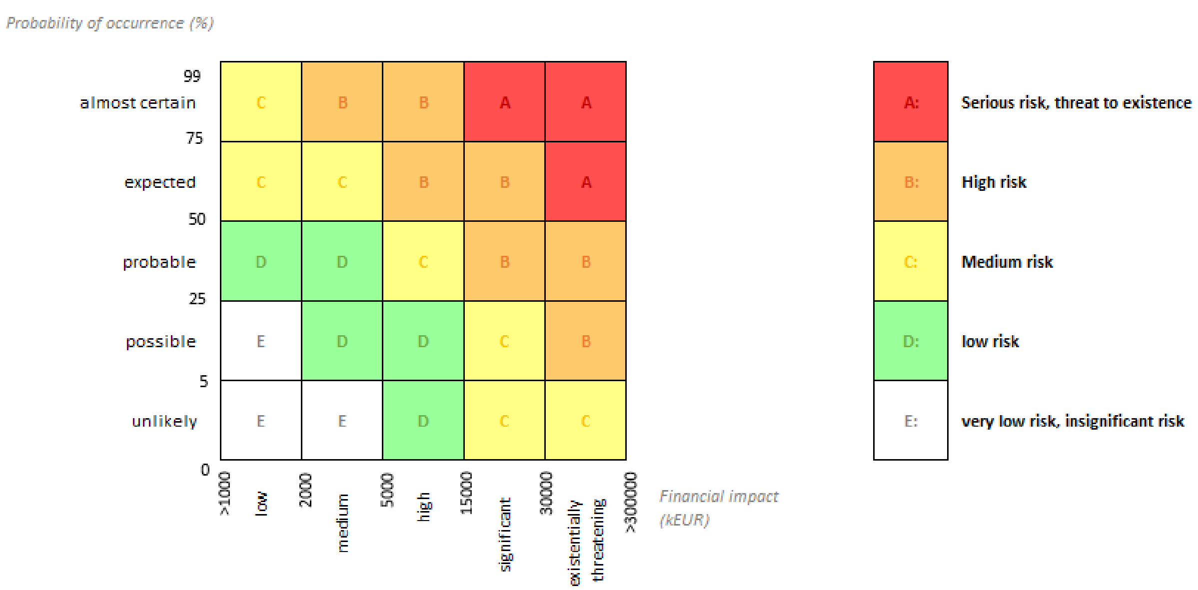
The probability of occurrence is determined along the following categories:

Description	Probability (%)
Risk does not exist	0
Risk exists, occurrence unlikely	> 0 to 5
Risk exists, occurrence possible	> 5 to 25
Risk exists, occurrence probable	> 25 to 50
Risk exists, expected to occur	> 50 to 75
Risk exists, occurrence is almost certain	> 75 and < 100

The risk management system classifies individual risks into the following five categories according to the potential damage:

Category	Description	Financial impact (kEUR)
Low	No noticeable impact on net profit/loss for the period	1,000 to 2,000
Medium	Negative impact on net profit/loss for the period	> 2,000 to 5,000
High	High negative impact on net profit/loss for the period	> 5,000 to 15,000
Significant	Significant negative impact on net profit/loss for the period	> 15,000 to 30,000
Existentially threatening	Risks that could endanger the existence of the company as a going concern	> 30,000

The combination of financial impact and probability of occurrence results in the following matrix.



Risk management and risk monitoring are carried out on the basis of these findings. These include all measures to influence the risk situation, which result in a reduction of the probability of occurrence or the potential financial impact to an acceptable level. Optimal risk management reduces the assessed risk and secures the company's value.

A regular internal audit ensures the adequacy of the risk management system.

zooplus revised its risk management system in the second half of 2020 to increase the efficiency and quality of risk management. This update and related changes were implemented because of zooplus' strong growth over the past year, not only in terms of sales but also regionally and in relation to its product portfolio and organizational structures.

The corporate governance organization of zooplus was further expanded through leadership positions in risk management, compliance, data protection, internal audit and information security. The strengthening of corporate governance and the changes in the responsibilities of the Management Board resulted in a restructuring, transfer and detailing of risks.

Risks

In 2020, the risk categories were further detailed to achieve a more efficient allocation of risks and mitigation measures to the responsible areas. While strategic risks and financial risks were retained as risk categories, operational risks were broken down into the following areas in order to define responsibilities more clearly:

- Sales risk
- Procurement risk
- Logistics risk
- Personnel risk
- Compliance risk
- IT risk

At zooplus, all significant risks are recorded in the risk inventory and are subject to constant monitoring and control by the risk owner, risk officer and risk manager. The focus of the management report is to present the greatest risks deemed as significant and therefore covers only a portion of the zooplus risk inventory.

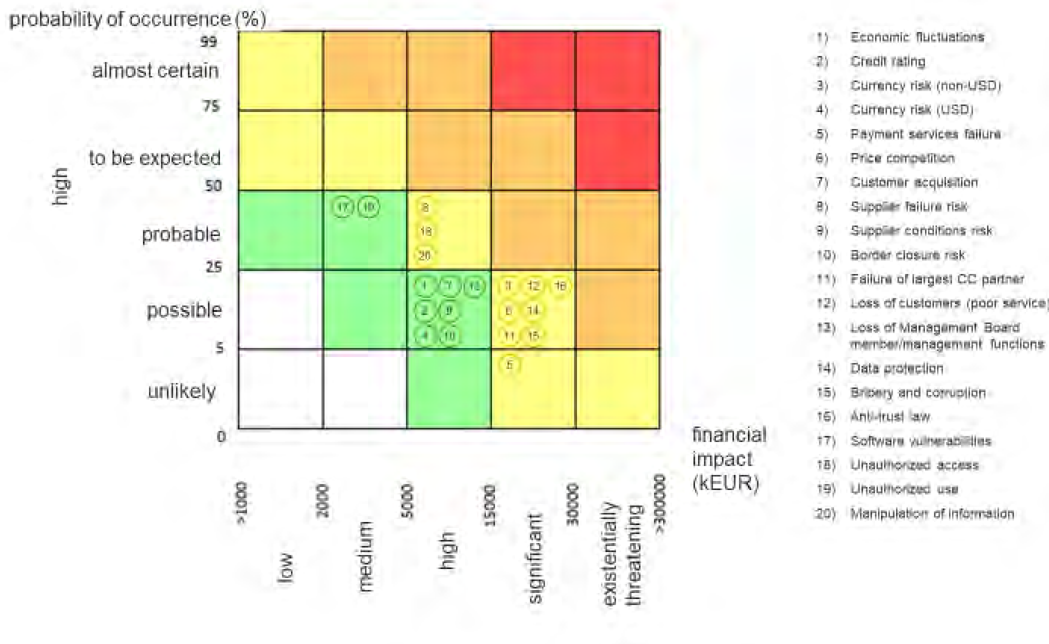
Specific external factors in 2020 such as Brexit, the corona pandemic and the Wirecard insolvency continue to contribute to changes in the zooplus risk inventory. The ongoing risks in connection with the novel coronavirus for the various corporate divisions, for example, were changed to a cluster risk in the second half of the year. The company's continued growth also led to a reassessment of numerous risks.

An overview of the current top risks is shown in the following table:

Category 2019	Category 2020	Material risks 2020		Material changes
Strategic risks	**Strategic risks**	• Economic fluctuations • Credit rating	↗	Increase in risk due to COVI-19 pandemic
Financial risks	**Financial risks**	• Currency risk (non-USD) • Currency risk (USD) • Payment services failure	↗	Increase in risk related to payment service providers due to Wirecard insolvency
Operational risks	**Sales risks**	• Price competition • Customer acquisition	↗	Higher importance due to company's continued growth
	Sourcing risks	• Supplier failure risk • Supplier conditions risk • Border closure risk	↗	Increase in sourcing risks due to COVID-19 pandemic
	Logistics risks	• Failure of largest CC partner • Loss of customers (poor service)	↗	Higher importance due to company's continued growth and COVID-19 pandemic
	HR risks	• Loss of Management Board members / senior executives	↗	Increase in risk after loss of several key roles in 2020
	Compliance risks	• Data protection • Bribery and corruption • Anti-trust law	↗	Additional and higher risk together with expansion of corporate governance
	IT risks	• Software vulnerabilites • Unauthorised access • Unauthorised use • Manipulation of informationen	↗	Increase in estimated risk after introduction of new systems and alignment with ISO 31000

*Direction of arrows show the development compared to the previous year's level; for comparability with previous year's figures, the breakdown of the risk categories and risks from the 2020 financial year was applied to the 2019 financial year

These risks are categorized in the zooplus risk matrix as follows:



Note on the graphic: Numeration of risks from 1 to 20 is for presentation purposes only and does not reflect the materiality of the risks

Risks in connection with the novel coronavirus and Brexit are combined and presented in chapter 9 (Cluster risk coronavirus). zooplus is currently not aware of any category A and B risks.

i. Strategic risks

Average order size and repurchase behavior could change negatively in more difficult economic phases:

In 2020, the corona pandemic resulted in financial burdens on public budgets, increased short-time work schedules, a rising number of insolvencies and the higher likelihood of a health crisis, reduced economic output and recessions in Germany and other European countries. In a recessionary environment, the buying behavior of existing and newly acquired customers may change to the disadvantage of the company. If customers refrain from purchasing non-essential non-food products or switch to cheaper alternative products or suppliers, this may have an overall negative impact on zooplus.

zooplus was able to substantially increase its revenue retention rate in the 2020 financial year and gain customers in all key European markets. zooplus was also able to win-over customers with its combination of a broad product range and continual product availability at competitive prices combined with easy and convenient processing. These factors speak for the sustained attractiveness of the business model, even in economically difficult times. The growing appeal of online retailers versus classic offline retailers during the pandemic also opened up the added potential for new customers and sales for zooplus from the possible shift from offline to online business.

A deterioration in the equity ratio can lead to a lower credit rating and higher costs:

Balance sheet equity is essential for companies, as a high equity ratio stands for economic stability and entrepreneurial independence from investors. With a declining equity ratio, the company's rating and, thereby, its creditworthiness declines, which can lead to higher rates of interest. Equity ratios are highly relevant for investors, banks, rating agencies and shareholders. The strong corporate growth of zooplus may trigger additional financing requirements that, combined with relatively new accounting methods (especially for leasing), may lead to a reduction in the equity ratio. With increasing reluctance on the part of debt capital investors due to the novel coronavirus, this may increase the risk that the provision of capital to continue the planned growth would come at a higher cost.

zooplus plans its additional financing from a strategic standpoint in order to ensure that there is sufficient liquidity for future growth. To accomplish this, the Group employs a multi-bank strategy so that business policy decisions or crisis situations at banks will have little influence on the provision of debt capital. In addition, the company is improving its working capital through ongoing optimization and efficiency enhancement measures and seeking to finance long-term working capital through bank consortiums.

ii. Financial risks

The primary financial instruments used by the Group include bank overdrafts, accounts receivable, forward exchange contracts, cash and short-term deposits. The main purposes of these financial instruments are to continuously cover cash requirements and ensure financial flexibility. The Group also enters into derivative financial instruments to hedge foreign currency risks.

Currency risk (USD and non-USD):

The Group operates internationally and is, consequently, subject to currency risk based on changes in the exchange rates of various foreign currencies – primarily the US dollar, British pound, Swiss franc, Norwegian krone and all other foreign currencies in the European Union. Currency risk arises from expected future transactions, recognized assets and liabilities.

The Group hedges foreign currency risks from expected future transactions, recognized assets and liabilities through forward exchange transactions entered into by the Group's finance department. The Group is increasingly trying to limit this currency risk by purchasing products and services locally in foreign currency regions. Exchange rate risk occurs when future business activities, recognized assets or liabilities are recorded in a different currency than the Group's functional currency. The Group's risk management policy is to hedge between 0% and 80% of the expected net exposure (foreign currency sales and purchases of goods in foreign currencies). As of the December 31, 2020 reporting date, forward exchange contracts were concluded for currency risk for all of the company's material currencies. The expected transactions that are settled via hedging instruments meet the hedge accounting criterion of "highly probable" forecast transaction. In addition, management has issued a policy that defines how to effectively manage currency risk against the functional currency.

Dependence on payment service providers can lead to payment system failures:

As an e-commerce company, zooplus uses payment service providers to process payment transactions. The failure of a payment service provider can lead to delays in incoming payments, subsequently to delayed delivery of goods and to increased customer dissatisfaction. After the emergence of the fraud case at Wirecard AG in the 2020 financial year, zooplus stopped all transactions with Wirecard AG with immediate effect in order to prevent the risk of payment defaults. This led to an increase in transactions with the remaining payment service providers and increased the dependency risk of zooplus.

It is a basic principle of strategic corporate management to reduce dependencies on individual companies in order to lower risks. zooplus pursues the strategy of mitigating this risk by connecting several payment service providers.

iii. Sales risks

Should price competition intensify along with a general decline in price levels, this could have a negative impact on zooplus in terms of operating margins:

As an online retailer, zooplus operates in an intensely competitive market. Next to product and brand strategies, price is a key competitive factor. Suppliers could increase the prices they charge zooplus beyond their usual level. Should it not be possible to pass on these price increases to a sufficient extent, this could have a negative impact on margins. In addition, competing online and offline retailers that expand their online retailing activities could turn up competitive price pressure.

zooplus has defined appropriate measures to mitigate price increases in its terms and conditions. The reporting and monitoring of prices and of market developments in raw materials and labor costs, for example, ensure greater transparency and increase the effectiveness of mitigation measures. Continuous negotiations with suppliers secure the Group's competitiveness. zooplus' position as the market leader[5], with high sales volumes in Germany and Europe, offer it a significant advantage in this regard. zooplus pursues a variety of pricing strategies that secure the company's success through a diversified portfolio in the low-price segment, but also in the medium- to high-price segments, and more importantly, through its own brands. It is a logical assumption that at least a certain proportion of the price increases can be passed on to customers. Effective customer loyalty programs strengthen customer loyalty to the company and reduce the potential churn resulting from higher prices. Size and economies of scale are also major advantages for zooplus.

Customer acquisition risk:

Marketing and new customer acquisition play a key role in expanding the business. Online marketing is the main channel for new customer acquisitions in order to meet customers where they have direct and easy access to zooplus – on the Internet. The spectrum ranges from classic online advertising, search engine marketing and optimization to affiliate networks, price comparisons and industry-specific online activities. Should customer acquisition costs rise, this would have a negative impact on zooplus' margins.

For zooplus, it is not just the total number of new customers that is important but rather the proportion of new customers who end up becoming long-term regular customers. This means it is crucial for the company to maintain and optimally support its existing customers. zooplus AG's business success is largely based on turning new customers into satisfied regular customers and establishing itself as the main provider of pet supplies to these customers. zooplus uses numerous loyalty programs to ensure that existing customers remain loyal to zooplus over the long term. A continued low ratio of marketing expenses to sales combined with a high level of customer loyalty – measured by the revenue retention rate – point to the high effectiveness of the marketing approach and the high level of customer satisfaction with zooplus' product range throughout Europe.

iv. Procurement risk

The corona border closure risk is presented in chapter 3 "ix. Cluster Risks".

Dependence on individual suppliers can lead to unplanned losses due to default or a change in conditions:

As an online retailer, zooplus procures its goods from a number of important suppliers. If key suppliers are no longer able to deliver due to production problems, delays, insolvency or other reasons, or if deliveries can only be made at less favorable terms, this could have a negative impact on zooplus' product range, customer satisfaction and margins.

The risk of supplier dependency in purchasing is reduced through long-term supplier relationships, diversification and numerous control instruments. zooplus relies on market-significant and reliable partners in its cooperations, as well as on continuous improvement of supplier relationships. Regular coordination and negotiations with our business partners, as well as the early definition of measures, reduce risk and improve conditions for zooplus. The early and short-term involvement of the Management Board in critical issues ensures quick decision-making. The large purchasing volumes by zooplus, based on its current market position, have a positive effect on purchasing prices. zooplus is also focusing on expanding its own brands in order to further reduce dependencies.

v. Logistics

Risks related to coronavirus and Brexit are presented collectively under chapter 3 "ix. Cluster Risks".

An outage of large customer care partners or poor customer service can lead to the loss of customers:

Customer satisfaction is zooplus' top priority. zooplus works with external service partners, such as call centers, to ensure professional customer support. Because zooplus operates as an online retailer, the number of customer contacts is reduced to a few touchpoints, such as the online shop, hotlines and the delivery of goods. If one of our key customer care partners were to be unavailable for a longer period of time, customers may not be served promptly or adequately. Poor service or disappointed expectations at touchpoints could also cause customers to migrate away.

To ensure customer satisfaction, zooplus relies on a combination of long-term and beneficial partnerships as well on limiting dependencies. The Group maintains very long-term and strategic partnerships with its most important customer care partners. Duplicate partners in countries are being expanded to reduce dependencies. To ensure that it continues to meet customer demands, measures for added quality are being introduced, such as a new IT system, to increase transparency at the service level. Internally, improvements were made in the operational control structure and the customer care organization was expanded.

vi. Personnel risks

The loss of board or key management members can lead to efficiency losses:

The current Management Board of zooplus AG consists of Dr. Cornelius Patt (CEO), Andreas Maueröder (CFO) and Dr. Mischa Ritter (COO). All members of the Management Board have been long-term employees at zooplus and have therefore extensive knowledge not only about the company's current situation, but also its history, growth development, expansion, and specifics of the business model. Losses of Management Board members or other key management functions always lead to short- to medium-term losses in efficiency, additional personnel costs and disruptions in the regular business operations. It can also have an impact on investor behavior.

Currently there are no indications for any changes.

vii. Compliance

In the 2020 financial year, zooplus further expanded its corporate governance by adding leadership positions in risk management, compliance, internal audit, data protection and information security. In risk management, this organizational change has resulted in more detailed and newly assigned risks and responsibilities.

The loss or misuse of sensitive data, breaches of data protection regulations such as the GDPR or other data protection breaches can lead to reputational damage, fines and other financial losses:

zooplus is an e-commerce company that collects, stores and processes a variety of data to conduct regular business activities, not only on its own but also in cooperation with service providers. Data includes, for example, employee data as well as customer data such as payment transaction data. Like any company, zooplus is subject to a variety of regulatory requirements regarding the storage, processing and deletion of data, technical and organizational measures as well as information and documentation obligations. As a pan-European company, there are additional country-specific issues such as the transfer of data across external EU borders following Brexit. Regulatory requirements are subject to continuous change. New court rulings need to be applied and must be implemented at the company accordingly. Violations can lead to high reputational damage, fines, sanctions and investigative costs and damage the company in the long term.

The protection of personal data is a top priority at zooplus. Customers trust zooplus to process and protect their personal data. To ensure compliance with data protection regulations, guidelines and procedural instructions, zooplus operates a dual system featuring an internal data protection department and an external data protection officer. zooplus is also supported by external service providers who securely manage payment data and have the appropriate certifications regarding PCI compliance. Training and guidelines help our employees in their daily handling of sensitive data.

Bribery, corruption & anti-trust risks:

zooplus is a pan-European company. In addition to the countless opportunities that arise from its internationality, this also entails additional risks. Conducting cross-border business and an extended supply chain create additional risks of bribery and corruption. The acceptance of unauthorized kickbacks or the granting of benefits to obtain a business advantage are examples of potential compliance violations. If a case of corruption or bribery is detected, this can lead to sanctions, reputational damage and additional costs to the company.

zooplus is the market leader[5] in the online retailing of pet supplies and must therefore also face the risks posed by antitrust violations or price fixing. Examples include illegal vertical agreements with suppliers, concerted practices based on the exchange of information with competitors and abuse of market power. Violations can result in substantial fines, penalties and claims for damages. The value of the company's brand, especially its own brands, can suffer tremendous damage among customers, suppliers, employees and investors and result in lost sales and market share.

Ensuring that employees and business partners always behave in a compliant manner is a key goal of zooplus.

Binding principles are laid down in the Code of Conduct. In the case of the company's own employees and its suppliers a separate Code of Conduct has been established as a guideline for both target groups. Responsible and legally compliant corporate governance, yearly training of the relevant employee groups, in areas such as anti-trust, the dual control principle in the procurement department and a whistleblower system, are examples of measures to reduce compliance risk.

The expansion of corporate governance will continue to lead to an expansion in compliance programs, the measures implemented and in compliance auditing – all of which will take into account the additional compliance requirements that have resulted from zooplus' strong growth.

viii. IT risks

As a technology-driven e-commerce company, zooplus is particularly dependent on the availability, stability, protection and relevance of the IT systems it uses. Disruptions to the online platform, but also to underlying systems such as merchandise management, can have far-reaching consequences for the supply chain. zooplus also processes a large amount of sensitive data, the protection of which must be ensured.

Software vulnerabilities can lead to malfunctions of the software used and security risks:

As a technology-driven company, zooplus uses a variety of software solutions for the online platform, merchandise systems, financial systems, marketing systems and others. After the past several years of strong growth, the underlying software has been expanded, new software has been added and the complexity of the IT system has increased. If software vulnerabilities are not detected in time, this can interrupt or endanger ongoing operations or result in gaps that can be exploited by potential attackers.

zooplus has set up an information system that relays continuous information about vulnerabilities ("threat intelligence"). Patch management ensures that bug fixes for operating systems and platforms, including the zooplus web platform, are promptly installed by the manufacturers and that appropriate network security components are implemented. The software systems are kept up to date and secured through the continuous cycle of "information-removal-monitoring".

Unauthorized access to IT systems can jeopardize the confidentiality, integrity and availability of the systems:

For the purpose of administration, maintenance, remote maintenance, and the use and operation of the IT systems, numerous physical access point and interfaces between the systems are necessary. Without suitable mechanisms for controlling entry, access and admittance, unauthorized access cannot be adequately prevented or detected. If unauthorized access occurs physically or via interfaces such as through the administrative access to the server, the protection of data and systems can no longer be adequately guaranteed. Data quantities, for example, could be stolen or malware could be introduced.

zooplus uses a variety of methods to prevent and quickly detect unauthorized access. One such method is the use of jump servers in exposed areas, which represent a defined access point. Access is monitored via access control systems. Multi-factor access increases the security of the login procedures. Despite well-implemented procedures in this area, a residual risk still exists.

Unauthorized use or administration of equipment or systems:

Through the unauthorized use of devices and systems, unauthorized persons can gain access to confidential information, manipulate data or cause malfunctions which, in the case of administrative rights, can lead to serious damage or the deletion of software and hardware components. Unauthorized use is also conceivable for IT systems with a strong identification and authentication function if the corresponding security features, such as passwords, fall into the wrong hands. Errors can also occur when allocating and maintaining authorizations, e.g., if updates are omitted during the user life cycle (joiner-mover-leaver) and authorizations accumulate.

zooplus regularly reviews the users and the associated authorizations granted. zooplus is also currently in the process of optimizing and automating the assignment and management of existing authorizations.

Manipulation of information:

Information can be manipulated in various ways. Examples include the intentional or unintentional recording of data and changes in content, e.g., in databases. This can result in the incorrect further processing of the data, e.g., the wrong prices could be processed incorrectly by all subsequent processes.

zooplus applies the four-eye principle when entering and changing important types of data. There are also numerous plausibility checks stored in the operating systems to ensure data integrity.

ix. Cluster risks

Coronavirus:

The novel coronavirus was detected in Germany for the first time in January 2020. Its development into a global pandemic has led to numerous changes in process in the operating business during the 2020 financial year, including a change in the work model in an effort to protect the company's own employees. For e-commerce companies such as zooplus, these effects were accompanied by a sharp increase in demand at short notice in times with a high incidence of infection and therefore mean a number of new sales opportunities in addition to the associated risks. The effects of the corona pandemic can affect several areas of the company at the same time or in a staggered manner and are therefore bundled into a cluster risk at zooplus, which distributes the specific risks to the relevant areas.

As a pan-European company, zooplus benefits from the seamless sale of goods across national borders. The effects of the corona pandemic have increased the risk of border delays and closures in Europe. For example, during the first wave of the pandemic, numerous European borders were closed for individual and public transportation, border crossings for goods traffic were limited and additional border controls were introduced. Border closures or additional controls could lead to considerable waiting times not only for the procurement but also for the dispatch of goods and result in sales losses or delays. Suppliers of goods, storage service providers and logistics partners may no longer be available at short notice or only to a limited extent, which can lead to delays and rising costs. A short-term strong increase in demand coupled with the purchase of large quantities of individual products ("hoarding purchases") could also lead to non-availability of goods.

zooplus mitigates risks connected to the novel coronavirus using a variety of measures to ensure the availability of goods for our customers. For example, a strategic crisis management system was set up in the operations department, which develops scenarios and alternative plans that can be used at short notice for issues such as warehouse or hub failures or the overloading of DSPs ("Delivery Service Providers"). The continuous and ad hoc involvement of the Management Board, when necessary, ensures that decisions can be made quickly. The tendency of customers to make hoarding purchases can be recognized right away by our sales team on the basis of early indicators. Such purchases can be reduced by restricting the quantities that can be purchased to ensure the goods are available for everyone. To reduce the risks faced by our own employees, a strict hygiene concept was introduced at the zooplus branches. Employees have also been allowed to work from home as much as possible.

So far, according to the Friedrich Loeffler Institute, there is no evidence that dogs or cats play a role in the spread of SARS-CoV-2. Further developments are being monitored and are currently on the watch list as a potential risk.

In the 2020 financial year, zooplus did not notice any negative effects on earnings from the corona pandemic. As an online retailer, zooplus has benefitted from the associated shift from offline to online shopping and from the short-term rise in demand.

To ensure that the planning uncertainty in connection with the coronavirus risks has been taken into account, these risks have been transferred from the 2020 financial year to the 2021 financial year until a permanent easing of the situation is in sight (e.g., through vaccinations).

Brexit:

The United Kingdom's exit from the European Union may have an impact on sales in the United Kingdom and Ireland:

zooplus is currently benefitting greatly from the European single market and the delivery of its goods without customs restrictions to customers in the countries of the European Union. When the United Kingdom is no longer part of the European single market, this will have an impact on the delivery of customer orders to the United Kingdom and Ireland. zooplus began operating a larger and more automated logistics center in the United Kingdom in the 2018 financial year. As a result, the majority of customer orders are already delivered within the country directly. For zooplus AG, there is a risk of price increases for goods purchased directly in the United Kingdom in connection with Brexit. In addition, for sales in Great Britain, some of the goods will still need to be sourced from the EU in order to meet the demands of customers. In this context, there is a risk of additional expenses due to the introduction of customs duties on imports into the United Kingdom. Furthermore, customer complaints or a decline in the United Kingdom sales may occur due to unforeseeable consequences in connection with Brexit, such as a lack of goods availability, supply bottlenecks or delays in delivery.

In 2020, zooplus set up a dedicated Brexit team to map out the potential effects of Brexit and define the necessary countermeasures in advance. To do this, the team monitors developments in the product range, goods availability and customs processes so that appropriate measures can be taken in a timely manner.

As of January 1, 2021, the United Kingdom is no longer part of the EU single market or the EU customs union. Until the consequences of Brexit are fully foreseeable and can be fully incorporated in the planning, zooplus continues to manage the Brexit risk as a cluster risk.

Opportunities report

Opportunity management

The goals of opportunity management at the Group are to identify and assess the future potential for success at an early stage and to take the measures necessary to seize this potential. Identifying and taking advantage of opportunities are ongoing entrepreneurial tasks that ensure the Group's long-term success.

Dynamic development of the e-commerce market

The trend toward e-commerce at the expense of bricks-and-mortar retail appears to be continuing uninterrupted overall. The year 2020 saw an even greater consumer shift towards online channels as a result of the restrictions in the retail sector due to the corona pandemic.

zooplus believes – as do numerous industry studies – that the annual growth in the e-commerce market is set to continue. zooplus is poised to continue to benefit from this development in the long term due to its leading European market positioning. The Group believes that it will also profit from the progressive consumer shift towards online channels in the grocery sector, which the Group estimates was only around 4% in Europe in 2020.

Market opportunities in the pet supplies segment

According to management's most recent estimate as of the end of financial year 2020, the European pet supplies market comprised a net volume of EUR 28 bn to EUR 29 bn[7]. Growth is expected at around 5% over the next few years. According to the Group's assessment, currently 17% of the market is comprised of online retailing, with a stronger representation of pet supplies in the online segment than in the overarching grocery category. This is another indication of the suitability of the segment – essentially heavy food packages – for online mail order. Consequently, the Group still sees a tremendous growth opportunity in the European region based on the ongoing consumer shift towards online channels coupled with a robust demand for pet supplies.

zooplus' dominant market position in the online retailing of pet supplies in all key European markets has given the company a lead in terms of competition and size compared to other industry-specific online retailers. zooplus believes that the Group can expand this position and generate long-term sustainable earnings. zooplus has the opportunity to take the lead in the overall European pet supplies market (both online and offline) in the years ahead. In the management's opinion, the Group already ranks second among the market players in the overall European market (online + offline) as measured by sales and active customer base.

zooplus is confident that its existing competitive advantage will allow it to permanently maintain its market[5] and cost[5] leadership (based on its own assessment) given its superior operating systems and processes. The company's existing market share, as well as the valuable experience it has gained by entering new markets in individual regions to implement its strategy in the event of subsequent market entry in individual countries of its geographic coverage, as well as its steadily growing and efficient infrastructure, enable it to set up specific barriers to growing competition.

Growing pet population

According to Statista, the number of households in Europe has increased from 70 million in 2010 to 85 million in 2019, a growth rate of about 20%. Particularly in 2020, a year marked by the corona pandemic, a large number of studies indicated that pet ownership is gaining even more popularity, with an increasing number of households choosing to own a pet than in the years before. This has created structural opportunities for the Group, as the market value of this category is just as dependent on the number of pets in Europe.

Structural changes in households in Europe and the humanization of pets

In addition to an increase in single households, an increasingly aging population is also observed in Europe. For both population groups, the need for companionship is increasing, which in many cases is fulfilled by a pet. In this context, the pet is increasingly seen as part of the family. This is accompanied by an increase in the willingness of pet owners to spend money on their pets.

Premiumization in the pet food segment

Additional opportunities are opening up for zooplus stemming from the trend towards the "premiumization" of pet food. The diet of pets, as part of the family, is gaining in importance, particularly when it comes to the right nutritional concept. In the opinion of the Group, a more dynamic development within the specialty trade can be observed. are. With its product portfolio, the Group assumes it is ideally positioned to benefit from this trend. New opportunities for the Group could emerge from the potential to migrate its existing customers from the grocery-type pet food segment to higher-value, higher-margin products in the specialty trade segment. In addition to providing a broad range of information on the product benefits of individual leading specialty store segment brands, the Group can also convince its customers of the high quality of its own brands in line with the motto "more value for money", i.e., more quality for the same amount of money spent.

Differentiation to the competition

Customer proposition

Another opportunity is the differentiation of the Group from the competition through its customer proposition: This includes the product portfolio, the exclusive loyalty programs, and the purchasing and delivery experience.

By strategically steering its product portfolio, the Group is able to reinforce its attractiveness to customers from a product range perspective, for example by covering regional products or products that fall into the so-called "niche category". In addition, the Group retails exclusive own brands in the medium to premium segment. On the zooplus and bitiba shop sites, the Group also offers exclusive loyalty programs, which are designed on the one hand to further strengthen the loyalty of the customer and on the other to leverage additional sales potential with the customer.

In the area of shopping experience, zooplus offers a pleasant digital experience through its minimalist design, which the customer can use seamlessly on multiple channels such as desktop, tablet, mobile web or app. In addition, the Group believes that product availability plays a paramount role in the shopping experience. To this end, the Group aims to keep the product availability rate as high as possible – in the 2020 financial year, this averaged over 95% despite any supply bottlenecks due to corona measures. In order to adapt the shopping experience to the customer as far as possible, the Group also offers different, regional payment options with both shop brands.

In the area of delivery experience, the Group is also well positioned both strategically and operationally: With a network of 11 logistics centers, the delivery reach spans across Europe. The opening of new logistics centers in individual regions provides the Group more opportunity to be even closer to its customers and to further improve the delivery experience in terms of speed. The Group cooperates with at least two different parcel delivery services in each local market alongside its offer to have parcels delivered to pick-up stations. These options give customers a high degree of flexibility when it comes to delivery.

Based on the high level of customer satisfaction and the growing loyalty of existing customers, the Group believes that there is even more potential to be realized in the market to win over more consumers in both the online and offline pet supplies segments based on the zooplus' product promise and convert them into customers.

Technology and data-driven infrastructure

zooplus has a technology infrastructure that has largely been developed in-house and is geared in particular to the pet supplies category. It has been built up and continuously improved over the course of its 20-year history. Technology plays an overriding role in all operational areas: for example, from technology- and data-based inventory management to algorithm-supported control of order fulfillment and shipping to the end customer, which are designed to achieve maximum cost efficiency and customer satisfaction. In addition, the Group has a large amount of information collected over the years in the pet supplies category, which coupled with the internal know-how in data collection, processing and interpretation will be used to provide the customer with the best possible digital shopping experience in the category in Europe. The Group sees further potential in improving the customer proposition and developing further digital products using data-driven business decisions.

The existing infrastructure also facilitates a more rapid penetration of European markets and presents the opportunity for further growth. zooplus also believes that it can realize additional economies of scale in terms of processes and logistics.

Employees and expertise potential

zooplus assumes that the company's key employees are loyal to zooplus and expects that if certain key employees leave it would still be possible in the medium term to find adequate replacements. The company promotes employee loyalty by creating a positive work environment, offering opportunities for training and advanced education, and providing an incentive-based remuneration system. The Group has seen a decline in the fluctuation rate in recent years.

The expertise of highly qualified employees, some of whom have been employed within the Group for an extended period of time, allow Group strategies to be reliably and quickly implemented, particularly when it comes to further expansion and internationalization. The company's management is also able to draw on wide-ranging, enduring and detailed industry know-how.

Overall statement on the risk and opportunity situation

Against the backdrop of the opportunities presented and the positive overall development of the Group, both risks and potential threats appear limited and controllable from today's perspective. Systems and processes in the area of risk management have proven themselves. With the exception of the risks associated with the spread of the novel coronavirus, there has been no significant change in risks and opportunities compared to the previous year. It is not yet possible to predict over what period and to what extent the coronavirus will have a negative impact on zooplus' net assets, financial position and results of operations, or to what extent these will be offset by positive effects. zooplus is continuously monitoring developments in connection with the corona crisis and is working on evaluating the resulting opportunities and risks. From the Group's perspective, there are no individual risks that could jeopardize the continued existence of the company at present or in the foreseeable future. The individual risks do not pose a threat to the continued existence of the Group or zooplus AG as a going concern.

4. Report on the outlook

In the course of the 2020 financial year, the spread of the novel coronavirus that emerged at the turn of 2019/2020 developed into a pandemic with global impact. As a result, economic activity worldwide slowed down significantly, and a recession became apparent. The approval of a vaccine at the end of 2020 and the resulting expectation that the situation in Europe will normalize provides hope of an economic recovery. According to the latest economic forecasts, the overall economic outlook for 2021 is optimistic. The International Monetary Fund (IMF) expects economic growth in the Eurozone to trend higher. At the same time, however, a recovery in the economy could be slowed down by a renewed worsening of the corona pandemic in the further course of 2021. In the event of the further spread of the novel coronavirus and the establishment of restricted areas, as is currently the case in some individual European countries, a noticeable decline in sales could also not be ruled out. Furthermore, from a macroeconomic perspective, it remains to be seen how the pandemic will affect trade in consumer goods, both in offline and online retailing in the medium and long term. However, it is evident that in the midst of the corona pandemic pet supplies is a product group that is in high demand in online retailing. zooplus operates in a category classified as "essential" by the respective European governments, allowing it to benefit from being exempt from certain restrictions on retailing in the individual country markets. The current developments and applicable restrictions in procurement and sales markets are continuously monitored by the Group, and any possible effects on procurement cycles or transport processing are mitigated with appropriate adjustments.

Irrespective of the aforementioned, we assume that online retailing (e-commerce) will continue to increase in the coming years and grow disproportionately to the overall market. As the European market leader[5] in the online retailing of pet supplies, zooplus stands to continue to benefit in this environment. We expect the total sales of the pet supply segment to continue to grow in 2021.

In the 2021 financial year, we will focus on growth and expanding the company's strategic perspective. To achieve this, we will focus on sustainable and future profitable growth while making targeted investments in quality-oriented new customer acquisition and customer retention measures, improving our product offering and the digital shopping experience, optimizing our sourcing and distribution logistics, and expanding our information technology and data analysis. With this approach, we will continue to secure and strengthen our position as the European market leader[5] in online retailing of pet supplies.

At this point in time, the Management Board cannot rule out the possibility that the corona pandemic and the measures that may be taken by the respective governments in the 2021 financial year could have an impact on the development of sales and cost efficiency – in both procurement and distribution – which could also burden the overall result.

The Group therefore expects the following developments in the 2021 financial year, taking into account the effects related to the spread of the novel coronavirus to today's known extent:

- Sales in the range of EUR 2.04 bn to EUR 2.14 bn
- Operating profitability, measured by earnings before interest, taxes, depreciation and amortization (EBITDA), in the range of EUR 40 m to EUR 80 m, corresponding to an EBITDA margin as a percentage of sales ranging from 2% to 4%

With regard to the development of significant factors for net assets, financial position and results of operations compared to the previous year, we expect

- to finance our growth in the 2021 financial year entirely from free cash flow (positive free cash flow)
- to maintain our market-leading position, as measured by sales, in the online retailing of pet supplies in Europe as in the previous year
- the revenue retention rate to stabilize at the year-end 2020 level (December 31, 2020: 99%) due to a stronger focus on customer loyalty while, at the same time, the Group places a strategic focus on increasing the monetization of existing customers

As in previous years, the priority in 2021 will be the long-term expansion of the business by focusing on sustainable and future profitable growth and increasing and consolidating our market leadership[5] in the online retailing of pet supplies in Europe.

5. Key features of the internal control and risk management systems as part of the (Group) accounting process

The key features of zooplus' internal control and risk management systems with respect to the (Group) accounting process can be described as follows:

zooplus AG is characterized by its clear organizational, corporate, control and monitoring structures. There are forecasting, reporting, controlling and early warning systems and processes in place throughout the Group to extensively analyze and steer the earnings-relevant risk factors and risks to the company's continued existence. The functions in all areas of the (Group) accounting process (e.g., accounting, financial bookkeeping and controlling) are clearly assigned. Due to its growing size and complexity, zooplus AG created an internal audit department in the reporting year.

The IT systems used for accounting are protected against unauthorized access. The financial systems in place predominately employ standard (SAP) and proprietary software.

The IFRS consolidated financial statements are prepared on the basis of a uniform reporting format coordinated centrally from the Group's headquarters in Munich. The validation processes and additional plausibility checks performed at the Group's head office ensure the accuracy and integrity of the annual financial statements of the subsidiaries underlying the consolidated financial statements.

A sufficient internal risk management system has been implemented. The accounting data is reviewed periodically to ensure that it is accurate and complete using random spot and plausibility checks conducted through manual reviews and company software. The key accounting processes are subject to regular analytical reviews. The existing risk management system is continuously adjusted in response to current developments and subject to ongoing reviews for functionality.

The Supervisory Board deals with major accounting issues, risk management, the audit mandate and the audit's areas of focus, among others.

The internal control and risk management systems used in relation to the accounting process ensure that business events are properly accounted for and prepared and assessed correctly so that they can be included in external financial reporting.

The order process is carried out on a standardized basis using a procurement system. Payments are only executed when invoices and documents are correctly initialed and presented. Invoicing and the invoice review process are both carried out electronically with all approvals documented and archived. Payment transactions are made electronically using established control mechanisms (dual-control principle among a selected group of individuals). Wage and salary payroll processing is outsourced to external service providers.

Quantitative stock accounting is carried out by external service providers and is monitored and checked by zooplus continually via interfaces set up automatically. In addition, zooplus is contractually granted sufficient control mechanisms.

The sales process ensures that the services provided are invoiced properly and accounted for in line with the provisions for revenue recognition by recording the products sold in the upstream shop system and by automatic transfers into accounts receivable accounting.

The clear organizational, corporate, control and monitoring structures and the fact that the accounting department has the sufficient staff and materials available, make it possible for the departments and employees involved in the (Group) accounting process to work efficiently. Clear statutory and internal requirements and guidelines ensure that the accounting process is uniform and correct. The clearly defined review procedures in departments that participate in the accounting process, as well as the review by internal controlling and early recognition of risks by risk management, should all ensure error-free (Group) accounting.

The internal control and risk management system within the zooplus Group ensures that the Group's accounting is in compliance with the legal and statutory requirements and internal guidelines. The company's uniform risk management system, which complies with the statutory requirements, is designed to recognize risks in ample time and measure and communicate them appropriately. This provides the report's recipients with accurate, relevant, and reliable information in a timely matter.

From the reporting date to the date of the publication of the group management report, no changes have been made to the accounting-related internal control and risk management systems.

6. Remuneration report

The Supervisory Board is responsible for establishing the remuneration system and defining the individual remuneration of members of the Management Board. The Supervisory Board regularly reviews the remuneration structure for its appropriateness. The Supervisory Board's remuneration is based on a resolution passed by the Annual General Meeting.

A. Structure of the remuneration of the Management Board

The remuneration of the Management Board consists of fixed annual remuneration, variable components with a multi-year incentive and other compensation.

a) Fixed annual remuneration

The fixed annual remuneration consists of a contractually agreed non-performance-related annual salary that is paid in twelve equal installments.

b) Variable performance-based multi-year remuneration

The variable performance-based multi-year remuneration is divided into two components.

Stock option program for members of the Management Board

The Management Board participates in a stock option program. The exercise period for these stock options is four years. For the details and parameters of the stock option programs, see the explanatory notes under Item 15 in the notes to the consolidated financial statements.

Share-based remuneration through cash settlement

There is currently a long-term incentive program in place for some members of the Management Board in the form of a share-price based performance share plan to create a long-lasting performance incentive. In accordance with the terms of the plan, Management Board members were granted virtual shares of the company until the 2016 financial year that are subject to a vesting period of three years potentially leading to cash payment to the company's Management Board members at the end of the vesting period. The final payment from this program was made in the 2020 financial year.

c) Fringe benefits

The fringe benefits include non-cash benefits from the use of company cars.

d) Employment termination benefits

Maximum severance payment cap

In the event a contract is terminated without good cause on the part of the company or with good cause on the part of the Management Board member, the company is not required to pay more than the value of the claims for the remaining term of the contract. The amount of the severance payment, including fringe benefits and resulting from stock options that vested prematurely, may not exceed the value of two years of total remuneration (severance pay limit).

In deviation to the recommendation of the German Corporate Governance Code, the calculation of the severance payment cap in the event of the premature termination of management board activity is not consistently based on the total remuneration for the past financial year or, if applicable, on the expected total compensation for the current financial year. According to the provisions of the Management Board contracts, severance payment caps are calculated based on the respective basic remuneration, including the fair value of the stock options to be granted to the respective Management Board member until the date of termination.

Change of control

In the event of a change of control, all stock options granted to the members of the Management Board up to that point in time shall become vested. A cash bonus plan, if any, shall remain unaffected by a change of control or a departure from the company occurring after a change of control.

B. Level of remuneration of the Management Board

Remuneration of the Management Board in the reporting year

In the 2020 financial year, the remuneration of the Management Board totaled kEUR 6,499 (previous year: kEUR 1,660). Of this amount, kEUR 1,539 (previous year: kEUR 1,630) was fixed annual remuneration, kEUR 4,931 (previous year: kEUR 0) was variable multi-year remuneration, and kEUR 29 (previous year: kEUR 30) was attributable to fringe benefits. The remuneration for the 2020 financial year was affected, above all, by the granting of stock options under the 2018 and 2020 stock option programs in the amount of EUR 4.9 m.

The following remuneration was paid to the members of the Management Board:

2020 total remuneration kEUR	Fixed remuneration	Variable multi-year remuneration	Fringe benefits	2020 total
Dr. Cornelius Patt	600	2,713	6	**3,319**
Andreas Maueröder	350	622	9	**981**
Dr. Mischa Ritter	375	1,181	6	**1,562**
Florian Welz[1]	214	415	8	**637**
Total	**1,539**	**4,931**	**29**	**6,499**

[1] Pro rata until July 13, 2020

2019 total remuneration kEUR	Fixed remuneration	Variable multi-year remuneration	Fringe benefits	2019 total
Dr. Cornelius Patt	550	0	6	556
Andreas Grandinger[1]	350	0	11	361
Dr. Mischa Ritter	350	0	2	352
Florian Welz	380	0	11	391
Total	**1,630**	**0**	**30**	**1,660**

[1] Pro rata until December 20, 2019

2016 Stock Option Program

With the Supervisory Board's consent and based on a resolution of the Annual General Meeting on May 31, 2016, the Management Board resolved on the creation of the 2016 Stock Option Program for issuing stock options with subscription rights for shares of zooplus AG to members of the company's Management Board. Under the 2016 Stock Option Program, members of the company's Management Board may receive to a total of up to 100,000 shares in the company. 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, or at least the lowest issue price as defined under Section 9 (1) AktG. In the 2016 financial year, a total of 100,000 stock options were issued to members of the company's Management Board. The subscription price for the options issued in September 2016 amounts to EUR 124.45 per share. The earliest the options can be exercised is four years after the options have been granted. 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.

The fair value of the stock options granted is determined by applying the Black & Scholes model and a Monte Carlo simulation (2016 Stock Option Program) as of the grant date and taking into account the conditions at which the stock options were granted. The anticipated maturity of stock options is based on historical data and current expectations and does not necessarily reflect the actual exercise behavior of beneficiaries. The future volatility during the stock options' expected maturity period was estimated on the basis of historical volatilities and expected future share price performance. Because the company's shares have a limited trading history, the above estimation was based on a one-year share's volatility. Expected volatility is derived based on the assumption that past volatility can serve as an indication of future trends, whereby the actual future volatility can deviate from the assumptions made.

Under the 2016 Stock Option Program, 50,000 stock options were granted to Dr. Patt and 30,000 stock options were granted to a former Management Board member, each with a fair value of EUR 24.85. The issued stock options forfeited in September 2020 due to the non-achievement of the exercise requirements. The expense recognized in the reporting period from the 2016 stock option plans amounted to kEUR 222 for Dr. Patt; no expense was recognized in the reporting period for former Management Board members.

2018 Stock Option Program

With the Supervisory Board's consent and based on a resolution of the Annual General Meeting on June 13, 2018, the Management Board resolved on the creation of the 2018 Stock Option Program for issuing stock options with subscription rights for shares of zooplus AG to members of the company's Management Board, members of management bodies of affiliated companies in Germany and abroad and selected executives and employees of zooplus AG and affiliated companies in Germany and abroad. Under the 2018 Stock Option Program, members of the company's Management Board may receive a total of up to 150,000 shares in the company.

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 no less than the lowest issue price as defined by Section 9 (1) AktG. The earliest the options can be exercised is four years after the options have been granted. Stock options can only be exercised when and to the extent that the performance targets described as follows have been achieved: 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.

The condition for issuing the 2018 stock options was that their fair value at the time of their issue would not exceed 150% of the total fair value of the stock options granted to members of the Management Board in 2016.

In the 2018 financial year, a total of 115,000 stock options were issued to members of the company's Management Board under the 2018 stock option program. In August, 50,000 stock options were issued to Dr. Patt and 30,000 stock options were issued to a former Management Board member (of which 17,500 forfeited up to and including December 31, 2020) with a fair value of EUR 21.59. Furthermore, in December 2018, 17,500 stock options were issued to Dr. Ritter and 17,500 stock options were issued to Mr. Welz (of which 17,500 forfeited up to and including December 31, 2020) with a fair value of EUR 24.72. In March 2020, 8,750 stock options were granted to Dr. Patt and, in April 2020, 26,250 stock options were granted to Mr. Andreas Maueröder and 17,500 stock options were granted to Mr. Welz (of which 17,500 forfeited up to and including December 31, 2020) with a fair value of EUR 32.34 and EUR 23.70, respectively. Dr. Ritter was granted 31,500 stock options with a fair value of EUR 37.50 in December 2020. The subscription price for the options granted in August 2018 is EUR 162.32 per share, the subscription price for the options granted in December 2018 is EUR 148.83 per share and the subscription price for the stock options granted in March and April 2020 is EUR 91.21, while the subscription price for the stock options granted in December 2020 is EUR 149.33. The expense recognized in the reporting period for the 2018 Stock Option Program amounted to kEUR 238 for Dr. Patt, kEUR 163 for Mr. Maueröder and kEUR 100 for Dr. Ritter. The stock options issued to Mr. Welz lapsed upon his resignation in the financial year and, as a result, the amounts recognized in the capital reserve up to the date of his resignation were reversed through profit or loss and a total of kEUR 41 in income was recognized; no expense was recognized in the reporting period for former Management Board members.

2020 Stock Option Program

With the Supervisory Board's consent and based on a resolution of the Annual General Meeting on June 25, 2020, the Management Board resolved on the creation of the 2020 Stock Option Program for issuing stock options with subscription rights for shares of zooplus AG to members of the company's Management Board. Under the 2020 Stock Option Program, members of the company's Management Board may subscribe to a total of up to 70,000 shares in the company.

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 no less than the lowest issue price as defined by Section 9 (1) AktG. The earliest the options can be exercised is four years after the options have been granted. Stock options can only be exercised when and to the extent that the performance targets described as follows have been achieved: 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.

In the 2020 financial year, 63,250 stock options with a fair value of EUR 38.43 were issued to Dr. Patt under the 2020 Stock Option Program. The expense recognized in the reporting period for the 2020 Stock Option Program amounted to kEUR 499 for Dr. Patt.

All options can only be settled in equity instruments.

The weighted average remaining contractual life of the remaining stock options outstanding as of December 31, 2020 for the current and former members of the Management Board is 4.89 years.

Cash-settled, share-based compensation

Management Board members were granted a long-term incentive program (cash-settled, share-based compensation) until the end of the third quarter of 2016 in the form of a share price performance-based performance share plan in annual tranches in order to create a lasting incentive for senior executives. Each tranche was allocated a number of virtual shares in the company based on the achievement of the EBT target. These virtual shares have a three-year vesting period after which the company's Management Board members may be eligible to receive a cash payment. The number of virtual shares corresponds to the ratio of the EBT-dependent base amount and the average initial reference price of the company's shares. The basis for calculating the EBT base amount is the EBT stated in the company's consolidated financial statements under IFRS from the prior financial year and approved by the Supervisory Board. Achieving the objectives requires the achievement of certain EBT targets set out in corporate planning. The last tranche of the long-term incentive program was paid out in July 2020. As a result, the (former) Management Board members are no longer entitled to subscription rights from this program as of the reporting date. The expense from cash-settled share-based compensation recognized in the reporting period amounted to kEUR 135 for Dr. Patt and kEUR 141 for former members of the Management Board.

Other agreements

Mr. Florian Welz resigned from the Management Board of zooplus AG at his own request effective at the end of July 13, 2020. The underlying employment contract provided for an appointment until September 30, 2022. The Supervisory Board and Mr. Welz were able to mutually agree on the termination of his employment at zooplus effective July 13, 2020. Mr. Welz received a one-time fixed severance payment of kEUR 1,228.

There is a reinsured provident fund commitment for members of the Board of Management. The amount of the benefits is determined by the contributions paid in. The contributions for the members of the Board of Management were as follows: For Dr. Patt, Dr. Ritter and Mr. Maueröder each kEUR 13.

Remuneration of former members of the Management Board

Remuneration of former Management Board members amounted to kEUR 1,228 (previous year: kEUR 345).

C. Recommendations of the German Corporate Governance Code (GCGC)

The following tables show the benefits granted to and received by each individual member of the Management Board in accordance with the recommendations of Section 4.2.5 (3) of the German Corporate Governance Code. The information on the benefits granted and benefits received is subdivided into their fixed and variable remuneration components. The fixed remuneration components include the non-performance-related fixed salaries and fringe benefits. The variable one-year compensation components include the bonus and profit-sharing payments. The variable performance-related multi-year compensation components include the multi-year components of the stock option program for the Management Board members and the share-based compensation with cash settlement.

The variable multi-year performance-based remuneration is reported as "benefits granted" at the committed amount as of the grant date. In the case of stock option programs, this corresponds to the grant date fair value. The compensation elements are supplemented by details of individually achievable minimum and maximum remuneration.

Benefits received for the reporting year include the actual fixed compensation paid in the reporting year. In the case of variable performance-related multi-year compensation components, this relates to stock option programs ending after the vesting period in the respective reporting year and resulting in the Management Board members exercising the options and receiving payment. In the case of share-based compensation with cash settlement, this relates to the tranche to be paid out in the reporting year following the end of the vesting period.

Benefits granted

Benefits granted kEUR	Dr. Cornelius Patt Chairman of the Management Board 2020			
	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	550	600	600	600
Fringe benefits	6	6	6	6
Total	**556**	**606**	**606**	**606**
One-year variable remuneration				
Multi-year variable remuneration				
Long-term incentive program	0	0	0	0
2018 SOP	0	283	0	-[1]
2020 SOP	0	2,430	0	-[1]
Total	**0**	**2,713**	**0**	**0**
Benefit expenses	**13**	**13**	**13**	**13**
Total remuneration	**569**	**3,332**	**619**	**619**

Benefits granted kEUR	Andreas Maueröder Member of the Management Board 2020			
	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	0	350	350	350
Fringe benefits	0	9	9	9
Total	**0**	**359**	**359**	**359**
One-year variable remuneration				
Multi-year variable remuneration				
Long-term incentive program	0	0	0	0
2018 SOP	0	622	0	-[1]
2020 SOP	0	0	0	-[1]
Total	**0**	**622**	**0**	**0**
Benefit expenses	**0**	**13**	**13**	**13**
Total remuneration	**0**	**994**	**372**	**372**

Benefits granted kEUR	Dr. Mischa Ritter Member of the Management Board 2020 2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	350	375	375	375
Fringe benefits	2	6	6	6
Total	**352**	**381**	**381**	**381**
One-year variable remuneration				
Multi-year variable remuneration				
Long-term incentive program	0	0	0	0
2018 SOP	0	1,181	0	-[1]
2020 SOP	0	0	0	-[1]
Total	**0**	**1,181**	**0**	**0**
Benefit expenses	**13**	**13**	**13**	**13**
Total remuneration	**365**	**1,575**	**394**	**394**

Benefits granted kEUR	Florian Welz Member of the Management Board until July 13, 2020 2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	380	214	214	214
Fringe benefits	11	8	8	8
Total	**391**	**222**	**222**	**222**
One-year variable remuneration				
Multi-year variable remuneration				
Long-term incentive program	0	0	0	0
2018 SOP	0	415	0	-[1]
2020 SOP	0	0	0	-[1]
Total	**0**	**415**	**0**	**0**
Benefit expenses	**0**	**0**	**0**	**0**
Total remuneration	**391**	**637**	**222**	**222**

[1] A maximum amount has not been agreed. However, the members of the Management Board may exercise a maximum of the number of stock options granted

Benefits paid

In the 2020 financial year, the 2016 tranche of the long-term incentive program was paid out.

Benefits paid kEUR	Dr. Cornelius Patt CEO	Andreas Maueröder Management Board Member	Dr. Mischa Ritter Management Board Member	Florian Welz Management Board Member
	2020	2020	2020	2020
Fixed remuneration	600	350	375	214
Fringe benefits	6	9	6	8
Total	**606**	**359**	**381**	**222**
One-year variable remuneration				
Multi-year variable remuneration				
Long-term incentive program	135	0	0	0
Total	**135**	**0**	**0**	**0**
Total remuneration	**741**	**359**	**381**	**222**

In the 2019 financial year, the 2015 tranche of the long-term incentive program was paid out.

Benefits paid kEUR	Dr. Cornelius Patt CEO	Andreas Grandinger Management Board Member	Dr. Mischa Ritter Management Board Member	Florian Welz Management Board Member
	2019	2019	2019	2019
Fixed remuneration	550	350	350	380
Fringe benefits	6	11	2	11
Total	**556**	**361**	**352**	**391**
One-year variable remuneration	0	0	0	0
Multi-year variable remuneration				
Long-term incentive program	223	106	0	0
Total	**223**	**106**	**0**	**0**
Total remuneration	**779**	**467**	**339**	**391**

In the reporting year, the members of the Management Board did not receive any benefits from third parties with regard to their activities on the Management Board, nor have benefits been promised to them.

Remuneration of the Supervisory Board

Supervisory Board members receive non-performance-related remuneration paid annually in the amount of kEUR 40. The chair of the Supervisory Board receives kEUR 80, and the chairs of committees receive an additional kEUR 5. In the year under review, the members of the Supervisory Board received the following compensation corresponding to their membership in committees:

					Remuneration in kEUR	
	Supervisory Board	Audit committee	Personnel Committee	Nomination Committee	2020	2019
Christian Stahl	Chair		Chair	✓	85	85
Moritz Greve	Deputy Chair	✓	✓	Chair	45	45
Karl-Heinz Holland (until October 31, 2019)		✓			-	33
Ulric Jerome			✓		40	40
Henrik Persson (until June 25, 2020)				✓	20	40
Dr. Norbert Stoeck		Chair			45	45
Christine Cross (as of November 1, 2019)		✓			40	7
Tjeerd Jegen (as of June 26, 2020)				✓	20	-
Total remuneration					**295**	**295**

7. Takeover-related information and explanations pursuant to Section 315a of the German Commercial Code (HGB)

Composition of the subscribed capital

As of December 31, 2020, subscribed capital amounted to EUR 7,149,178.00 and consisted of 7,149,178 no-par value ordinary bearer shares, each with a notional interest in the company's share capital of EUR 1.00 per share. Each share grants one vote at the Annual General Meeting.

Restrictions affecting voting rights and the transfer of shares

The Management Board is currently not aware of any restrictions affecting voting rights or the transfer of shares.

Interests in the share capital exceeding 10% of the voting rights

As of December 31, 2020, there was no holder of more than 10% of the voting rights.

Shares with special rights / voting right control in the case of employee participation

There are no shares with special rights conferring powers of control. In addition, there is no employee participation in capital that prohibits employees from directly exercising their controlling rights.

Appointment or dismissal of members of the Management Board, amendments to the Articles of Association

The appointment or dismissal of Management Board members is conducted in compliance with Sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints Management Board members for a maximum of five years. Members may be reappointed, or their term of office extended for a maximum of five years in each case. In addition, Section 7 of the Articles of Association stipulates that the Supervisory Board shall determine the number of Management Board members, and the Management Board is allowed to consist of just one member.

Prerequisites for amending the Articles of Association are primarily governed by Sections 179 to 181 AktG. In accordance with Sections 119 (1) no. 6 and 179 (1) AktG, changes to the Articles of Association require a resolution of the Annual General Meeting. Section 179 (2) AktG requires such resolution to be passed by a majority of three-quarters of the capital represented unless the Articles of Association stipulate a different majority. Under Section 19 (2), zooplus AG's Articles of Association make use of the option provided for in Section 179 (2) AktG and specifies that in order to be passed, resolutions generally require a simple majority – provided the law does not require another majority – and, if a capital majority is required, with the simple majority of the capital represented. Under Section 24 of the zooplus AG Articles of Association, the Supervisory Board is authorized to make changes to the Articles that affect only their wording.

Authorization of the Management Board to issue shares

1. Authorized capital

Based on the resolution of the Annual General Meeting of June 11, 2015, the Management Board was authorized, with the consent of the Supervisory Board, to increase the share capital of the company once or several times in the period until June 10, 2020 by up to a total of EUR 3,492,225.00 by issuing new no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share (Authorized Capital 2015). The Authorized Capital 2015 no longer existed as of the 2020 reporting date.

2. Conditional capital

a. Pursuant to Article 5 (5) of the Articles of Association, the company's share capital is conditionally increased by EUR 24,500.00 through the issue of up to 24,500 no-par value bearer shares of the company with a notional interest in the share capital of EUR 1.00 per share (Conditional Capital 2012 / I). Conditional Capital 2012 / I serves to secure subscription rights from stock options issued by zooplus AG within the framework of the 2012 / I Stock Option Program in the period from the registration of Conditional Capital 2012 / I until December 31, 2013. The conditional capital increase will only be implemented to the extent that stock options are issued, and the holders of these stock options exercise their subscription rights to shares in the company, and the company does not grant its own shares in fulfilment of the subscription rights. Conditional Capital 2012 / I expired in 2020.

b. Pursuant to Article 5 (4) of the Articles of Association, the company's share capital is conditionally increased by EUR 250,000.00 through the issue of up to 250,000 no-par value bearer shares of the company with a notional interest in the share capital of EUR 1.00 per share (Conditional Capital 2016/I). Conditional Capital 2016/I serves to secure subscription rights from stock options issued by zooplus AG within the framework of the 2016 Stock Option Program in the period from registration of Conditional Capital 2016/I until December 31, 2018. The conditional capital increase will only be implemented to the extent that stock options are issued, and the holders of these stock options exercise their subscription rights to shares in the company, and the company does not grant its own shares in fulfilment of the subscription rights.

c. Pursuant to Article 5 (8) of the Articles of Association, the company's share capital is conditionally increased by a further EUR 365,000.00 (Conditional Capital 2018/I) as of the reporting date. Conditional Capital 2018/I currently underlies rights to subscribe to up to 365,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Conditional Capital 2018/I serves to secure subscription rights from stock options to members of the Management Board and employees of the company. The conditional capital increase will only be implemented to the extent that holders of subscription rights issued under the 2018 Stock Option Program on the basis of the authorization resolution of the Annual General Meeting of June 13, 2018 exercise their subscription rights to shares of the company and the company does not grant its own shares in fulfilment of the subscription rights.

d. Pursuant to Article 5 (9) of the Articles of Association, the company's share capital is conditionally increased by a further EUR 70,000.00 (Conditional Capital 2020) as of the reporting date. Conditional Capital 2020 currently underlies rights to subscribe to up to 70,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Conditional Capital 2020 serves to secure subscription rights from stock options to members of the Management Board of the company. The conditional capital increase will only be implemented to the extent that holders of subscription rights issued within the framework of the 2020 Stock Option Program on the basis of the authorization resolution of the Annual General Meeting of June 25, 2020 exercise their subscription rights to shares of the company and the company does not grant its own shares in fulfilment of the subscription rights.

Authorization of Management Board to repurchase shares

The Annual General Meeting of June 11, 2015, authorized the Management Board, with the consent of the Supervisory Board, until June 10, 2020 to acquire the company's own shares in an amount up to 10% of the share capital existing at the time of the Annual General Meeting's resolution, subject to the condition that the shares acquired under this authorization together with other shares of the company, which the company either holds or which are to be attributable to it pursuant to Sections 71d and 71e AktG, do not total more than 10% of the company's share capital at any point in time. This authorization expired on the December 31, 2020 reporting date.

Material agreements of the company that are conditional upon a change of control following a takeover bid

The company has no material agreements that are conditional upon a change of control following a takeover bid.

Compensation agreements of the parent company with members of the Management Board or employees in the event of a takeover bid

In the event of a change of control, all stock options granted to members of the Management Board up to that point will vest.

A change of control by this definition occurs if either (i) a shareholder has acquired control as defined by Section 29 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) by holding at least 30% of the voting rights in the company or (ii) a corporate agreement has been concluded with the company as a controlled company pursuant to Section 291 AktG (iii) the company has merged with another legal entity pursuant to Section 2 of the German Transformation Act (UmwG).

8. Corporate governance statement according to Sections 289f and 315d HGB

The corporate governance statement pursuant to Sections 289f and 315d HGB is available on the company's website at https://investors.zooplus.com in the Investor Relations section under Corporate Governance.

9. Non-financial statement according to Sections 289b (3) and 315b (3) HGB

The non-financial report pursuant to Sections 289b (3) and 315b (3) of the German Commercial Code (HGB) can be accessed as a separate chapter of the 2020 Annual Report at https://investors.zooplus.com/en/investor-relations/reports-and-publications/financial-reports.

The Management Board

Dr. Cornelius Patt (CEO)	Andreas Maueröder	Dr. Mischa Ritter

Munich, March 18, 2021

Consolidated financial statements

83 Consolidated balance sheet

85 Consolidated statement of comprehensive income

87 Consolidated statement of cash flows

89 Consolidated statement of changes in equity

90 Notes to the consolidated financial statements

140 Responsibility Statement of the Management Board

141 Independent auditor's report

149 Glossary

Consolidated balance sheet as of 31 December 2020 according to IFRS

Assets

In EUR		Note no.	31/12/2020	31/12/2019
A.	**Non-current assets**			
I.	Property, plant and equipment	5	7,298,757.91	5,473,134.45
II.	Right-of-use assets	27	87,252,701.44	80,993,794.70
III.	Intangible assets	6	7,182,258.89	12,766,501.41
IV.	Deferred tax assets	7	433,622.19	3,640,210.13
	Non-current assets, total		**102,167,340.43**	**102,873,640.69**
B.	**Current assets**			
I.	Inventories	8	156,690,256.94	117,706,457.83
II.	Advance payments	9	-	2,964.56
III.	Accounts receivable	10	30,276,744.88	27,714,052.93
IV.	Other current assets	11	63,758,816.98	47,722,497.91
V.	Tax receivables	7	2,870.58	642,176.82
VI.	Derivative financial instruments	12	499,993.24	-
VII.	Cash and cash equivalents	13	109,814,413.45	64,293,396.36
	Current assets, total		**361,043,096.07**	**258,081,546.41**
			463,210,436.50	**360,955,187.10**

Equity and liabilities

In EUR		Note no.	31/12/2020	31/12/2019
A.	**Equity**			
I.	Subscribed capital	14	7,149,178.00	7,146,688.00
II.	Capital reserves	14, 15	105,181,458.03	102,827,311.58
III.	Other reserves	14, 12	-182,694.74	- 2,046,551.79
IV.	Profit / loss for the period and profit / loss carried forward	14	11,774,836.55	- 7,155,873.94
	Equity, total		**123,922,777.84**	**100,771,573.85**
B.	**Non-current liabilities**			
I.	Deferred tax liabilities	7	973,522.50	1,800.18
II.	Contract liabilities	20	2,287,699.87	0.00
III.	Lease liabilities	27	64,523,689.02	61,812,970.16
	Non-current liabilities, total		**67,784,911.39**	**61,814,770.34**
C.	**Current liabilities**			
I.	Accounts payable	16	148,938,673.76	125,050,354.18
II.	Derivative financial instruments	12	619,814.62	361,968.47
III.	Other current liabilities	18	48,141,582.88	31,751,585.63
IV.	Contract liabilities	20	29,180,957.99	14,006,642.19
V.	Tax liabilities	7	7,172,942.06	235,956.43
VI.	Lease liabilities	27	24,174,900.62	20,429,538.30
VII.	Provisions	15, 19	13,273,875.34	6,532,797.71
	Current liabilities, total		**271,502,747.27**	**198,368,842.91**
			463,210,436.50	**360,955,187.10**

Consolidated statement of comprehensive income from 1 January to 31 December 2020 according to IFRS

In EUR	Note no.	2020	2019*
Sales	20	1,801,521,916.46	1,523,695,588.27
Other income	21	5,042,698.14	5,034,126.93
Other gains / losses - net	22	-4,746,864.68	-310,911.37
Own work capitalized		1,057,991.00	2,092,487.00
Cost of materials		-1,254,676,066.86	-1,082,089,671.35
Personnel expenses	23	-67,495,642.24	- 55,321,211.58
of which cash		(-65,013,057.75)	(-53,430,430.86)
of which stock-based and non-cash	15	(-2,482,584.49)	(-1,890,780.72)
Impairment losses on financial assets	10, 31	-3,717,475.68	-4,092,738.58
Other expenses	24	-413,723,663.29	-377,236,260.56
of which logistics / fulfillment expenses		(-326,347,239.21)	(-278,614,822.14)
of which marketing expenses		(-27,065,948.41)	(-50,850,723.29)
of which payment transaction expenses		(-14,685,184.02)	(-12,606,317.02)
of which other expenses		(-45,625,291.65)	(-35,164,398.11)
Earnings before interest, taxes, depreciation and amortization		**63,262,892.85**	**11,771,408.76**
Depreciation and amortization	5, 6, 27	-31,266,561.41	-26,255,596.89
Financial income	25	23,965.51	250.41
Financial expenses	25, 27	-1,343,338.26	-1,427,493.43
Earnings before taxes		**30,676,958.69**	**-15,911,431.15**
Taxes on income	7	-11,746,248.20	3,844,001.88
Consolidated net profit / loss		**18,930,710.49**	**-12,067,429.27**
Other gains and losses (after taxes)			
Currency translation	14	1,701,557.96	-73,597.16
Hedge reserve	14, 12	162,299.09	-207,593.35
Items subsequently reclassified to profit or loss		**1,863,857.05**	**-281,190.51**
Total comprehensive income / loss		**20,794,567.54**	**-12,348,619.78**

(continued on next page)

In EUR	Note no.	2020	2019*
Earnings per share			
Basic EUR/share	26	2.65	-1.69
Diluted EUR/ share	26	2.64	-1.69

**The previous year's figures have been adjusted. Gains/losses from foreign currency valuation and disposal of Property, plant and equipment amounting to EUR 4,443,855.78 and EUR -4,754,767.15, respectively, were reclassified from Other income and Other expenses, respectively, to Other gains/losses - net*

Consolidated statement of cash flows from 1 January to 31 December 2020 according to IFRS

In EUR	Note no.	2020	2019
Cash flows from operating activities			
Earnings before taxes		30,676,958.69	-15,911,431.15
Adjustments for:			
Depreciation and amortization	5, 6, 27	31,266,561.41	26,255,596.89
Non-cash personnel expenses	15	2,482,584.49	1,890,780.72
Loss on the disposal of property, plant and equipment and intangible assets		2,246.00	68,204.76
Other non-cash business transactions	25, 27	1,774,003.44	-1,365,184.73
Interest expenses and similar expenses	25	1,343,338.26	1,427,493.43
Interest income and similar income		-23,965.51	-250.41
Changes in:			
Inventories	8	-38,983,799.11	-10,146,766.53
Advance payments	9	2,964.56	445,139.57
Accounts receivable	10	-2,562,691.95	430,112.06
Other current assets	11	-16,036,319.07	-12,698,120.05
Accounts payable	16	23,888,319.58	25,386,905.53
Other current liabilities	18	16,341,447.41	6,669,931.91
Contract liabilities	20	17,462,015.67	2,048,233.97
Current provisions	15, 19	6,741,077.63	3,965,736.45
Non-current provisions	15, 19	-	-320,792.97
Income taxes paid	7	-27,640.37	-33,789.96
Interest received	25	23,965.51	250.41
Cash flows from operating activities		**74,371,066.64**	**28,112,049.90**
Cash flows from investing activities			
Payments for property, plant and equipment / intangible assets		-4,701,100.91	-3,235,644.63
Cash flows from investing activities		**-4,701,100.91**	**-3,235,644.63**

In EUR	Note no.	2020	2019
Cash flows from financing activities			
Proceeds from the issuance of shares	14	112,643.30	145,597.70
Repayment portion of lease payments	27	-23,133,826.84	-20,024,353.15
Interest paid		-555,846.01	-207,172.19
Proceeds from the assumption of loans		20,000,000.00	-
Repayment of financial liabilities		-20,000,000.00	-
Cash flows from financing activities		**-23,577,029.55**	**-20,085,927.64**
Currency effects on cash and cash equivalents		-571,919.10	-18,382.86
Net change of cash and cash equivalents		**45,521,017.36**	**4,772,094.77**
Cash and cash equivalents at the beginning of the period	13	64,293,396.36	59,521,301.59
Cash and cash equivalents at the end of the period	13	109,814,413.45	64,293,396.36
Composition of cash and cash equivalents at the end of the financial year			
Cash on hand, bank deposits		109,814,413.45	64,293,396.36
		109,814,413.45	**64,293,396.36**

Consolidated statement of changes in equity from 1 January to 31 December 2020 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, 2020	**7,146,688.00**	**102,827,311.58**	**-2,046,551.79**	**-7,155,873.94**	**100,771,573.85**
Share-based compensation	2,490.00	2,354,146.45	0.00	0.00	2,356,636.45
Currency translation differences	0.00	0.00	1,701,557.96	0.00	1,701,557.96
Net profit / loss for 2020	0.00	0.00	0.00	18,930,710.49	18,930,710 .49
Hedge reserve	0.00	0.00	162,299.09	0.00	162,299.09
As of December 31, 2020	**7,149,178.00**	**105,181,458.03**	**-182,694.74**	**11,774,836.55**	**123,922,777.84**
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**
Share-based compensation	3,410.00	2,032,968.42	0.00	0.00	2,036,378.42
Currency translation differences	0.00	0.00	-73,597.16	0.00	-73,597.16
Net profit / loss for 2019	0.00	0.00	0.00	-12,067,429.27	-12,067,429.27
Hedge reserve	0.00	0.00	-207,593.35	0.00	-207,593.35
As of December 31, 2019	**7,146,688.00**	**102,827,311.58**	**-2,046,551.79**	**-7,155,873.94**	**100,771,573.85**

Notes to the consolidated financial statements

as of December 31, 2020, according to International Financial Reporting Standard (IFRS)

1. General information

zooplus AG (the "company") is a stock corporation with limited liability as defined under German law, whose shares have been publicly traded since 2008. The company's address is Sonnenstrasse 15, 80331 Munich, Germany. The company is recorded in the commercial register of the District Court of Munich under HRB 125080.

zooplus AG, headquartered in Munich, as the ultimate parent company, and its subsidiaries, together referred to as "the Group," are active in the online retailing of pet supplies in Germany and other European countries. Pet supplies are generally defined as food and accessories. The company's business operations are carried out via the company's websites.

The Management Board prepared the consolidated financial statements as of March 18, 2021, submitted them to the Supervisory Board for review as well as for publication as defined under IAS 10.

2. Summary of key accounting and valuation methods

The key accounting and valuation methods applied in preparing these consolidated financial statements are described below. These methods have been consistently applied to the reporting periods presented unless stated otherwise.

2.1 Basis of preparation of consolidated financial statements

zooplus AG is a parent company as defined by Section 290 HGB. Because zooplus AG has issued equity instruments on the capital market, it is required under Section 315e (1) HGB in conjunction with Article 4 of the Regulation of the European Parliament dated July 19, 2002 to prepare the company's consolidated financial statements according to the International Financial Reporting Standards (EU IFRS) as adopted by the EU. These consolidated financial statements for the 2020 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC). By complying with these standards and interpretations, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the zooplus Group. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger).

The consolidated financial statements have been prepared on a historical acquisition/production cost basis. Certain financial assets and financial liabilities (including derivative financial instruments) are an exception, as they are measured at fair value through profit or loss. The consolidated financial statements have been prepared in euro (EUR), which serves both as the functional and reporting currency. The functional currency of the subsidiaries may differ depending on the business environment. Unless otherwise indicated, all amounts are expressed in whole amounts in euro thousands (kEUR) in accordance with commercial rounding practices. The financial year for all Group companies is the calendar year.

Balance sheet items are grouped together according to the maturity of the assets and liabilities. Assets that are to be sold, exhausted in the ordinary course of business or settled within twelve months are classified as current. Liabilities to be settled within twelve months after the reporting date are classified as current.

The statement of comprehensive income is prepared in accordance with the total cost method.

Preparing consolidated financial statements that are consistent with IFRS requires the use of estimates. In addition, when applying company-wide accounting and valuation methods, management is required to make judgments. The areas involving a greater margin of judgment or higher complexity, or areas where assumptions and estimates are critically important to the consolidated financial statements are disclosed in Note 4 "Significant Estimates and Accounting Judgments."

2.1.1 Amendments to the accounting and valuation methods and disclosures

The following table lists the mandatory and early applied new or revised standards and interpretations for this financial year and their impact on the Group:

Standards/ Interpretations	Title	Mandatory adoption	Adoption by EU	Impact on zooplus
IFRS 3	Amendments to IFRS 3 – Definition of a Business	Jan. 1, 2020	Yes	No impact
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Jan. 1, 2020	Yes	No impact
IFRS 16	Amendments to IFRS 16 - COVID-19-Related Rent Concessions	Jun. 1, 2020	Yes	No impact
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 – Definition of Material	Jan. 1, 2020	Yes	No impact
Conceptual framework	Revised references to the IFRS Conceptual Framework	Jan. 1, 2020	Yes	No impact

Standards and interpretations applicable only to financial years commencing after January 1, 2020:

Standards/ Interpretations	Title	Mandatory adoption	Adoption by EU	Impact on zooplus
IFRS 3	Amendments to IFRS 3 – Revised references to the IFRS Conceptual Framework	Jan. 1, 2022	No	No impact
IFRS 4	Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	Jan. 1, 2021	Yes	No impact
IFRS 17	Insurance Contracts	Jan. 1, 2023	No	No impact
IFRS diverse	Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2	Jan. 1, 2021	Yes	No impact
IFRS diverse	Annual Improvements to IFRSs 2018-2020 Cycle – Amendments to IFRS 9, IFRS 16, IFRS 1 and IAS 41	Jan. 1, 2022	No	No impact
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	Jan. 1, 2023	No	No impact
IAS 16	Amendments to IAS 16 – Proceeds before Intended Use	Jan. 1, 2022	No	No impact
IAS 37	Amendments to IAS 37 – Cost of Fulfilling a Contract	Jan. 1, 2022	No	No impact

From today’s perspective, the adoption of the new and amended standards and interpretations will not have a material effect on the Group’s net assets, financial position or results of operations above and beyond the aforementioned changes. The Group does not plan to apply any of the standards early.

During the financial year, reclassifications were made between other gains/losses - net and other income or other miscellaneous expenses on the income statement with no effect on profit or loss.

2.2 Scope of consolidation

The Group's scope of fully consolidated companies comprised zooplus AG and the following subsidiaries:

Subsidiary	Interest in share capital	Share of equity (IFRS) in kEUR	Business activity
MATINA GmbH, Munich, Germany	100%	1,294	Own brand business
BITIBA GmbH, Munich, Germany	100%	209	Secondary brand business
zooplus services Ltd., Oxford, GB	100%	159	Service company for GB
zooplus italia s.r.l., Genoa, Italy	100%	354	Service company for Italy
zooplus polska sp. z o.o., Krakow, Poland	100%	1,092	Service company for Poland
zooplus services ESP S.L., Madrid, Spain	100%	916	Service company for Spain
zooplus france s.a.r.l., Strasbourg, France	100%	547	Service company for France
zooplus Nederland B.V., Tilburg, The Netherlands	100%	268	Service company for The Netherlands
zooplus Austria GmbH, Vienna, Austria	100%	292	Service company for Austria
zoolog Services sp. z o.o., Wroclaw, Poland	100%	36	Service company for Poland
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100%	44	(In liquidation)
Tifuve GmbH, Munich, Germany	100%	14	(Dormant company)
zooplus EE TOV, Kiev, Ukraine	100%	-13	(Dormant company)
zooplus d.o.o., Zagreb, Croatia	100%	-32	(Dormant company)

On December 8, 2020, the liquidation of the Turkish subsidiary zooplus Pet Supplies Import and Trade ltd, Istanbul, Turkey, was initiated. The Turkish subsidiary had already discontinued its operating activities at the end of 2019 due to the cessation of activities in the Turkish market.

zooplus AG, Munich, is the ultimate parent company of the Group and is therefore not included in any other consolidated financial statements. These consolidated financial statements represent not only the largest but also the smallest group of consolidated companies within the zooplus Group.

The subsidiaries BITIBA GmbH, Munich, and MATINA GmbH, Munich, have utilized the option to remain exempt from the obligation to prepare notes, management reports, audits and the disclosure of financial statements for the 2020 financial year under Section 264 (3) HGB.

2.3 Consolidation methods

Subsidiaries are all entities controlled by the Group. The Group controls a subsidiary when it is exposed to risk through variable economic returns or when it has rights to these variable returns based on its involvement with the subsidiary and has the ability to exert power over the subsidiary in such a manner that it influences the subsidiary's returns. Subsidiaries are included in the consolidated financial statements (full consolidation) from the point in time control has been transferred to the Group. Subsidiaries are deconsolidated from the point in time when this control ends. Any gains/losses from deconsolidation are recognized in the consolidated statement of comprehensive income.

Group-internal transactions, balances and unrealized gains from transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction indicates that the transferred assets may be impaired. The accounting and valuation methods of subsidiaries were changed when necessary to ensure uniform accounting practices throughout the Group.

2.4 Segment reporting

An operating segment under IFRS 8 is defined as a component of an entity that engages in business activities from which it can earn income and incur expenses, whose operating results are reviewed regularly by the company's chief operating decision-maker (the Management Board) for decisions concerning the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The zooplus Group's business activities comprise the sales and distribution of pet supplies. The products offered are homogenous in themselves and cannot be subdivided. As an e-commerce retailer, the Group offers its products on the Internet regardless of the customers geographic location. All key corporate processes are defined on a pan-European basis. Suppliers, brands and price structures apply throughout Europe. For this reason, the Management Board also manages the Group based on key figures for the business as a whole. The Group does not prepare segment reporting because the business is not divided into segments.

No individual customer contributes more than 10% to overall sales.

The breakdown of sales by country and product group is presented in Note 20. The Group's key current and non-current assets are all held in their entirety by zooplus AG.

2.5 Foreign currency translation

2.5.1 Functional currency and reporting currency

The items contained in the financial statements of each Group company are measured using the currency that represents the currency of the primary business environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, which is also the functional and reporting currency of zooplus AG.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the time of the transaction or, in the case of revaluations, at the time of valuation. Gains and losses resulting from these transactions and the translation of foreign currency-denominated monetary assets and liabilities are recognized in the statement of comprehensive income under other gains / losses – net unless they are to be recognized in equity as qualified cash flow hedges and qualified net investment hedges. There were no net investment hedges in the 2020 financial year.

2.5.3 Group companies

The results and balance sheet items of all Group companies (excluding those from hyperinflationary countries) that have a different functional currency than the euro are translated into the euro as follows:

- For each reporting date, assets and liabilities are translated using the exchange rate on the reporting date.
- Income and expenses are translated at average exchange rates in the statement of comprehensive income unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting translation differences are recognized as a separate item in "other reserves" under equity.

2.6 Property, plant and equipment

The majority of property, plant and equipment consists of operating and office equipment, hardware and leasehold improvements. Property, plant and equipment are carried at cost less cumulative scheduled depreciation and/or cumulative impairment losses. The acquisition and production costs of property, plant and equipment consist of expenses directly attributable to the acquisition that are incurred to bring the asset into an operational state. Reductions in the purchase price such as discounts, bonuses and early payment discounts reduce acquisition costs.

Subsequent acquisition and production costs are only recognized as part of the asset’s acquisition/production costs or, if relevant, as a separate asset when it appears likely that the Group will retain an economic benefit from the asset in the future and the asset’s costs can be reliably determined. The carrying amount of a component, which is accounted for as a separate asset, is derecognized when it is replaced. All ongoing repair and maintenance costs are recognized through profit or loss in the period they are incurred.

Acquisition and production costs do not include any borrowing costs because borrowing costs that can be capitalized under IAS 23 were not incurred. Advance payments for property, plant and equipment not yet delivered or accepted are recognized under property, plant and equipment.

Scheduled depreciation is calculated using the straight-line method, whereby acquisition costs are depreciated over the expected useful life to the asset’s residual value as follows:

- Other equipment 3 – 15 years
- Operating and office equipment 3 – 10 years
- Hardware 3 – 7 years
- Leasehold improvements 5 – 8 years

Both residual carrying amounts and useful lives are reviewed at each reporting date and adjusted when necessary. In accordance with IAS 36, an asset’s carrying amount is impaired as soon as the carrying amount exceeds the asset’s recoverable amount.

Gains and losses from disposals of property, plant and equipment are recognized through profit or loss in "Other income" or "Other expenses" as the difference between sales proceeds and the item’s carrying amount.

2.7 Intangible assets

2.7.1 Software licenses

Purchased software licenses are capitalized on the basis of the acquisition costs incurred upon purchase and the expenses for preparing the software for its intended use. These costs are amortized on a straight-line basis over an estimated useful life of 3 to 5 years. In subsequent years, software licenses are measured at acquisition cost less accumulated amortization and impairment.

2.7.2 Proprietary software

Costs for the maintenance of computer software are recognized as an expense as incurred. Development costs directly attributable to the development and verification of identifiable software, over which the Group has the power of control, are recognized as intangible assets when the following criteria are met:

- Completion of the software is technically feasible.
- Management has the intention to use the software.
- The company has the ability to utilize the software.
- It can be shown how the software will likely provide a future economic benefit.
- Sufficient technical, financial and other resources are available to complete the development and use the software.
- The expenses attributable to the software during its development can be assessed reliably.

The costs directly attributable to the production costs of the software include the personnel costs for the employees involved in the development.

Development costs that do not fulfil these criteria are recognized as expenses in the period they are incurred. Development costs already recognized as expenses will not be capitalized in a subsequent period.

Capitalized software development costs are amortized using the straight-line method over the software's estimated useful life (maximum of three years).

Amortization starts with the completion of the development phase and at the time the asset can be used. Amortization spans the period in which economic use is to be expected.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life (for example, proprietary software in the development phase) are not amortized but instead tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Assets subject to scheduled depreciation or amortization are tested for impairment when relevant events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of either the fair value less sales costs, or the value-in-use. To conduct the impairment test, assets are pooled at the lowest level at which cash flows can be identified separately (CGUs). Non-monetary assets for which impairment losses were recognized in the past are assessed at each reporting date to determine whether a reversal of the impairment up to the amortized cost is required.

2.9 Financial assets

2.9.1 Recognition and derecognition

Financial assets are initially recognized when zooplus becomes a party to the contractual provisions of a financial instrument. Regular purchases or sales of financial assets are recognized on the trading day that the Group committed to the asset’s purchase or sale. Financial assets are derecognized when the rights to payments from the financial assets have expired or have been transferred, and the Group has transferred essentially all of the risks and opportunities associated with their ownership.

2.9.2 Measurement

Financial assets that do not belong to the category "Measured at fair value through profit or loss" are initially recognized at their fair value plus transaction costs. Financial assets that belong to this category are initially recognized at their fair value; corresponding transaction costs are recognized in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows represent principal and interest payments only.

Debt instruments

The subsequent measurement of debt instruments depends on the Group’s business model for managing the financial asset and the cash flow characteristics of the financial asset. The Group separates its debt instruments into three measurement categories:

- Measured at amortized cost (AC): Financial assets that are held in order to receive the contractual cash flows and for which these cash flows represent interest and principal payments only are measured at amortized cost. Interest income from these financial assets is reported in financial income using the effective interest method. Gains or losses on derecognition are recognized directly in the statement of comprehensive income under other gains / losses - net.
- Measured at fair value through other comprehensive income (FVOCI): Financial assets that are held to receive the contractual cash flows and are available for sale, and for which the cash flows represent interest and principal payments only, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, with the exception of impairment income or expenses, interest income and foreign currency gains and losses, which are recognized in the statement of comprehensive income. When the financial asset is derecognized, the profit or loss previously recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income and reported under other gains / losses -net. Interest income from these financial assets is recognized in financial income using the effective interest method. Foreign currency gains and losses are reported under other gains / losses - net and impairment losses in a separate item in the statement of comprehensive income.
- Measured at fair value through profit or loss (FVPL): Financial assets that do not meet the criteria of the category "AC" or "FVOCI" are classified in the category "FVPL”. Gains or losses on a debt instrument that is subsequently measured at FVPL are netted in profit or loss under other gains / losses - net in the period in which they arise.

The Group reclassifies debt instruments only if there is a change in the business model for managing such assets.

Equity instruments

The Group measures all equity instruments held subsequently at fair value. If the Group’s management has decided to present the effects of changes in the fair value of equity instruments in other comprehensive income, any gains and losses related to the instrument will not be reclassified to the statement of comprehensive income after its derecognition. Dividends from such instruments continue to be recognized in profit or loss under other income if the Group’s claim to receive payments is substantiated.

Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in the income statement under other gains / losses - net. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

In the financial year, the Group classified all financial assets as "measured at amortized cost".

2.9.3 Impairment

The Group assesses the expected credit losses associated with its debt instruments measured at amortized cost or at fair value through other comprehensive income on a forward-looking basis. The amount of the risk provision depends on the impairment model applied in each case.

General approach

A three-stage model (general approach) is used to determine the extent of the risk provision, according to which the twelve-month expected loss is generally to be recognized as the initial amount and, in the event of a significant deterioration in credit risk, the expected total loss is to be recognized. An indicator for such an increase is, among others, if a debtor is more than 30 days in arrears.

Financial assets are generally derecognized when all of zooplus' rights to receive cash flows have expired or have been transferred and no significant risks and rewards of ownership remain with zooplus.

zooplus assesses expected credit losses using the general approach for cash and cash equivalents as well as for other current financial assets.

Receivables from suppliers for marketing services are considered to be credit-impaired and are written down if there is objective evidence of impairment. Indications include when a debtor is more than six months in arrears and there are no liabilities of the same amount on the part of the Group.

If, according to reasonable assessment, there is no longer any realisability, receivables against suppliers for marketing services rendered are derecognized. One indicator for this is the failure of the debtor to commit to a repayment plan.

For reasons of materiality, no impairment losses were recognized on cash and cash equivalents and other current financial assets.

Simplified approach

In the case of accounts receivable the Group applies the simplified approach, which requires that the credit losses expected over the term be recognized as of the first-time recognition of the receivables.

In order to measure expected credit losses, accounts receivable were aggregated on the basis of common credit risk characteristics and the number of days overdue. The expected loss ratios are based on the payment profiles of sales over a period of three years prior to January 1, 2020 and the corresponding historical defaults in this period. They are reviewed and adjusted on a yearly basis. The impairment with regard to trade receivables was determined on this basis. For further details, see Note 10.

Receivables are derecognized, in addition to the above-mentioned criteria, after unsuccessful collection upon notification of private insolvency by the customer and upon the occurrence of the statute of limitations. In addition, trade receivables are sold after completion of the collection process. After sale, no opportunities and risks associated with the receivables remain in the Group.

Impairment losses on accounts receivable are presented in the statement of comprehensive income as impairment losses on financial assets, net. Amounts previously written off and recovered in subsequent periods are recognised in the same line item.

2.10 Financial liabilities

Financial liabilities mainly comprise accounts payable, derivatives with negative fair values, lease liabilities and other financial liabilities. Financial liabilities as defined by IFRS 9 are classified as measured at amortized cost (FLAC) or at fair value through profit or loss (FVthP/L).

Financial liabilities as defined by IFRS 9 are generally measured at fair value upon initial recognition and subsequently measured at amortized cost (FLAC) using the effective interest method. Financial liabilities at fair value through profit or loss that are designated as at fair value through profit or loss upon initial recognition are subsequently measured at fair value through profit or loss (FVthP/L). For financial liabilities not measured at fair value through profit or loss, initial measurement is net of transaction costs. A financial liability is derecognized when the obligations specified in the contract, underlying this liability, have been met or cancelled or expired.

2.11 Netting of financial instruments

Financial assets and liabilities are netted and recognized on the balance sheet only as a net amount when there is a current legal right to net the recognized amounts, and the intention is to either settle on a net basis or settle the associated liability with the simultaneous sale of the asset in question.

2.12 Derivative financial instruments and hedging

For their initial measurement, derivative financial instruments are measured at the fair value attributable to these instruments on the date of entering the contract. Subsequent measurement is based on the fair value applicable on the respective reporting date. The method of recognizing gains and losses resulting from changes in fair value depends on whether the derivative financial instrument was designated as a hedging instrument and, if so, on the type of item hedged. The Group designates certain derivative financial instruments for hedging based on either

- the fair value of a recognized asset, liability or firm off-balance-sheet commitment (fair value hedge);
- specific risks of fluctuating cash flows (cash flow hedge) that are related to a recognized asset, liability, or an expected and highly probable future transaction; or
- net investment in a foreign operation (net investment hedge).

Cash flow hedges

The fair value of derivative financial instruments designated as hedging instruments is reported as a non-current asset or non-current liability provided the remaining term of the underlying hedged transaction exceeds twelve months from the reporting date or as a current asset or current liability if the remaining term is shorter. Derivative financial instruments held for trading purposes are reported as current assets or liabilities.

The fair values of the various derivative financial instruments used for hedging purposes and the changes in the reserves for cash flow hedges are outlined in the information on derivative financial instruments in Note 12.

The effective portion of changes in the fair value of derivatives designated as hedging instruments within the scope of cash flow hedges is recognized in the cash flow hedge reserve as a component of equity. In contrast, the ineffective portion of such changes in value is recognized directly in the statement of comprehensive income under "Other gains / -losses - net".

If forward transactions are used to hedge expected transactions, the Group designates the change in the fair value of the forward contract (including the forward component) as a hedging instrument. Gains and losses arising from the effective portion of the change in the fair value of the entire forward contract are recognized in the hedge reserve as a component of equity.

For hedges of foreign currency purchases or sales, ineffectiveness potentially arises when the timing of the forecasted transaction changes from the original estimate or when changes occur in the derivative's exposure to credit risk. Since the entire fair value change of the derivatives is designated, the forward component results in ineffectiveness.

Amounts accrued in equity are reclassified to the statement of comprehensive income (recognized in sales in the case of hedges of sales transactions denominated in foreign currency; recognized in cost of materials in the case of hedges of goods purchase transactions denominated in foreign currency) and reported as either income or expense in the period the underlying hedged transaction is reported in profit or loss (for example, the point in time the hedged future sale occurs). However, if a hedged future transaction results in the recognition of a non-financial asset (such as inventories) or non-financial liability, then the gains and losses previously recognized in equity are included in the initial measurement of the acquisition or production cost of the asset or liability. In the case of inventories, the deferred amounts are ultimately recognized in the cost of materials upon their sale.

When a hedging agreement expires, is sold or no longer meets the criteria for hedge accounting, the gain or loss accumulated in equity until that time remains in equity and is only recognized through profit or loss in the statement of comprehensive income when the originally hedged future transaction occurs. If the future transaction is no longer expected to occur, the gains and losses recognized in equity are to be immediately reclassified to the statement of comprehensive income.

2.13 Inventories

Materials, consumables, supplies and trade goods purchased are measured at the lower of acquisition costs and net realizable value. Acquisition costs consist of the purchase price plus incidental purchase costs less any purchase price reductions. Acquisition costs do not contain any borrowing costs. The acquisition costs also contain gains and losses from qualified cash flow hedges transferred from equity that relate to purchases of inventories. The net realizable value is the estimated selling price in the ordinary course of business, less the necessary variable selling costs. The average cost method is used to measure the value of inventories.

2.14 Accounts receivable and other current assets

Accounts receivable are amounts owed by customers from merchandise sold and services provided during the ordinary course of business. If the estimated payment is expected to be received within one year or less, the receivable is classified as a current receivable; otherwise, it is recognized as a non-current receivable. Accounts receivable are initially recognized at the amount of unconditional consideration. If accounts receivable include significant financing components, they are instead measured at fair value. The Group holds accounts receivable to collect the contractual cash flows and subsequently measures them at amortized cost, less impairment, using the effective interest method.

Due to the short-term nature of the receivables, their carrying amounts correspond to their fair value.

For information on impairments of accounts receivable and the default risk, foreign currency risk and interest rate risk to which the Group is exposed, please refer to Note 3.1.

Receivables from marketing services relate to amounts owed by suppliers for marketing services provided by zooplus. These are financial assets whose recognition and measurement provisions are described in Note 2.9. The resulting income are netted against the cost of materials on the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, demand deposits, other highly liquid current financial assets with original maximum terms of three months, and overdrafts. Utilized overdrafts are reported on the balance sheet as "Liabilities to banks" under current financial liabilities. The Group did not have any bank liabilities as of the 2019 or 2020 reporting dates.

2.16 Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are recognized in equity on a net basis after taxes as a deduction from the issue proceeds.

If the Group acquires its own shares, these shares are recorded at acquisition cost and deducted from equity. The purchase, sale, issue or withdrawal of own shares is recognized directly in equity. Any differences between the carrying amount and the consideration provided are recorded under capital reserves. Group companies do not currently hold treasury shares.

2.17 Accounts payable and other liabilities

Accounts payable are payment obligations for goods and services received by the Group prior to the end of the financial year. Liabilities are classified as current liabilities if the payment obligation is due within one year or less; otherwise, they are recognized as non-current liabilities. Accounts payable and other liabilities are measured at their fair value upon initial recognition. Any transaction costs are recognized through profit or loss. Subsequent measurement is at amortized costs by applying the effective interest method.

The agreement concluded between zooplus, the supplier and the factor as part of the reverse factoring program does not affect the recognition, measurement or disclosure of accounts payable.

2.18 Income taxes

Income tax expenses or benefits for the period are equivalent to the taxes owed on taxable income in the current period, based on the applicable income tax rate of a tax jurisdiction and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and tax loss carryforwards.

Actual tax expenses are calculated in accordance with the tax laws applicable on the reporting date (or due to come into force) in the countries where zooplus AG and the subsidiaries are operating and generating taxable income. Management routinely reviews issues in tax declarations, particularly with respect to matters with room for interpretation, and recognizes provisions based on the amounts expected to be paid to the tax authorities, when appropriate.

The Group is subject to income tax in various tax jurisdictions. Due to the increasing complexity of tax law and the associated uncertainty with regard to the legal interpretation of the tax authorities, there is an increasing degree of uncertainty in the area of tax calculation. However, where necessary, any tax risks are accounted for accordingly in the form of a provision. There were no material uncertainties as of the reporting date.

Deferred taxes are recognized for all temporary differences between the tax base of the assets or liabilities and their carrying amounts in the IFRS consolidated financial statements, as well as for losses carried forward (the "liability method"). However, deferred taxes are not recognized on the date of initial recognition or thereafter when deferred taxes arise from the initial recognition of an asset or liability in the context of a transaction that is not a business combination, and the deferred taxes have no effect on the profit and loss under IFRS or tax law at the time of the transaction. Deferred taxes are measured using the tax rates (and tax regulations) that are already in effect on the reporting date or those that have been largely adopted into law as of that date and are expected to become effective by the time the deferred tax assets are realized or the deferred tax liabilities are settled.

Deferred tax assets are only recognized to the extent that it is likely that taxable profits will be generated that can be used to offset temporary differences or deferred tax liabilities.

Deferred tax liabilities and assets arising from temporary differences related to interests in subsidiaries are recognized unless the timing for reversing temporary differences can be specified by the Group, and because of the Group's influence, it is likely that these differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so, and the deferred tax assets and liabilities relate to income taxes that are imposed by the same tax authority for either the same taxable entity or different taxable entities that intend to settle on a net basis. Actual tax receivables and tax liabilities are offset if the company has an enforceable right to offset, and the intention is to either settle on a net basis or settle the associated liability with the simultaneous realization of the receivable.

Deferred and actual taxes are recognized in the statement of comprehensive income unless they relate to items that are to be recognized directly in equity or "Other gains / losses - net". In this case, the taxes are also recorded in equity or "Other gains / losses - net".

2.19 Employee benefits

2.19.1 Short-term employee benefits

Liabilities for wages and salaries (including non-monetary benefits) and annual leave, which are expected to be fully settled within 12 months after the end of the period in which the employees rendered the related service, are recognized as employee services until the end of the reporting period and measured at the amount expected to be paid to settle the liabilities. In the balance sheet, the liabilities are presented as current obligations for employee benefits.

2.19.2 Termination benefits

Benefits from the termination of the employment relationship are paid if the employment contract is terminated by a Group company before the employee reaches customary retirement age or when the employee voluntarily terminates the employment contract in exchange for compensation. The Group recognizes severance payments when it can be proven that the Group is obligated to terminate the employment relationship with current employees under a detailed formal plan that cannot be reversed, or when it can be proven that the Group is obligated to pay compensation to employees who terminate the employment relationship voluntarily. Benefits due more than twelve months after the reporting date are discounted to their present value.

2.19.3 Bonus plans

Bonus payments are recognized as a liability or an expense based on a measurement method. A provision is recognized in the consolidated financial statements in cases involving a contractual obligation or when a de facto obligation is created due to past business practices.

2.19.4 Share-based remuneration

Some of the Group's employees and the Management Board receive share-based remuneration in the form of equity instruments or cash.

The expenses related to granting equity instruments are measured at the instrument's fair value on the grant date. The fair value is determined using a suitable option price model. The measurement considers the conditions linked to zooplus AG's share price ("market conditions") and, if any, performance-related conditions for exercising the option.

Expenses related to the granting of equity instruments are recognized with a simultaneous corresponding increase in equity over the period in which the performance and/or exercise conditions are fulfilled. This period ends at the point in time the employee has an irrevocable right to exercise the option. At each reporting date up to the time when the option may first be exercised, the accumulated expenses from granting equity instruments reflect the elapsed portion of the vesting period and the Group's best estimate of the number of equity instruments that will ultimately become vested. Any adjustment resulting from a review as of the reporting date compared to the original estimates is recognized in profit or loss and with a corresponding adjustment to equity.

Upon exercise of the options, zooplus AG transfers the corresponding number of shares to the employees/Management Board. The proceeds received by employees/Board members from the payment of the exercise price are recognized directly in equity after deducting the transaction costs that are directly attributable.

For cash-settled transactions, the Group's liability resulting from the rendering of services is recognized at its fair value through profit or loss on the date the service is provided by the beneficiary. The fair value is calculated using a suitable option price model. The measurement considers the conditions linked to zooplus AG's share price ("market conditions") and performance-related conditions for exercising the option, if any. Until the liability has been settled, the fair value of the liability is remeasured at each reporting date, and all changes in the fair value are recognized through profit or loss.

There are no expenses recognized for remuneration rights that cannot be exercised. This does not apply to transactions settled using equity instruments for which specific market or non-exercise conditions must be fulfilled. These equity instruments are considered exercisable if all other performance and service conditions have been met regardless of whether the market or non-exercise conditions have been fulfilled.

2.20 Provisions

Provisions are recognized when the Group (a) has a current legal or de facto obligation resulting from a past event, (b) it is more likely than not that the settlement of the obligation will adversely impact net assets, and (c) the amount of the provision can be reliably determined. No provisions are recognized for future operating losses.

If several similar obligations exist, such as in the case of a legal warranty, the probability of an adverse impact on net assets is determined on the basis of the group of these obligations. A provision is also recognized when there is a low probability that net assets will be adversely impacted by a single obligation contained within this group, but it is quite probable that the settlement of this group of obligations will result in a cash outflow.

Provisions are measured at the present value on the basis of management's best estimate of the expenses required to settle the present obligation at the end of the period. This is based on a pre-tax interest rate that takes into account the market's current expectations of the interest rate effect and the risks specific to the liability. Increases in provisions resulting exclusively from accruing interest are recognized through profit or loss in the statement of comprehensive income as financial expenses.

2.21 Sales recognition

Sales are recognized when the corresponding performance obligation has been met; namely, when the control over the goods or services has been transferred to the customer. Control is transferred either at a point in time or over a period of time. Control over goods sold is transferred at a point in time. In the case of discount plans, sales are recognized over a period of time according to their term.

Sales correspond to the contractually agreed transaction price and include the consideration zooplus is likely to receive in exchange for the transfer of the promised goods or services to the customer. Sales from the sale of goods are recognized at their net value (after deducting VAT, returns, early payment deductions, customer discounts).

Sales transactions are carried out under the legal 14-day right of withdrawal of the buyer. A provision for customer returns (reported in other current liabilities) is recognized at the end of the reporting period, thereby reducing sales. The determination of the provision is based on the actual returns in the reporting period for deliveries made during the reporting period.

The Group offers its customers various (customary) payment methods/targets. None of these includes a significant financing component. In addition, there are no contracts in which the period between the transfer of the promised goods to the customer and the payment of the customer exceeds one year. Consequently, the promised consideration is not adjusted by the time value of money.

Accounts receivable are due within 0 and 14 days.

The Group operates its own loyalty program that gives customers an opportunity to collect bonus points with every purchase. Once a certain minimum number of points have been collected, the customer can redeem the collected points for products. A contract liability for the points (separate performance obligation) is recognized at the time of sale. The consideration received is allocated between the products sold and the points issued based on their relative stand-alone selling prices, with the stand-alone selling price of the points equal to its fair value. The fair value of the points is determined based on the selling prices of the award products and the probability of redemption. Deferred revenue from the points is recognized when they are redeemed.

In 2020, zooplus introduced a new loyalty program for its customers in the form of a virtual stamp card. Customers can collect stamps on the virtual stamp card with every purchase. Once a certain number of stamps has been collected, the stamp card is converted into a value voucher that can be deducted from a subsequent purchase. Also in this case, a contract liability for the stamps (separate performance obligation) is recorded at the time of sale. The consideration received is split among the products sold and the bonus stamps awarded based on relative individual selling prices, whereby the individual selling price of the bonus stamps is equal to its fair value. The fair value of the stamps is determined on the basis of the value of the vouchers and the probability of redemption. Deferred revenue from the stamps is recognized when the value vouchers acquired through the collection are redeemed.

The Group offers its customers the option to receive discounts over a contractually agreed period by purchasing a "zooplus savings plan." The income generated from the sales of the discount plan is deferred and recognized in contract liabilities over the period of validity of the individual discount plans.

The Group assessed its business relations to determine whether it acts as a principal or intermediary and concluded that it acts as the principal in all of its sales transactions.

2.22 Interest income

Interest income is recorded as financial income if it is received from financial assets held for liquidity management purposes. It is recognized when the interest accrues.

2.23 Leases

Since January 1, 2019, leases have been recognized as a right-of-use asset and a corresponding lease liability as of the date the lease asset is available for use by the Group.

Lease assets and liabilities are initially recognized at their present value. 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 linked to an index or (interest) rate, initially measured at the index or (interest) rate at the date the asset was made available
- expected payments to be received by the Group from the utilization of residual value guarantees
- the exercise price of a call option that is reasonably certain to be exercised by the Group
- penalties related to the termination of the lease, provided that the term takes into account that the Group will exercise the termination option

The measurement of the lease liability also takes into account lease payments based on sufficiently certain utilization of renewal options.

Lease payments are discounted at the implied interest rate underlying the lease if this can be determined. Otherwise, they are discounted at the lessee's incremental borrowing rate, i.e., the rate that a lessee would have to pay to borrow the funds necessary to acquire an asset of similar value for a similar term with similar security on similar terms in a similar economic environment.

The Group determines the incremental borrowing rate as follows:

Where possible, financing arrangements entered into with third parties by the individual lessee are used as a starting point. Where necessary, these are adjusted to reflect any changes in terms and conditions since the financing was obtained. If there is no recent financing with third parties, the Group uses a risk-free interest rate as a starting point and adjusts it to reflect the lessee's credit risk. Other adjustments also include the lease term, economic environment, lease currency and collateralization. The cash portion of interest expense is included in cash flows from financing activities.

The Group is exposed to possible future increases in variable lease payments that may result from a change in an index or interest rate. These potential changes in lease payments are not recognized in the lease liability until they become effective. As soon as changes in an index or interest rate affect the lease payments, the lease liability is adjusted against the right-of-use asset. Lease payments are divided into principal and interest payments. The interest portion is recognized in profit or loss over the lease term resulting in a constant periodic interest rate on the residual value of the liability for each period.

Right-of-use assets are measured at cost, which breaks down as follows:

- the amount of initial measurement of the lease liability
- all lease payments made before the lease asset was available, less any lease incentives received
- any initial direct costs incurred by the lessee
- estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or rebuilding the underlying asset to the condition required by the lease agreement

Right-of-use assets are amortized on a straight-line basis over the shorter of their useful lives and the term of the underlying lease. If the exercise of a purchase option is sufficiently certain from the Group's perspective, the asset is amortized over the useful life of the underlying asset.

Payments made under short-term leases and low-value leases are recognized as an expense in the statement of comprehensive income on a straight-line basis. Leases with a term of up to 12 months are classified as short-term leases. Assets of low value include IT equipment and minor office equipment.

A number of the Group's real estate leases contain renewal and termination options. Such contractual terms are used to provide zooplus with maximum operational flexibility in relation to the assets used by the Group. The majority of the existing renewal and termination options can only be exercised by the Group and not by the respective lessor.

In determining the term of leases, management considers all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Changes in the lease term resulting from the exercise of renewal and termination options are included in the lease term only if renewal or non-exercise of a termination option is reasonably certain to occur.

2.24 Business transactions after the reporting date

Business transactions that occurred prior to the reporting date but became known after the reporting date will be accounted for in the consolidated financial statements. Material business transactions that occurred after the reporting date are discussed in this annual report.

3. Financial risk management

3.1 Financial risk factors

The Group's business activities expose it to a variety of financial risks: market risks (currency risk and interest rate risk), credit risks and liquidity risks. The Group and its product range are in competition with other providers.

The Group's risk management focuses on managing the unpredictability of financial market developments and aims to minimize the potentially negative impact of these developments on the Group's financial situation. The Group uses derivative financial instruments to hedge itself against specific risks.

Risk management is carried out by the central finance department according to the guidelines set out by the Management Board. The Group finance department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The Management Board sets out both the principles for Group-wide risk management and the guidelines for specific areas such as those dealing with foreign currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess cash.

When all relevant criteria are met, hedge accounting is applied to eliminate the accounting-related mismatch between the hedging instrument and the hedged item. As a result, inventories are recognized at the hedged exchange rates for the corresponding purchases. For details, see Notes 2.12 and 12.

3.1.1 Market risk

3.1.1.1 Currency risk

The Group operates internationally making it subject to currency risk from changes in foreign currency exchange rates – mainly the US dollar as well as other main European foreign currencies. Risks related to the US dollar stem primarily from purchases made in Asia.

Currency risk arises from expected future transactions, recognized assets and liabilities denominated in a currency other than the functional currency of the Group company concerned. Management has put a guideline in place stipulating how currency risk should be managed in relation to the functional currency. The Group hedges significant foreign currency risk from expected future transactions through forward exchange transactions entered into by the Group's finance department. According to the Group's policy, the material terms and conditions of the forward transactions must match those of the hedged items. The Group is increasingly trying to limit this currency risk by purchasing products locally in foreign currency regions. The Group's risk management policy envisions hedging of between 0% and 70% of the transactions expected within the following twelve months (consisting mainly of export sales and inventory purchases). The expected sales and purchases to be carried out using hedging instruments correspond with the hedge accounting criteria of a "highly probable" forecast transaction.

The effectiveness of hedging relationships is determined at the inception of the hedge and through periodic forward-looking assessments to ensure that there is an economic relationship between the hedged item and the hedging instrument.

IFRS 7 requires the use of sensitivity analyses when presenting market risks, with these analyses illustrating the effects of hypothetical changes to the relevant risk variables on the net profit/loss for the period and equity. The following representation is one-dimensional and does not take into account the feedback effects in international purchasing or on the manufacturers. Tax effects are also not considered. The table below shows the positive and negative impact if the euro were to gain or lose 10% of its value versus the material currencies as of the reporting date, assuming all other variables remain constant. The effects break down as follows:

Currency	1 euro = 1 MU FC Rate on Dec. 31, 2020	Impact on consolidated net profit/loss at +10% in kEUR	Impact on consolidated net profit/loss at –10% in kEUR	Impact on other reserves at +10% in kEUR	Impact on other reserves at –10% in kEUR
PLN	**4.5597**	66,764	-29,358	1,311	-1,602
CZK	**26.2420**	15,221	-15,151	1,372	-1,677
CHF	**1.0802**	9,762	-19,811	2,606	-3,188
DKK	**7.4409**	9,756	-12,205	-	-
GBP	**0.8990**	18,519	1,062	246	-301
SEK	**10.0343**	6,027	-11,592	735	-898
HUF	**363.8900**	9,492	-953	736	-900

Gains/losses from currency translation resulting from accounts payable and receivable denominated in a foreign currency effect the consolidated net profit/loss, whereby changes to the fair value of forward exchange transactions from effective cash flow hedges affect other reserves.

3.1.1.2 Interest rate risk

The Group currently uses overdrafts and current money-market loans with variable interest rates exclusively. Interest rate risk arises when the current level of interest rates increases. No hedges are currently in place to protect against interest rate risk because the potential impact of this risk is considered minor also in the case of debt financing. Therefore, interest rate sensitivity has not been stated.

3.1.2 Credit risk

Credit risk is defined as the risk that a business partner will not be able to fulfil its obligations with respect to a financial instrument or customer contract and lead to a financial loss for the Group. The maximum scope of the zooplus Group's credit risk is equivalent to the total carrying amounts of accounts receivable, other receivables and cash and cash equivalents. There is no credit concentration risk.

In the case of banks, only contract counterparties with a good independent rating are accepted.

Credit limits are set for all customers based on internal risk classification characteristics. Outstanding customer receivables are monitored regularly.

Impairment of financial assets

For accounts receivable and receivables the Group applies the simplified approach to assess expected credit losses.

Other current financial assets and cash and cash equivalents are also subject to the impairment provisions of IFRS 9, but the identified impairment loss was insignificant.

For details we refer to the explanations under Note 2.9.3 as well as Note 10.

3.1.3 Liquidity risk

Prudent liquidity risk management means having sufficient cash and cash equivalents available and funding through a reasonable amount of committed credit lines to meet obligations that come due.

The Group uses liquidity planning to continuously monitor the risk of liquidity bottlenecks. Liquidity planning takes into account cash inflows and outflows from financial assets and anticipated incoming payments generated from the operating business. Cash flow forecasts are created at the level of the individual companies and compiled at the Group level.

The Group aims to maintain a balance between continuously covering its liquidity requirements and ensuring the Group's flexibility through the use of overdrafts and loans. At times, zooplus employs cross-national cash pooling techniques for effectively managing liquidity within the Group. Any short-term liquidity bottlenecks are offset using overdrafts, if necessary. At the time of preparing these consolidated financial statements, there were unused credit lines (variable interest) of EUR 70 m available at five independently operating banks. The lines of credit have been granted without the provision of collateral until November 30, 2021. The management is currently in negotiations to extend these credit lines. The Group is therefore not currently exposed to any liquidity risk.

The following table shows the Group's primary and derivative financial liabilities grouped by maturity based on the remaining terms as of the reporting date and the contractually agreed undiscounted cash flows:

In kEUR	Up to 3 months	3 months to 1 year	Over 1 year
As of December 31, 2020			
Lease liabilities	5,287	19,938	66,222
Accounts payable	148,938	0	0
Other current financial liabilities	10,274	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	52,711	61,378	0
Cash inflow	52,454	61,477	0
As of December 31, 2019			
Lease liabilities	6,041	18,627	61,210
Accounts payable	125,050	0	0
Other current financial liabilities	4,677	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	8,834	8,834	0
Cash inflow	8,634	8,605	0

3.2 Capital management

The Group's main goals with respect to capital management are to maintain and ensure an optimal capital structure to reduce the cost of capital, generate liquidity, actively manage working capital and comply with financial covenants (see Note 17).

The company is not subject to any statutory capital requirements. External minimum capital requirements are maintained in accordance with Section 92 AktG, and compliance with these requirements is reviewed during the preparation of the annual and interim financial statements. These external minimum capital requirements have been complied with in the 2020 financial year.

The Group manages its capital structure based on the equity ratio and makes adjustments when necessary, taking any changes in the underlying economic conditions into account. The Group's equity ratio as of the reporting date was 27% (2019: 28%).

In kEUR	2020	2019
Equity	123,923	100,772
Total equity and liabilities	463,210	360,955
Equity ratio in %	**27%**	**28%**

4. Significant estimates and accounting judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that directly impact the amount of income, expenses, assets and liabilities on the reporting date, and the disclosure of contingent liabilities. However, the uncertainties associated with these assumptions and estimates could lead to results that may substantially affect the carrying amounts of the items above in future periods. Compared to the previous year, no changes were made to the assumptions or estimates.

Discussed below are the most important forward-looking assumptions and other key sources of estimation uncertainty that existed as of the reporting date and result in the risk that a material adjustment will have to be made to the carrying amounts of assets and liabilities in the subsequent financial year.

Inventories

Inventories were measured by estimating the recoverable amount in the ordinary course of business less any necessary variable selling costs (net realizable value) based on historical data. As of the reporting date, merchandise was impaired by kEUR 8,227 (previous year: kEUR 5,851). The impairment was recognized in profit or loss under cost of materials.

Accounts receivable

Impairment on accounts receivable was calculated using the expected loss model in the context of the simplified impairment approach. As of the reporting date, valuation allowances amounting to kEUR 4,611 were recognized (previous year: kEUR 4,504).

The assumptions and methods applied for the estimation are described in Note 10.

Bonus program (Customer loyalty program)

Various estimates are used to measure the obligations arising from the loyalty program. Bonus points awarded but not yet redeemed are deferred fair value, whereas the fair value of a bonus point is determined using the sales prices of the various products offered as rewards. The fair value of bonus points no longer expected to be used is not deferred. The estimate of the bonus points likely to expire was based on the redemption and expiry rates observed to date, taking into account the current conditions of participation in connection with the bonus point program. the loyalty program's current conditions for participation. An obligation of kEUR 14,023 (previous year: kEUR 5,361) was recognized as of the reporting date.

Obligations from the loyalty program are recorded as contract liabilities. Please refer to Note 20.

Share-based remuneration

The costs arising as a result of granting equity instruments and cash-settled or equity-settled share-based remuneration to employees and the Management Board are measured at the fair value of the instruments granted on the grant date. To estimate the fair value of share-based remuneration, the most suitable measurement method must first be determined based on the granting conditions. For this estimate, it is also necessary to determine suitable input parameters, including parameters such as the likely term of the option, volatility, dividend yield and corresponding assumptions. In the reporting year, expenses of kEUR 2,483 (previous year: kEUR 1,891) were recognized in connection with share-based remuneration.

The assumptions and methods applied to estimate the fair value of share-based payments are presented in Note 15.

Term of leases

In determining the term of leases, management considers all facts and circumstances that provide an economic incentive to exercise extension options. Changes in the lease term resulting from the exercise of extension options are only included in the lease term if extension is reasonably certain. At the reporting date, potential future cash outflows of EUR 26.2 m (undiscounted) were not included in the lease liability because it is not sufficiently certain that the leases will be extended.

The assessment is reviewed on an ongoing basis, as well as when an extension option is actually exercised (or not exercised), or the Group is obliged to do so. A reassessment of the original assessment is made when a significant event or change in circumstances occur that may affect the previous assessment to the extent that this is within the control of the lessee. In the current reporting period, related adjustments to the lease terms resulted in an increase in recognized lease liabilities and rights of use of EUR 30.0 m (previous year: EUR 11.2 m).

5. Property, plant and equipment

In kEUR	Other equipment, operating and office equipment
Acquisition costs as of January 1, 2019	9,981
Additions	1,265
Foreign currency valuation	31
Disposals	– 830
As of December 31, 2019	**10,447**
Accumulated depreciation as of January 1, 2019	4,132
Additions	1,599
Foreign currency valuation	5
Disposals	– 762
As of December 31, 2019	**4,974**
Carrying amounts as of December 31, 2019	**5,473**

In kEUR	Other equipment, operating and office equipment
Acquisition costs as of January 1, 2020	10,447
Additions	3,374
Foreign currency valuation	-42
Disposals	-883
As of December 31, 2020	**12,896**
Accumulated depreciation as of January 1, 2020	4,974
Additions	1,533
Foreign currency valuation	-29
Disposals	-881
As of December 31, 2020	**5,597**
Carrying amounts as of December 31, 2020	**7,299**

There are no restrictions on the disposal rights of property, plant and equipment and none of the property, plant and equipment has been pledged as collateral for debt. As in prior years, there were no indications of impairment in accordance with IAS 36 as of the reporting date.

6. Intangible assets

In kEUR	Proprietary software	Software/licenses	Advance payments	Total
Acquisition costs as of January 1, 2019	7,566	14,189	298	22,053
Additions	2,288	636	0	2,924
Foreign currency valuation	0	– 2	0	– 2
Disposals	0	– 1,666	0	– 1,666
Reclassifications	0	298	– 298	0
As of December 31, 2019	**9,854**	**13,455**	**0**	**23,309**
Accumulated amortization as of January 1, 2019	1,342	6,555	0	7,897
Additions	2,001	2,310	0	4,311
Foreign currency valuation	0	0	0	0
Disposals	0	– 1,666	0	– 1,666
As of December 31, 2019	**3,343**	**7,199**	**0**	**10,542**
Carrying amounts as of December 31, 2019	**6,511**	**6,256**	**0**	**12,767**

In kEUR	Proprietary software	Software/licenses	Advance payments	Total
Acquisition costs as of January 1, 2020	9,854	13,455	0	23,309
Additions	1,274	53	0	1,327
Foreign currency valuation	0	-17	0	-17
Disposals	0	-63	0	-63
Reclassifications	0	0	0	0
As of December 31, 2020	**11,128**	**13,428**	**0**	**24,556**
Accumulated amortization as of January 1, 2020	3,343	7,199	0	10,542
Additions	2,712	4,199	0	6,911
Foreign currency valuation	0	-16	0	-16
Disposals	0	-63	0	-63
As of December 31, 2020	**6,055**	**11,319**	**0**	**17,374**
Carrying amounts as of December 31, 2020	**5,073**	**2,109**	**0**	**7,182**

Intangible assets consist of concessions, commercial property rights and similar rights, and licenses to such rights and assets whose remaining useful life is a maximum of five years.

In the reporting year, amortization of internally generated intangible assets amounted to kEUR 2,712 (previous year: kEUR 2,001) and was recognized in the statement of comprehensive income. Capitalizable development costs of kEUR 1,274 (previous year: kEUR 2,288) for proprietary software were also incurred in the reporting year. Some of these development costs have already been amortized. Research costs were of an insignificant amount.

Software/licenses concern mainly the implementation of standard software and related expenses that can be capitalized. There are no restrictions on the disposal of intangible assets and no intangible assets have been pledged as collateral for debt.

In the reporting year, impairments of kEUR 1,928 (previous year: kEUR 0) were recognized on purchased software and licenses. At the time of preparing the consolidated financial statements, there were no indications of an impairment of intangible assets.

7. Income taxes

The main components of income tax expenses in the reporting year and in the previous year (income tax benefit) were as follows:

In kEUR	2020	2019
Actual income taxes		
Current income taxes	-7,834	– 374
Adjustment for actual taxes in previous years	177	– 7
Deferred income taxes		
from temporary differences	814	308
from tax losses carried forward	-4,903	3,917
Total	**-11,746**	**3,844**

As of December 31, 2020, there are tax liabilities of kEUR 7,173 (previous year: kEUR 236). These consist of provisions for corporate income taxes relating to both domestic (kEUR 6,822) and foreign (kEUR 351) income taxes. In addition, there are income tax receivables of kEUR 3 (previous year: kEUR 642) relating to foreign income taxes.

To determine the current taxes in Germany, a uniform corporate tax rate of 15% (previous year: 15%) and a solidarity surcharge on the corporate tax rate of 5.5% (previous year: 5.5%) are applied to distributed and retained profits. In addition to corporate tax, trade tax was charged on profits generated in Germany. Taking into account the inability to deduct trade taxes as an operating expense, the average trade tax rate amounted to 17.15% leading to an overall tax rate in Germany of approx. 32.98%. To calculate the deferred tax assets and liabilities, the tax rates are used that apply on the date the asset is sold or the liability is settled. Deferred tax assets and liabilities are measured using the overall tax rate of 32.16%.

The reconciliation of income tax expenses and the result of net profit for the period and the applicable tax rate for the Group in the reporting year and the previous year was as follows:

In kEUR	2020	2019
Earnings before taxes	**30,677**	**– 15,911**
Expected income tax benefit (32.98%)	-10,116	5,247
Difference to the tax base used for trade taxes	-88	– 65
Difference to the expected tax rate	-109	– 3
Tax losses carried forward excluding recognized deferred tax assets and impairments	-502	– 211
Non-deductible expenses from stock options	-740	– 624
Other non-deductible operating expenses	-811	– 319
Non-periodic income taxes	801	– 149
Other deviations	-181	– 32
Effective income tax expense (previous year: benefit)	**-11,746**	**3.844**

Deferred taxes as of the reporting data are as follows:

In kEUR	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Deferred taxes				
Derivative financial instruments	204	119	165	0
Right-of-use assets	0	0	28,497	26,401
Lease liabilities	28,971	26,811	0	0
Tax loss carryforwards	0	4,903	0	0
Inventories	196	167	0	30
Provisions	424	216	0	0
Internally generated intangible assets	0	0	1,673	2,147
	29,795	**32,216**	**30,335**	**28,578**
of which non-current	21,127	21,878	22,377	19,670
of which current	8,668	10,338	7,958	8,908
	29,795	**32,216**	**30,335**	**28,578**

After netting, deferred tax liabilities of kEUR 974 (previous year: kEUR 2) and deferred tax assets of kEUR 434 (previous year: kEUR 3,640) arose in the 2020 financial year. No deferred tax assets were recognized on foreign loss carryforwards of EUR 3.3 million (previous year: EUR 5.1 million) due to a lack of recoverability. No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries. No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries.

Unrecognized temporary differences

Temporary differences occurred in the amount of kEUR 102 (previous year: kEUR 1,804) as a result of the translation of financial statements of foreign subsidiaries denominated in foreign currency. Nevertheless, deferred tax liabilities were not recognized, as the liabilities would only come into play if the subsidiaries were sold, and such a sale is not expected in the foreseeable future.

Various subsidiaries have undistributed profits as of the reporting date which, if paid out as a dividend, would be taxable for the recipient. There is an estimable temporary difference, but no deferred tax liabilities have been recognized as the parent company is in a position to control the timing of this subsidiary's distributions and it is not expected that these results will be distributed in the foreseeable future.

	Derivative financial instruments	Right-of-use assets	Lease liabilities	Tax losses carried forward	Inventories	Provisions	Internally generated intangible assets
January 1, 2019	17	– 16,502	16,515	986	214	0	– 2,052
Charged/credited							
in profit or loss	-	– 9,899	10,296	3,917	– 77	216	– 95
in other comprehensive income	102	-	-	-	-	-	-
December 31, 2019	119	– 26,401	26,811	4,903	137	216	– 2,147
January 1, 2020	119	– 26,401	26,811	4,903	137	216	– 2,147
Charged/credited							
in profit or loss	-	– 2,096	2,159	-4,903	59	208	474
in other comprehensive income	-80	-	-	-	-	-	-
December 31, 2020	39	– 28,497	28,971	0	196	424	– 1,673

8. Inventories

In kEUR	2020	2019
Materials, consumables and supplies	1,965	1,763
Trade goods	154,725	115,943
Total	**156,690**	**117,706**

Materials, consumables and supplies consist mainly of packaging materials for the mail-order business. As of the reporting date, trade goods were impaired by kEUR 8,227 (previous year: kEUR 5,851). The impairment losses were recognized under cost of materials through profit and loss.

9. Advance payments

Advance payments are payments made in advance for upcoming deliveries of inventories.

10. Accounts receivable

All accounts receivable have a maturity of up to one year, are non-interest bearing and due within a period of up to 14 days. There are no restrictions on their right to disposal.

The table below provides an analysis of the accounts receivable maturity structure:

December 31, 2019	Current	30 days overdue	30 – 60 days overdue	60 – 90 days overdue	90 – 180 days overdue	180 – 360 days overdue	More than 1 year overdue	Total
in kEUR								
Gross carrying amount – accounts receivable	20,024	6,568	1,247	308	415	951	2,705	32,218
Impairment	**115**	**169**	**154**	**127**	**389**	**889**	**2,661**	**4,504**

December 31, 2020	Current	30 days overdue	30 – 60 days overdue	60 – 90 days overdue	90 – 180 days overdue	180 – 360 days overdue	More than 1 year overdue	Total
in kEUR								
Gross carrying amount – accounts receivable	23,648	5,781	950	233	482	835	2,959	34,888
Impairment	**110**	**136**	**110**	**90**	**449**	**783**	**2,933**	**4,611**

Changes in the impairment account were as follows:

In kEUR	**2020**	**2019**
As of January 1	4,504	3,460
Additions	3,699	4,321
Utilization	-3,592	– 3,277
As of December 31	**4,611**	**4,504**

11. Other current assets

In kEUR	2020	2019
Receivables from suppliers from marketing services	35,976	28,633
Creditors with net debit balances	7,814	2,726
VAT receivables	12,509	13,174
Other	7,459	3,189
Total	**63,758**	**47,722**

Creditors with net debit balances refer to claims against suppliers from accumulated volume discounts accrued in the financial year and are recognized on a net basis against the supplier (please refer to Note 16). All other current assets have maturities of one year or less.

Other current financial assets include receivables from suppliers for compensation services (EUR 36.0 m, previous year: EUR 28.6 m), creditors with debit balances (EUR 7.8 m, previous year: EUR 2.7 m) and other financial assets (EUR 4.3 m, previous year: EUR 1.1 m).

12. Derivative financial instruments

	2020		2019	
In kEUR	Assets	Liabilities	Assets	Liabilities
Forward exchange transactions – cash flow hedges	500	620	-	362

There were no fair value hedges or net investment hedges in fiscal years 2019 and 2020.

At the conclusion of the transaction, the Group documents the hedging relationship between the hedging instrument and the hedged item, the objective of its risk management and the underlying strategy for entering into hedging transactions. The Group's risk management policy is to hedge between 0% and 70% of expected transactions within the next twelve months. In addition, at the commencement of the hedging relationship, an assessment is documented as to whether the derivatives used in the hedging relationship will offset the changes in fair value or cash flows of the hedged items.

Derivatives are used for economic hedging purposes only and not as speculative investments.

Conditions derivative financial instruments in hedging relationships	2019		2020	
In kEUR	Nominal amount	Average hedged rate	Nominal amount	Average hedged rate
GBP/EUR	17,244	0.852	2,678	0.89865
CHF/EUR			28,510	1.07939
CZK/EUR			15,105	26.28930
HUF/EUR			8,193	364.50452
NOK/EUR			2,018	10.48854
PLN/EUR			14,749	4.57418
RON/EUR			3,976	4.90683
SEK/EUR			7,975	10.03066
EUR/USD			31,036	1.22819

The expected cash inflows and outflows from hedged items amounted to EUR 114.2 m (equivalent to the nominal value of the underlying transaction) and the cumulative change in value to EUR -0.1 million at the balance sheet date.

The derivative financial instruments held in hedge accounting are classified as current assets or current liabilities because the hedging period is less than one year. These derivative financial instruments concern cash flow hedges for hedging the currency risk from fluctuations in the GBP and all other material currencies for the Group. Hedging is carried out using forward exchange transactions. No significant ineffective portions in hedging were detected as of December 31, 2020 reporting date.

The foreign currency transactions with a high probability of occurrence that were hedged by the hedging activities are expected to occur at various times in the twelve months following the reporting date. The changes in the fair values of the hedging instruments used to hedge sales transactions that as of December 31, 2020 that are recognized in equity in the hedge reserve will be recognized in the statement of comprehensive income for the period in which the hedged planned transaction affects the statement of comprehensive income (sales). The changes in the fair values of the hedges of commodity purchases recognized in the hedge reserve in equity as of December 31, 2020 are recognized in the cost of the commodities at the time of their addition. This typically occurs in the subsequent twelve months.

As of December 31, 2020, the hedge reserve included the change in fair value of kEUR -120 plus deferred tax effects totaling kEUR 40 which corresponds to a total of kEUR 80. The hedge reserve as of December 31, 2019 totaled kEUR 243 (kEUR -362 including deferred tax effects of kEUR 119) and was fully recognized in the statement of comprehensive income in the 2019 financial year based on transactions that had occurred.

13. Cash and cash equivalents

In kEUR	2020	2019
Cash on hand	2	3
Bank balances	109,812	64,290
Total	**109,814**	**64,293**

Bank balances earn floating-rate interest based on daily bank deposit rates. Cash flows from operating activities presented in the cash flow statement were calculated using the indirect method. As of December 31, 2020, there were no current bank overdrafts.

14. Equity

Subscribed capital

The subscribed capital corresponds with zooplus AG's share capital and totals EUR 7,149,178.00 (previous year: EUR 7,146,688.00). It has been fully paid-in and comprises no-par value bearer shares with a notional interest in share capital of EUR 1.00 per share.

In the reporting year, zooplus AG's subscribed capital increased as a result of the allocation of 2,490 subscription shares from Conditional Capital 2012/I, raising subscribed capital by EUR 2,490.00 from EUR 7,146,688.00 to EUR 7,149,178.00.

Authorized capital

The resolution by the Annual General Meeting on June 11, 2015 gave the Management Board authorization, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions in the period until June 10, 2020 by up to a total of EUR 3,492,225.00 (previous year: EUR 3,492,225.00) by issuing new, no-par value bearer shares with a notional interest in share capital of EUR 1.00 per share (Authorized Capital 2015). The capital increases can be executed against cash contribution and/or contribution in kind. Shareholders are principally entitled to subscription rights. The new shares can also be subscribed to by one or more credit institutions or similar institutions with the obligation to offer the new shares to the shareholders for subscription (indirect subscription right).

With the approval of the Supervisory Board, the Management Board is authorized to exclude shareholder subscription rights once or on several occasions

(1) to the extent it is required to exclude fractional amounts from the shareholders' subscription rights;

(2) to the extent it is required to grant holders of option rights and/or conversion rights, or option obligations and/or conversion obligations from bonds with option rights and/or conversion rights, or option obligations and/or conversion obligations issued by the company or a company in which the company holds a direct or indirect majority shareholding, a subscription right or conversion option for new shares in the amount due to them after exercising option rights and/or conversion rights or fulfilling option obligations and/or conversion obligations as a shareholder;

(3) to the extent that the new shares are issued against contributions in kind, particularly in the form of companies, parts of companies, interests in companies or other assets;

(4) to the extent that the new shares are issued against cash contributions, the issue price of the newly issued shares is not significantly below the market price of the already listed shares of the company of the same class at the time of the final determination of the issue price, and the total notional interest in share capital of the new shares to be issued under the exclusion of subscription rights does not exceed 10% of the share capital existing at the time this authorization becomes effective or at the time of exercising this authorization. The limitation takes into account the notional interest in the company's share capital attributable to shares that were issued or sold during the term of this authorization excluding shareholder subscription rights in accordance with, as defined by or in direct application of Section 186 (3) sentence 4 AktG as well as the notional interest in the share capital attributable to shares that will be issued or are to be issued to fulfil option rights and/or conversion rights, or option obligations and/or conversion obligations from bonds, provided the bonds will be issued during the term of this authorization excluding shareholder subscription rights as defined by Section 186 (3) sentence 4 AktG.

The notional interest of share capital attributable to the new shares for which subscription rights will be excluded under the above items or based on other authorizations during the term of this authorization may not exceed 20% of the share capital either at the time it becomes effective or at the time that this authorization is exercised.

With the consent of the Supervisory Board, the Management Board is authorized to determine additional details regarding the capital increase and the conditions of the share issue. The Supervisory Board is authorized to make amendments to the version of the Articles of Associations corresponding to the scope of a capital increase from Authorized Capital 2015.

The authorization to use the Authorized Capital 2015 expired on June 10, 2020.

Conditional capital

The company's share capital was conditionally increased by EUR 24,500.00 (Conditional Capital 2012/I). Conditional Capital 2012/I fulfilled subscription rights for up to 24,500 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share and secured subscription rights from stock options for company employees. The conditional capital increase could only be executed to the extent that holders of the subscription rights issued exercised their subscription rights for the company's shares based on the authorization resolution of the Annual General Meeting on May 22, 2012 as part of the Stock Option Program 2012/I and the company did not grant its own shares to satisfy the subscription rights. The term of the stock option program, which is backed by Conditional Capital 2012/I, expired in the reporting year.

The company's share capital was conditionally increased by a further EUR 250,000.00 (Conditional Capital 2016/I) as of the reporting date. Conditional Capital 2016/I currently serves to fulfill subscription rights for up to 250,000 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share and serves to secure subscription rights from stock options for members of the Management Board and company employees. The conditional capital increase will only be executed to the extent that holders of the subscription rights issued exercise their subscription rights for the company's shares based on the authorization resolution of the Annual General Meeting on May 31, 2016 as part of the Stock Option Program 2016 and the company does not grant its own shares to satisfy the subscription rights.

The company's share capital has been conditionally increased by a further EUR 365,000.00 as of the reporting date (Conditional Capital 2018/I). Conditional Capital 2018/I currently underlies the rights to subscribe to up to 365,000 no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Conditional Capital 2018/I serves to secure subscription rights from stock options granted to members of the Management Board and company employees. The conditional capital increase will only be executed to the extent that the holders of the subscription rights issued under the 2018 stock option plan based on the authorization resolution of the Annual General Meeting on June 13, 2018, exercise their subscription rights to company shares, and the company does not grant treasury shares in fulfillment of the subscription rights.

The company's share capital has been conditionally increased by a further EUR 70,000.00 as of the reporting date (Conditional Capital 2020). Conditional Capital 2020 currently underlies the rights to subscribe to up to 70,000 no-par-value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Conditional Capital 2020 serves to secure subscription rights from stock options granted to members of the Management Board. The conditional capital increase will only be executed to the extent that the holders of the subscription rights issued under the 2020 stock option plan based on the authorization resolution of the Annual General Meeting on June 25, 2020, exercise their subscription rights to company shares, and the company does not grant treasury shares in fulfillment of the subscription rights.

As of December 31, the conditional capital was structured as follows:

In kEUR	2020	2019
Conditional Capital 2012/I	24,500.00	26,990.00
Conditional Capital 2016/I	250,000.00	250,000.00
Conditional Capital 2018/I	365,000.00	365,000.00
Conditional Capital 2020	70,000.00	0.00
Total	**709,500.00**	**641,990.00**

Capital reserves

Capital reserves totaled EUR 105,181,458.03 as of December 31, 2020. Capital reserves increased by an amount of EUR 110,153.30 from the exercise of options originating from the Employee Stock Option Program 2012/I.

This rise in capital reserves also resulted from the recognition of expenses from the employee stock option program (see other explanations in Note 15 contained in these notes) in the amount of EUR 2,482,584.49 (non-cash item).

As of the reporting date, capital reserves were structured as follows:

In kEUR	2020	2019
Premiums paid in rounds of financing	79,433	79,433
Converted shareholder loans	4,820	4,820
Capital increase from company funds	-2,809	-2,809
Premium paid-in conditional capital increase	11,248	11,248
Convertible bonds/employee stock options	12,489	10,135
Total	**105,181**	**102,827**

Other reserves

Other reserves contain the hedge reserve consisting of changes in fair value from derivative hedging instruments held under hedge accounting as of the reporting date, offset by deferred taxes and currency adjustment items resulting from currency differences from the translation of the financial statements of foreign subsidiaries denominated in foreign currencies.

In kEUR	2020	2019
Hedge reserve	-80	– 243
Currency adjustment items	-103	– 1,804
Total	**-183**	**– 2,047**

Profit/loss for the period and profit/loss carried forward

In kEUR	2020	2019
Profit carried forward as of January 1	-7,156	4,912
Net profit/loss for the period	18,931	– 12,067
Profit carried forward as of December 31	**11,775**	**– 7,156**

15. Share-based remuneration

In kEUR	2020	2019
Expenses for Management Board members	1,335	1,048
Expenses for employees	1,148	843
Total expenses	**2,483**	**1,891**

Employee participation programs

Based on the resolution of the Annual General Meeting of May 22, 2012, and the consent of the Supervisory Board, the Management Board resolved the establishment of the Stock Option Program 2012/I for issuing stock options with subscription rights for shares of zooplus AG to the company's employees. Under the Stock Option Program 2012/I, the Management Board and Supervisory Board permit certain zooplus AG employees to subscribe to up to 100,000 no-par value shares of the company. Under this program, the stock options are issued in two tranches (50,000/50,000) that are each tied to different performance targets. Each option entitles the bearer to subscribe to one zooplus AG no-par value bearer share with a notional interest in the share capital of EUR 1.00 per share. The share's subscription price corresponds to the volume-weighted, 1-month average price of the company's share in Xetra trading on the Frankfurt Stock Exchange before the issuing date of the stock options less a reduction of 5% and at least the highest exercise price of all stock options already issued under the Stock Option Program 2012/I.

In the 2013 financial year, employees of zooplus AG were issued a total of 100,000 stock options. The subscription price for the options issued in April 2013 was EUR 39.54 per share and EUR 46.67 per share for the options issued in September 2013. The earliest the option rights can be exercised is four years after the options were granted. The subscription rights for stock options can only be exercised when specific performance targets have been achieved. The subscription rights can be exercised within three years from the date of the vesting period's expiration.

The 2012/I Stock Option Program expired in the 2020 financial year.

Based on the resolution of the Annual General Meeting of May 31, 2016 and the consent of the Supervisory Board, the Management Board resolved the establishment of the Stock Option Program 2016 for the issue of stock options with subscription rights to shares of zooplus AG to members of the Management Board of zooplus AG and selected executives of zooplus AG and affiliated companies in Germany and abroad. Under the Stock Option Program 2016, members of the company's Management Board can receive up to a total of 100,000 no-par-value shares of the company and selected executives of the company or of affiliated companies in Germany and abroad can receive up to 150,000 no-par-value shares of the company. Each option entitles the bearer to subscribe to one zooplus AG no-par value bearer share 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.

In the 2016 financial year, a total of 100,000 stock options were issued to members of the company's Management Board and a total of 48,400 stock options to the company's executives, as well as affiliated companies of zooplus AG in Germany and abroad. The subscription price for the options issued in September 2016 amounts to EUR 124.45 per share. In the 2018 financial year, a total of 85,600 stock options were issued to company executives and affiliated companies of zooplus AG in Germany and abroad. The subscription price for the options issued in April 2018 amounts to EUR 154.01 per share.

The earliest the option rights can be exercised is four years after the options were granted. The stock options can only be exercised if and to the extent that the performance targets are achieved as described in the following: The performance targets are linked to the absolute price development of the zooplus share during the vesting period. Depending on the price performance of the zooplus share, the beneficiaries may exercise a different number of stock options granted to them. A third of the stock options can be exercised if 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 can 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.

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 Stock Option Program 2018 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.

Under the existing 2018 Stock Option Program, a total of 52,500 stock options were issued to members of the company's Management Board in April 2020. On the same date, a total of 71,900 stock options were issued to members of management bodies of affiliated companies in Germany and abroad as well as to selected executives and employees of zooplus AG and affiliated companies in Germany and abroad. The subscription price for the options issued in April 2020 is EUR 91.21 per share.

In addition, 31,500 stock options were issued to the company's Management Board in December 2020 with a subscription price of EUR 149.33 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 in the following: 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.

Based on the resolution of the Annual General Meeting on June 25, 2020, the Management Board, with the approval of the Supervisory Board, resolved to establish the 2020 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. Under the 2020 stock option program, members of the company's Management Board can subscribe to a total of up to 70,000 no-par value shares of the company. In the first half of 2020, a total of 63,250 stock options were allocated to the Management Board of zooplus AG. The issue took place in the second half of 2020 with a subscription price of EUR 119.41 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 in the following: 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 be settled in equity instruments only.

The fair value of the stock options granted is determined by applying a Monte Carlo simulation as of the grant date (2018 and 2020 stock option programs) and taking into account the conditions at which the stock options were granted. The anticipated maturity of stock options is based on historical data and current expectations and does not necessarily reflect the actual exercise behavior of beneficiaries. The volatility during the stock options' expected maturity period was estimated on the basis of historical volatilities and expected future share price performance. Expected volatility is derived based on the assumption that past volatility can serve as an indication of future trends, whereby the actual future volatility can deviate from the assumptions made.

Stock Option Program (SOP) for employees	2018 Issued April 2020
Average share price (EUR)	103.20
Expected volatility (%)	37.44
Risk-free interest rate (%)	-0.68
Dividend yield (%)	0.0
Anticipated term of option (years)	**4.0**

Stock Option Program (SOP) for Management Board members	2018 Issued Apr. 20*	2018 Issued Apr. 20	2018 Issued Dec. 20	2020 Issued Aug. 20
Average share price (EUR)	120.00	103.20	156.60	144.00
Expected volatility (%)	35.72	37.44	41.88	38.94
Risk-free interest rate (%)	-0.65	-0.68	-0.81	-0.73
Dividend yield (%)	0.0	0.0	0.0	0.0
Anticipated term of option (years)	**4.0**	**4.0**	**4.0**	**4.0**

** Granted in March 2020*

The development of the stock option programs was as follows:

2019 (in kEUR)	2012/I*	2016	2018
Outstanding at beginning of reporting period	6,900	227,200	115,000
Forfeited during the reporting period	0	-11,100	-18,700
Exercised during the reporting period	-3,410	0	0
Granted in the reporting period	0	0	72,200
Outstanding at end of the reporting period	**3,490**	**216,100**	**168,500**

** Each option grants subscription to one share.*

2020 (in kEUR)	2012/I*	2016	2018	2020
Outstanding at beginning of reporting period	3,490	216,100	168,500	0
Forfeited during the reporting period	-1,000	-146,500	-41,600	0
Exercised during the reporting period	-2,490	0	0	0
Granted in the reporting period	0	0	155,900	63,250
Outstanding at end of the reporting period	**0**	**69,600**	**282,800**	**63,250**

** Each option grants subscription to one share.*

The exercise price for shares still outstanding as of December 31, 2020 was in the range of EUR 91.21 to EUR 162.32 per share. At the end of the reporting period, no (previous year: 3,490) options were exercisable. The weighted-average remaining contractual term for the outstanding stock options as of December 31, 2020 was 4.60 years (previous year: 3.98 years).

The weighted-average share price on the date the options were exercised was EUR 115.88 (previous year: EUR 96.32).

Cash-settled share-based remuneration

Long-term incentive program for the Management Board

A long-term incentive program in the form of a share price-based performance share plan granted in annual tranches was offered until the end of the third quarter of 2016 to create performance incentives for executives when extending the contracts of existing Management Board members. For each tranche, a number of virtual shares in the company is allocated depending on EBT target achievement. These shares are subject to a vesting period of three years and can result in a cash pay-out to the company's Management Board members when the vesting period expires.

The number of virtual shares is equivalent to the ratio of the EBT-dependent base amount and the average issue reference price for the company's shares. The calculation basis for the EBT base amount is the EBT according to the company's previous year's consolidated financial statements that were approved by the Supervisory Board and prepared pursuant to IFRS. Target achievement is defined as the achievement of specific EBT targets from the company's planning.

As of December 31, 2020, the members of the Management Board are no longer entitled to subscription rights under this program (previous year: 2,447 subscription rights with a fair value of kEUR 230 as of December 31, 2019).

The development was as follows:

In kEUR	2020	2019
Obligations from cash-settled share-based remuneration	-	230
Total	**-**	**230**

The obligation in the previous year was accounted for under current liabilities. The personnel expenses recognized for the 2020 and 2019 financial years were as follows:

In kEUR	2020	2019
Expense (previous year: income) from cash-settled share-based remuneration	-47	259
Total	**-47**	**259**

In the 2020 financial year, expenses from share-based payments from the issue of equity instruments amounted to kEUR 47 (previous year: kEUR 1,891). In contrast, income from the reversal of provisions for share-based payments with cash settlement in the 2019 financial year amounted to kEUR 259 (2020: kEUR 0). The 2016 tranche of the share-based payments with cash settlement amounting to kEUR 277 was paid out to current and former Management Board members in the 2020 financial year.

16. Accounts payable

Accounts payable are due within one year and are non-interest bearing. Payment periods usually vary between 0 and 60 days. Trade payables include EUR 6.1 m (previous year: EUR 0.0 m) that are subject to the reverse factoring program. Supplier liabilities were reclassified in assets as creditors with net debit balance and offset against receivables from these suppliers and consequently reported as other current assets:

In kEUR	Gross amount	Gross amounts offset in the balance sheet	Net amounts recognized in the balance sheet
2020			
Other current assets	95,654	-31,895	63,759
Accounts payable	-180,834	31,895	-148,939
Subtotal	**-85,180**	**0**	**-85,180**
2019			
Other current assets	80,181	-32,458	47,723
Accounts payable	-157,508	32,458	-125,050
Subtotal	**-77,327**	**0**	**-77,327**

17. Financial liabilities

Since the fourth quarter of 2020, zooplus AG has had flexible credit lines totaling EUR 70.0 m with five independent banks without the provision of collateral and with a term until November 30, 2021. In the first half of 2020, a partial drawdown was made in the interim in the amount of EUR 20.0 m. The repayment took place in the 2020 financial year.

The existing credit lines of EUR 70.0 m are subject to covenants in the form of minimum equity requirements of EUR 100 m and an EBITDA of at least more than EUR 20 m. The Management Board expected to continue to meet these covenants in the year ahead. In the event of non-compliance with the covenants, financial liabilities would have had to be reported as current.

18. Other current liabilities

In kEUR	2020	2019
Tax liabilities		
VAT	26,176	19,103
Wage and church taxes	478	1,162
Sub total	**26,654**	**20,265**
Additional other liabilities		
Customer reimbursements	5,323	3,772
Profit-sharing and bonuses	6,058	3,457
Employee vacation obligations	2,281	1,495
Customer returns	1,369	1,261
Financial statement and auditing costs	238	173
Other	6,219	1,329
Sub total	**21,488**	**11,487**
Total	**48,142**	**31,752**

Other current financial liabilities include refunds to customers (EUR 5.3 m, previous year: EUR 3.8 m) and other current financial liabilities (EUR 5.0 m, previous year: EUR 0.9 m).

19. Provisions

In kEUR	Current		Non-current	
	Outstanding levies	Other	Share-based remuneration	Total
As of January 1, 2019	1,783	784	321	2,888
Additions	5,183	396	0	5,579
Reclassifications	– 587	908	– 321	0
Reversals	374	276	0	650
Utilization	451	833	0	1,284
As of December 31, 2019	5,554	979	0	6,533
As of January 1, 2020	5,554	979	0	6,533
Additions	9,410	943	0	10,353
Reclassifications	0	0	0	0
Reversals	268	81	0	349
Utilization	2,706	557	0	3,263
As of December 31, 2020	11,990	1,284	0	13,274

With respect to the provision for share-based cash remuneration, please refer to the comments in Note 15.

Current provisions are anticipated to have a cash outflow during the current 2021 financial year.

20. Sales

In kEUR	2020	2019
Germany	395,389	348,363
France	291,428	247,670
Poland	169,764	137,177
Italy	142,388	115,849
Great Britain	133,201	111,471
The Netherlands	104,605	94,760
Spain	91,369	82,030
Belgium	90,288	73,732
Switzerland	69,832	52,383
Austria	50,996	43,052
Czechia	44,550	39,433
Denmark	36,049	31,077
Sweden	34,600	29,617
Finland	30,561	27,224
Other countries	116,502	89,858
Total	**1,801,522**	**1,523,696**
Time of sales recognition		
At a certain point in time	1,796,976	1,522,168
Over a period of time	4,546	1,528
Total	**1,801,522**	**1,523,696**

The Group's sales mainly consist of the sales of pet supplies in Germany and other European countries to external customers.

A total of 86% (previous year: 86%) of sales were generated from the sale of food and litter, with the remaining 14% (previous year: 14%) mainly from sales of accessories.

The Group recognized the following contract liabilities from contracts with customers:

In kEUR	2020	2019
Contract liabilities from		
Advance payments received	8,888	5,169
Customer loyalty programs	17,323	5,361
thereof from the bonus points program	*14,023*	*5,361*
thereof from the virtual stamp card program	*3,300*	-
zooplus discount plans	4,515	2,841
Customer vouchers	743	636
Current contract liabilities (total)	**31,469**	**14,007**

The increase in contract liabilities is primarily a result of higher obligations from existing and new customer loyalty programs. Contract liabilities of EUR 2.3 m (previous year: EUR 0.0 m) have a term of more than one year.

The table below shows the sales recognized in the reporting period that were included in net contract liabilities at the beginning of the reporting period:

In kEUR	2020	2019
Recognized sales included in net contract liabilities at the beginning of the period		
Advance payments received	5,169	4,103
Customer loyalty programs	5,361	4,496
zooplus discount plans	2,472	884
Customer vouchers	522	441
Total	**13,524**	**9,924**

21. Other income

In kEUR	2020	2019
Income from late fees	955	958
Income from services to employees	495	226
Income from sale of pallets	443	714
Damage compensation	447	390
Other income	2,703	2,746
Total	**5,043**	**5,034**

Income from currency gains was reported in other income until the end of the 2019 financial year. However, management considers it more appropriate to present these gains netted against the currency losses from foreign currency valuation as other gains / losses - net as this allows the effect of foreign currency valuation on the Group's results of operations to be presented more clearly and thus leads to a clearer overall picture of the financial statements. The previous year's figures have been retroactively adjusted through reclassifications in the amount of kEUR 4,444.

22. Other gains/losses – net

In kEUR	2020	2019
Foreign currency gains	9,435	4,444
Foreign currency losses	-12,219	-4,687
Reversal of currency adjustment item	-1,961	-
Net gains/losses from the disposal of property, plant and equipment and intangible assets	-2	-68
Total	**-4,747**	**-311**

The recognized reclassification of foreign currency losses from the currency adjustment item in 2020 is related to the liquidation of the Turkish subsidiary.

23. Personnel expenses

In kEUR	2020	2019
Wages and salaries	57,839	47,112
Social security contributions	9,657	8,209
Total	**67,496**	**55,321**

For more on personnel expenses incurred under share-based payments, please refer to Note 15.

The average number of employees during the financial year was 768 people (previous year: 713, excluding the Management Board). Of this total, 97 employees were allocated to Operations, 111 to IT, 462 to Sales and Marketing and 98 to Administration.

24. Other expenses

In kEUR	2020	2019
Logistics & fulfillment costs	326,347	278,615
Marketing costs	27,066	50,851
Payment transaction expenses	14,685	12,606
IT services	12,448	8,945
Customer service	7,456	6,725
Legal and advisory costs	6,445	3,600
Office leases	2,092	618
Additional other operating expenses	17,185	15,276
Total	**413,724**	**377,236**

Logistics and fulfillment expenses relate to warehousing, order picking and shipping products sold to end customers.

The losses from foreign currency valuation and from the disposal of property, plant and equipment and intangible assets were reported in other expenses until the end of the 2019 financial year. However, management considers it more appropriate to present these losses netted with the gains from foreign currency valuation in other gains/losses – net as this allows the impact of foreign currency valuation on the Group's results of operations to be presented more clearly and thus leads to a clearer overall picture of the financial statements. The previous year's figures have been retroactively adjusted through reclassifications in the amount of kEUR 4,755.

25. Financial income and expenses

In kEUR	2020	2019
Interest income and similar income	24	0
Interest expenses and similar expenses	-1,343	– 1,427
Total	**-1,319**	**– 1,427**

In the reporting year, lease accounting in accordance with IFRS 16 (please refer to Note 27) resulted in interest expenses of kEUR 1,099 (previous year: kEUR 1,220).

26. Earnings per share

When computing basic earnings per share, the net profit/loss attributable to the parent company shareholders is divided by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share are computed by dividing the net profit/loss attributable to the parent company shareholders by the weighted-average number of ordinary shares outstanding during the year plus any stock options causing dilution.

The following tables show the amounts underlying the computation of basic and diluted earnings per share:

		2020	2019
Consolidated net profit/loss	EUR	18,930,730.49	– 12,067,429.27
Weighted-average number of no-par-value shares outstanding	Number of	7,148,305	7,144,346
Dilution effect			
Stock options	Number of	32,083	n / a[1]
Weighted-average number of no-par-value shares outstanding			
Adjusted for dilution	Number of	7,180,388	n / a[1]
Basic earnings per share	EUR/share	2.65	– 1.69
Diluted earnings per share	EUR/share	2.64	– 1.69

[1] *No dilution due to loss*

27. Leases

The following items related to leases were recognized on the balance sheet:

in kEUR	2020	2019
Right-of-use assets		
Buildings	86,926	80,660
Vehicles	327	334
Total	**87,253**	**80,994**
Lease liabilities		
Current	24,175	20,430
Non-current	64,524	61,813
Total	**88,699**	**82,243**

Additions to right-of-use assets in the 2020 financial year amounted to kEUR 30,767 (2019: kEUR 17,845). These were based mainly on the exercise of extension options for the logistics centers in Antwerp, Belgium, and Chalon-sur-Saone, France, as well as the lease for zooplus AG's headquarters in Munich.

The following items in the statement of comprehensive income are affected by leases:

in kEUR	2020	2019
Amortization of right-of-use assets		
Buildings	22,596	20,159
Vehicles	227	186
Total	**22,823**	**20,345**
Interest expenses	**1,099**	**1,220**
Expenses relating to short-term and low-value leases	**488**	**401**
Expenses relating to variable lease payments not included in lease liabilities (recognized in cost of goods sold)	**0**	**9**

Total lease payments in 2020 amounted to kEUR 23,134 (previous year: kEUR 20,734).

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.

28. Obligations

Order obligations

As of the reporting date, capital expenditures for property, plant and equipment and intangible assets for which there are contractual obligations but which have not yet been recognized as liabilities amount to kEUR 145 (previous year: kEUR 495).

29. Transactions with related parties

For the presentation of salaries of members of governing bodies, please refer to Note 33. Expenses related to stock options for members of the Management Board are detailed in Note 15. Of the Supervisory Board members, Mr. Stahl, Dr. Stoeck and Mr. Greve hold shares in the company. All transactions with related parties were carried out on terms and conditions that are also customary with third parties. There is a reinsured provident fund commitment for the members of the Executive Board. The amount of the benefits is determined by the contributions paid in. The contributions amounted to a total of kEUR 39. The value of the obligation and the value of the plan are netted in the amount of kEUR 375.

30. Collateral

There was no collateral whatsoever as of December 31, 2020 (previous year: none).

31. Additional information about financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and mutually independent business partners.

The following table displays the carrying amounts and fair values of all of the financial instruments contained in the consolidated financial statements and shows the allocation of the assets and liabilities or parts of the balance sheet items to the measurement categories pursuant to IFRS 9:

		Carrying amount		Fair value	
In kEUR	Measurement category	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Financial assets					
Accounts receivable	AC	30,277	27,714	n/a	n / a
Other current assets					
of which financial instruments pursuant to IFRS 7	AC	48,097	32,530	n/a	n / a
Derivative financial instruments	n/a	500	-	500	-
Cash and cash equivalents	AC	109,814	64,293	n/a	n / a
Total		**188,688**	**124,537**	**500**	**n / a**
Financial liabilities					
Accounts payable	FLAC	148,938	125,050	n/a	n / a
Other current liabilities					
of which financial instruments pursuant to IFRS 7	FLAC	10,274	4,677	n/a	n / a
Lease liabilities	n / a	88,699	82,243	n/a	n / a
Derivative financial instruments	n / a	620	362	620	362
Total		**248,531**	**212,332**	**620**	**362**

AC (amortized cost); FLAC (financial liability at amortized cost)

The market values of the cash and cash equivalents, accounts receivable, other current financial assets, accounts payable and other current financial liabilities as of December 31, 2020 and December 31, 2019 equal their carrying amounts. This is primarily due to the short maturities of these types of instruments.

The Group's financial liabilities, excluding lease liabilities, are all short-term in nature and have maturities of one year or less. Of the lease liabilities, kEUR 64,524 (previous year: kEUR 61,813) are long-term in nature. Repayments of the existing financial liabilities are made from cash flow from operating and financing activities.

Grouped according to the measurement categories of IFRS 9, the carrying amounts are as follows:

In kEUR	Measurement category	Carrying amount Dec. 31, 2020	Carrying amount Dec. 31, 2019	Fair value Dec. 31, 2020	Fair value Dec. 31, 2019
Financial assets					
Amortized cost	AC	188,180	124,537	n/a	n / a
Financial liabilities					
Financial liabilities at amortized cost	FLAC	159,212	129,727	n/a	n / a

The following table shows financial instruments measured at fair value analyzed by the levels of the fair value hierarchy. The different levels are as follows:

- Level 1: The fair value of financial instruments traded on active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded on an active market (such as OTC derivatives) is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs to measure an instrument at fair value are observable, the instrument is categorized within Level 2
- Level 3: If one or more of the significant inputs is unobservable, the instrument is categorized within Level 3.

The following table shows the assets and liabilities measured at fair value as of December 31, 2020:

In kEUR	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments used as hedging instruments	-	500	-
Liabilities			
Derivative financial instruments used as hedging instruments	-	620	-

The following table shows the assets and liabilities measured at fair value as of December 31, 2019:

In kEUR	Level 1	Level 2	Level 3
Liabilities			
Derivative financial instruments used as hedging instruments	-	362	-

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.

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

zooplus determines the fair value of derivatives designated as hedging instruments based on the present value of the difference between the derivative measured at the forward rate and at the closing rate on the basis of observable market parameters, e.g. foreign currency exchange rate and interest yield curves.

Net gains or losses on financial instruments are as follows:

In kEUR	2020	2019
Impairment of financial assets (AC)	-3,717	-4,093
Impairment of financial assets (FLaC)	0	0
Net interest income of financial liabilities (AC)	24	0
Net interest income of financial liabilities (FLaC)	-231	-184
Total	**-3,924**	**-4,277**

As of December 31, 2020, derivative financial instruments were not offset. Netting options for derivatives exist in the case of insolvency. As of December 31, 2019, only derivatives with negative fair values existed.

32. Subsequent events

After the end of the reporting year, there were no events of particular importance that impact the net assets, financial position or results of operations.

33. Executive bodies

zooplus AG was managed by the following Management Board members during the 2020 financial year and as of December 31, 2020:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT, Sales & Marketing, Human Resources, Vendor Management Corporate Accounts)
- Andreas Maueröder (Finance, Controlling, Legal, Investor Relations, Internal Audit, Vendor Management SME)
- Dr. Mischa Ritter (Logistics and Supply Chain Management, Own Brands Development, Accessories, Customer Care)
- Florian Welz (Sales & Marketing, Procurement, Category Management) until July 13, 2020

The principles of the remuneration system and the amount of remuneration of the Management and Supervisory Boards are presented and explained in the Remuneration Report. The Remuneration Report is part of the combined management report.

The total remuneration of the Management Board (German Commercial Code – HGB) for all components amounted to EUR 2.8 m in the 2020 financial year (previous year: EUR 2.0 m).

Management Board remuneration under IAS 24 in kEUR	2020	2019
Short-term benefits	1,568	1,660
Benefit expenses	39	39
Severance payments	1,228	345
Share-based payments	1,335	573
Total remuneration	**4,179**	**2,617**

in kEUR	2020	2019
Provisions for share-based payments	0	230
Total provisions	**0**	**230**

Members of the Supervisory Board:

- 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
- Ulric Jerome, IT and e-commerce entrepreneur and investor, London, United Kingdom
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom (until June 25, 2020)
- Dr. Norbert Stoeck, freelance corporate consultant, Munich, Germany
- Christine Cross, Portfolio Non-Executive Director and Chair, Cheltenham, Gloucestershire, United Kingdom
- Tjeerd Jegen, CEO HEMA B.V., Amsterdam, The Netherlands (as of June 25, 2020)

Supervisory Board members receive non-performance-related remuneration paid annually in the amount of kEUR 40, the chair of the Supervisory Board receives kEUR 80, and chairs of committees receive an additional kEUR 5. In the year under review, the members of the Supervisory Board received the following compensation in accordance with their membership in committees:

	Supervisory Board	Audit Committee	Personnel Committee	Nomination Committee	Remuneration in kEUR 2020	2019
Christian Stahl	Chair		Chair	✓	85	85
Moritz Greve	Deputy Chair	✓	✓	Chair	45	45
Karl-Heinz Holland		✓			–	33
Ulric Jerome			✓		40	40
Henrik Persson				✓	20	40
Dr. Norbert Stoeck		Chair			45	45
Christine Cross		✓			40	7
Tjeerd Jegen				✓	20	-
Total remuneration					**295**	**295**

The compensation of the Group's key management personnel, which is required under IAS 24, includes the remuneration of the members of the Management Board and the Supervisory Board. The members of the Management Board and the Supervisory Board and their other mandates are presented in the management report. The principles of the remuneration system and the amount of the remuneration of the Management Board and the Supervisory Board are presented and explained in detail in the Remuneration Report. The "Remuneration Report" is part of the management report.

34. Auditor's fee

The auditor's total fee for auditing the annual and consolidated financial statements is comprised of the following components:

Total fee in kEUR	2020
Auditing services	377
Other assurance services	16
Tax advisory services	114
Total	**507**

The fee for auditing services is related to the statutory audits of the single-entity and consolidated financial statements of zooplus AG. The fee for other assurance services related to the audit review of the separate combined non-financial report. The fee for tax advisory services mainly includes fees for advice in connection with projects at transfer prices.

35. Statement on corporate governance

zooplus Aktiengesellschaft has issued the Declaration of Conformity with the "German Corporate Governance Code" required by Section 161 of the German Stock Corporation Act (AktG) and made this available to its shareholders on the company's website at http://investors.zooplus.com/en.

Munich, March 18, 2021

The Management Board

Dr. Cornelius Patt (CEO)	Andreas Maueröder	Dr. Mischa Ritter

Responsibility Statement of the Management Board

We assure that 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, March 18, 2021

Dr. Cornelius Patt (CEO)	Andreas Maueröder	Dr. Mischa Ritter

Independent auditor's report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity "). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

To zooplus AG, Munich

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of zooplus AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of zooplus AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recognition of revenue from business with customers, income from savings plans, and contract liabilities for bonus points

❷ Recognition and measurement of inventories

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter, we present the key audit matters:

❶ **Recognition of revenue from business with customers, income from savings plans, and contract liabilities for bonus points**

① In the consolidated financial statements of zooplus AG, revenue amounting to EUR 1,801.5 million is reported in the income statement. It relates to, among other things, the sale of merchandise via various online portals in Germany and other European countries. Since large-volume transactions are involved, the company has established comprehensive processes and systems for recognizing and deferring revenue. In addition, zooplus AG offers its customers the opportunity to get discounts on future purchases for a contractually specified period by purchasing "zooplus savings plans." The income from the sale of a saving plan is deferred and transferred to profit or loss as revenue over the periods of validity of the individual savings plans. Moreover, zooplus AG operates an independent bonus points program developed by the Company, under which customers have the opportunity to collect bonus points with each purchase. The consideration received is split between the products sold and the bonus points issued on the basis of the relative stand-alone selling prices, whereby the stand-alone selling price of the points equals their fair value. The fair value of the bonus points is determined on the basis of the selling prices of the premium products, deferred until they are utilized, and only recognized as revenue when the points are redeemed and zooplus AG has fulfilled its contractual obligations. A corresponding contract liability is recognized in the amount of the fair value. As of the balance sheet date, contract liabilities of EUR 14.023 million were recognized in this regard. Contract liabilities for bonus points that have been awarded but are no longer expected to be used are reversed to profit or loss.

Due to the complexity of the processes and systems established for recognizing revenue as a significant item in terms of its amount as well as the use of measurement methods to determine the contract liability for bonus points that are dependent to a large extent on the estimates and assumptions made by the executive directors, these matters were of particular significance during our audit.

② During our audit, we assessed, among other things, the appropriateness and effectiveness of the Company's internal control system established to settle and realize revenue, including the IT systems used. In doing so, we also included our specialists in the Risk Assurance Service (RAS). We audited the revenue by, among other things, selecting samples of individual transactions with customers on the basis of statistical methods and inspecting the underlying documents. Accordingly, we examined whether revenue had been recognized in full. We also assessed whether revenue had been allocated to the correct periods or correctly deferred. In relation to revenue recognition, we paid particular attention to whether income from savings plans had been recognized in the correct period. In addition, we evaluated the consistency of the methods used to recognize revenue. In order to assess the appropriateness of the contract liabilities for bonus points recognized as of the balance sheet date, we examined, among other things, their measurement and the underlying assumptions and parameters derived therefrom. Furthermore, we evaluated the consistency of the measurement method used and the mathematical accuracy of the calculation of the contract liabilities for bonus points.

Overall, we were able to satisfy ourselves that the established systems and processes as well as controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue and contract liabilities for bonus points are appropriately recognized.

③ The Company's disclosures on revenue and contract liabilities for bonus points are contained in section 20 of the notes to the consolidated financial statements.

❷ **Recognition and measurement of inventories**

① Inventories of EUR 156.7 million are reported in zooplus AG's consolidated financial statements. Inventories comprise primarily merchandise. To manage large volumes of inventories, the Company has established comprehensive processes and systems for recording, managing, and measuring inventories. Inventories are measured at the lower of cost and net realizable value. Cost is determined on the basis of weighted averages. zooplus AG uses derivative financial instruments, in particular currency forwards, to hedge foreign currency risks in forecast procurement transactions. If the financial instruments are effective hedges of future cash flows in the context of hedging relationships in accordance with the requirements of IFRS 9, the effective portion of the changes in fair value are recognized over the duration of the hedging relationships directly in equity until the occurrence of the hedged cash flows (hedge accounting). The cost of inventories therefore also includes gains or losses reclassified from equity that result from hedge accounting and relate to the purchase of inventories. The net realizable value is determined on the basis of the estimated sales proceeds to be generated in the normal course of business, less in particular selling expenses still to be incurred. All identifiable risks in inventories, especially those resulting from above-average storage periods or reduced marketability, are reflected by recognizing allowances as of the balance sheet date.

From our point of view, given the Company's growth and the technical complexity of the processes and systems used, this significant item in terms of its amount was of particular significance for our audit.

② As part of our audit, we assessed, among other things, the Company's processes and systems regarding purchasing, warehousing and distribution. In addition, we examined that inventories existed and were fully recorded by, among other things, observing physical inventory counts using statistical methods. Moreover, we evaluated the initial measurement at cost and the calculation of the weighted average. In assessing the appropriateness and effectiveness of the established internal control system, including the IT systems used, we also included our specialists in the Risk Assurance Service (RAS). Where purchases of inventories in foreign currency were hedged with foreign currency hedges, we examined that any resulting effects were – if necessary – reflected in determining the cost of the inventories concerned. For assessing the accounting of foreign currency hedging instruments, including the impact on equity and profit or loss, we involved our specialists from Corporate Treasury Solutions (CTS). Together with these specialists, we assessed, among other things, the risk management system with regard to derivative financial instruments, including the internal activities to monitor compliance with the hedging policy. In our audit of the fair values of the hedging transactions, we recalculated the forward exchange transactions using adequate tools and market data. With respect to the hedging of expected future cash flows, we mainly carried out an assessment of the expected future hedge effectiveness, the fulfilment of the effectiveness requirements according to IFRS 9 and the IFRS-9 compliant hedge documentation. We obtained bank confirmations in order to assess the completeness of the recorded transactions. We examined the calculation of net realizable value and satisfied ourselves that they had been calculated consistently and transparently. We evaluated the appropriateness and accuracy of the underlying parameters and assessed whether these parameters had been adequately documented and substantiated.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the purpose of recognizing and measuring inventories are sufficiently documented and substantiated.

③ The Company's disclosures on inventory measurement and derivative financial instruments are contained in sections 2.12, 2.13, 8. and 12. of the to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior to the date of our auditor's report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 7 of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper

derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file zooplus_AG_KA+ZLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 25, 2020. We were engaged by the supervisory board on November 19, 2020. We have been the group auditor of the zooplus AG, Munich, without interruption since the financial year 2012.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Katharina Deni.

Munich, March 18th, 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Andreas Fell	Katharina Deni
Wirtschaftsprüfer	Wirtschaftsprüfer

Glossary

- **Active customer base:** Number of all customers with at least one order within the last 12 months (based on the reporting date).
- **Active repeat customer base:** Number of all customers with at least two orders within the last 12 months (based on the reporting date).
- **Cash generating unit (CGU):** Lowest level for pooling assets at which cash flows can be identified separately.
- **Consolidated net profit/loss:** Earnings after taxes, which is the balance of all income and expenses in the respective period.
- **EBITDA:** Operating profitability, measured by earnings before interest, taxes, depreciation and amortization in the respective period.
- **EBITDA margin:** EBITDA in relation to sales in the respective period.
- **EBT:** Earnings before taxes in the respective period.
- **Existing customers:** Customers acquired in the year prior to the reporting year or earlier.
- **Free cash flow:** Cash flow available to the Group after the investments undertaken in the respective period. This ratio is the sum of cash flow from operating activities and cash flow from investing activities.
- **Gross margin:** Gross profit (sales less cost of materials) as a percentage of sales in the respective period.
- **Logistics center:** Location for storing goods, processing customer orders and preparing orders for shipment to the end customer using a service provider (usually a postal or courier service) in the respective country.
- **New customers:** Customers acquired in the reporting year.
- **Own brands:** Portfolio of products, especially those focused on the specialty retail segment for pet food and accessories that are commissioned by zooplus and sold by zooplus exclusively through the respective shop brands.
- **Pet supplies market:** Includes all sales in the pet supplies market, such as sales of pet food and accessories, but also other expenditures for pets in Europe. According to management's most recent estimate as of the end of financial year 2020, the European pet supplies market comprised a net volume of EUR 28 bn to EUR 29 bn.
- **Repeat new customers:** Number of all new customers with at least two orders within the reporting period.
- **Sales:** All cumulative revenues generated from ordinary business activities in the respective period.
- **Sales Retention Rate:** Recurring sales from customers, measured by the sales in the current financial year (currency-adjusted) from customers who were already customers in the prior-year period, in relation to the sales (currency-adjusted) of the prior year, in each case rolling on a 12-month basis as of the reporting date for the period (usually the end of the quarter).
- **Sales with repeat new customers:** Sales of all follow-up transactions with new customers within the reporting period.

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Disclaimer

This annual report contains forward-looking statements. These statements are based on the current experience, assumptions and forecasts of the Management Board and the information currently available to it. These forward-looking statements are not guarantees of future performance or results. Rather, future developments and results are dependent on a number of factors. They involve various risks and uncertainties and are based on assumptions that may prove to be incorrect. These risk factors include in particular those factors mentioned in the risk report. We assume no obligation to update the forward-looking statements made in this report.

zooplus also uses alternative performance measures not defined under IFRS to explain its net assets, financial position and results of operations. These should not be considered in isolation but as supplementary information. The alternative performance measures used by zooplus are defined in the "Glossary" section of this annual report.

This annual report is also available in German. In the event of any differences, the German version shall prevail. Digital versions of this annual report and zooplus' quarterly statements are available on the internet at www.zooplus.com under "Investor Relations/Financial Reports".

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