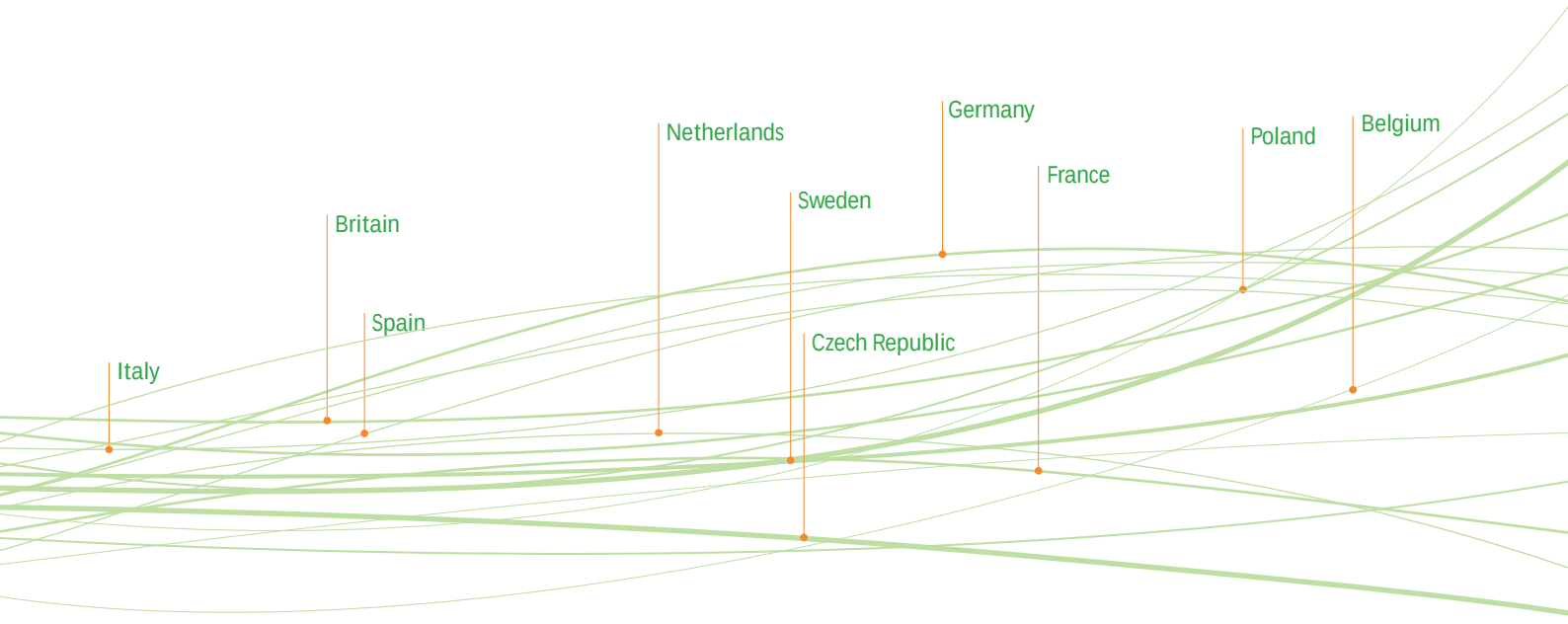
zooplus

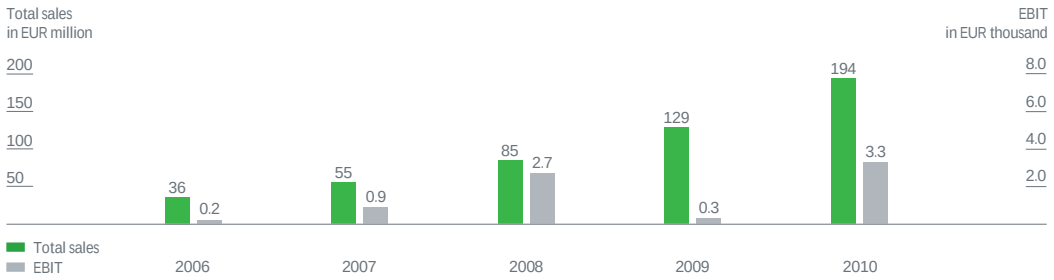
Annual Report 2010



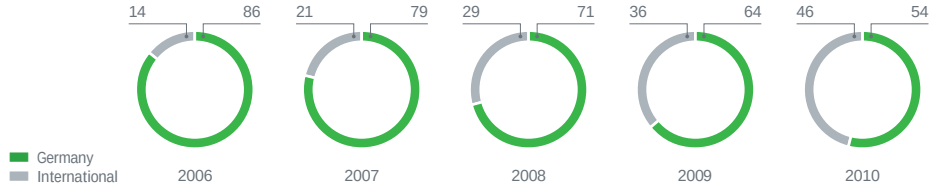
zooplus.de zooplus.com zooplus.co.uk zooplus.nl zooplus.fr zooplus.be zooplus.ie zooplus.pl zooplus.it zooplus.es zoohit.cz zooplus.fi zoohit.sk

Key figures

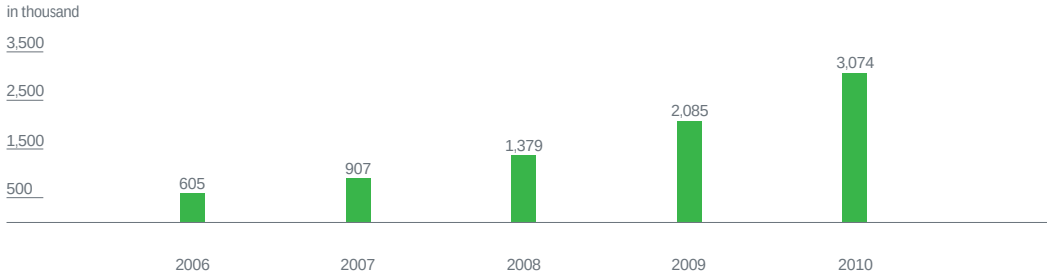
Total sales and EBIT



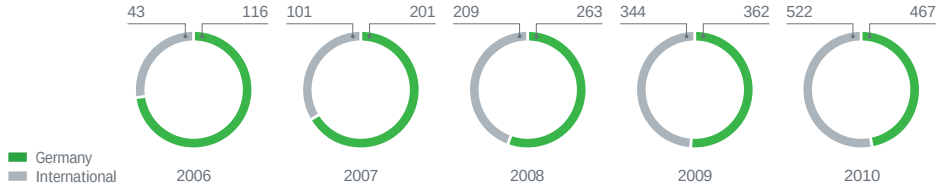
Sales origin in %



Total customer accounts



New customer acquisition performance in thousand



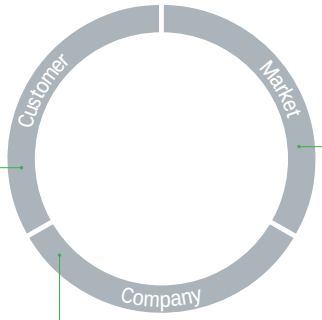
5 year performance overview

		2006	2007	2008	2009 adjusted[1]	2010
Total sales	in EUR million	36.1	55.4	85.1	129.1	193.6
Sales	in EUR million	34.2	52.5	80.3	122.6	177.8
Other operating income	in EUR million	1.9	2.8	4.8	6.4	15.8
Gross profit	in EUR million	14.4	22.5	35.1	51.9	84.1
Gross margin	in %	39.9	40.6	41.2	40.2	43.4
Operating income	in EUR million	0.2	0.91	0.7	-1.9	3.3
Overall result	in EUR million	0.06	0.63	5.76	-1.5	2.0
Consolidated profit / loss per share[2]	in EUR / share	0.12	0.38	2.41	-0.61	0.76
Balance sheet total	in EUR million	6.6	11.6	22.7	30.5	58.4
Inventory	in EUR million	2.6	3.3	9	12.5	20.6
Total equity	in EUR million	1.3	4	9.9	9.5	21.2
Equity ratio	in %	19.7	34.5	43.6	31.1	36.3
Employees	number	40	51	79	108	143
New customers accounts	in thousand	159	302	472	706	989

[1] 2009 figures have been adjusted (see note no. 4).
[2] undiluted

zooplus at a glance

- 3,0 million customer accounts in all important European markets
- Strong USPs from customer perspective: Convenience, selection and price
- In independent customer surveys, zooplus trumps even the largest stationary suppliers



- Total sales volume of European pet supply market currently > EUR 19 billion
- Continuously growing market with stable margins
- Online shopping established as revolutionary new sales channel

- Online market leader with large and growing distance to its competitors
- Medium term goal until the end of 2014 is breaking the EUR 500 million total sales run rate threshold
- ‚Best-in-class in online retailing' reflects zooplus' self-image and ambition

Highlights

50 % growth y-o-y – total sales reaching EUR 194 million

Pre-tax earnings increase to **EUR 3.1 million**

Total logistics capacity grows to **EUR 400 million annually**
– new Eisenach fulfillment center to go live during Q2 2011

Undisputed European market leader with country-specific
web shops in **18 countries**

2011 forecast: **Absolute growth** continuing strongly

zooplus AG – company profile

zooplus was set up in 1999 and is by now Europe's leading internet retailer for pet supplies in terms of sales and total sales (including other income). The latter totaled EUR 194 million in fiscal year 2010 and has thus increased more than five-fold over the past five years. The profitable business model has successfully been introduced in 18 European countries. zooplus sells products for all pet breeds and categories. Its product range includes, in particular, pet food (wet and dry food and food supplements) as well as accessories (such as scratching posts, dog baskets and toys) across all price ranges. In addition to a selection of more than 7,000 products, zooplus customers also benefit from a variety of interactive content and online community offerings. Pet supplies is a key market segment within the European retail landscape. In 2010, sales of more than EUR 19 billion were recorded within the pet supplies industry in the European Union. The ongoing "humanization" of pets in key industrialized countries means that pet owners' purchasing behavior is undergoing profound change and moving towards healthcare, wellness and other related premium products. In addition, continued strong growth is expected for eCommerce in Europe per se. zooplus, therefore, is forecasting continued dynamic growth on the back of a continuously positive overall earnings situation. The company's medium-term target is to reach totals sales in excess of EUR 500 million with a pre-tax return of 8 to 10 % within its repeat customer segment.

Table of contents

To the shareholders

Letter of the Management Board

Dear shareholders,

For zooplus, 2010 was a successful year defined by strong growth. Not only was the year marked by record levels in terms of sales and new customer acquisition, but 2010 also took us a substantial way towards realizing our overall long-term goals and entrepreneurial vision. As of today, zooplus is not only the online leader in all important European markets, but has also managed to reach critical scale in terms of sales and new customer acquisition in all significant national markets.

This report provides a detailed stock taking of the fiscal year 2010. In short: for zooplus AG's overall development, 2010 was a very good year. In our opinion, the year's highlights included:

- An increase in total sales by more than EUR 60 million to more than EUR 190 million with our growth momentum continuing strongly
- Reaching positive pre-tax profits of EUR 3.1 million while at the same time reaching a new record high of around 1.0 million new customer accounts acquired
- Continued expansion of our international presence and market activities – we are by now doing business in 18 European countries
- The successful development of our capital markets strategy on the Frankfurt Stock Exchange's Prime Standard segment

The challenges our business is facing, however, have not changed significantly over the last twelve months: Our activities still mainly focus on managing our growth and on consistently enhancing our company's infrastructural backbone.

We still have a long way to go towards fully realizing all of zooplus' potential. We firmly believe that following a strictly growth-oriented course during 2011 will bring about the greatest and most sustainable rewards in terms of overall value creation. This is why – as done in previous years – we will consciously decide in favor of growth over short-term profit maximization when given such a choice. Thus, in absolute figures, we expect 2011 to once again show excellent growth in overall sales, with earnings remaining broadly neutral overall.

In addition, and as part of our medium-term planning, we have set ourselves the following targets against which we specifically intend to benchmark our performance:

We intend to

- reach a total sales run rate of EUR 500 million no later than Q4 2014
- always be at least 5 times larger than any other online competitor within our segment
- firmly establish zooplus as a Top 3 European pet retail player on par with our two largest offline rivals
- achieve a pre-tax return on sales of 8 to 10 % within our repeat customer segment

from left to right: Florian Seubert, Andrea Skersies, Dr. Cornelius Patt and Guido Bienhaus

In our conversations with shareholders, business partners, supervisory board members and employees, this strategy has met broad approval. We are pleased with this vote of confidence, which confirms our approach and will spur us on during 2011. We thank you for your continued support over the past fiscal year.

Dr. Cornelius Patt
(Chairman of the Board)

Florian Seubert

Andrea Skersies

Guido Bienhaus

Key topics for 2011

»Our real enterprise value is not only to be found in size or earnings capacity, but also in the strategic asset of our undisputed European online market leadership«

Dr. Cornelius Patt, CEO

Internationalization and growth

- zooplus' management will continue to be clearly geared towards growth – building on our successful past track record, we will continue to prioritize international growth over premature earnings maximization. Our dominant position within the online segment today is the clear result of our consistent strategy over the past few years in this respect.
- The next key milestones for zooplus are reaching total annual sales in excess of EUR 250 million during 2011 and breaking the EUR 500 million run-rate threshold no later than the end of 2014.
- At the same time, we want to firmly establish zooplus as a top 3 European pet retail player on par with our two largest offline rivals
- Over the medium term, we want to achieve a pre-tax return on sales of 8 to 10 % within our repeat customer segment
- Our key challenge remains the successful management of our growth. Our infrastructure backbone as well as our customer proposition must always keep up with our dynamic growth. The opening of our new international distribution center in Eisenach / Germany, which will replace our former German logistics facility, plays a key role in this regard. We will thus increase our annual sales capacity to up to EUR 400 million p. a., and also be able to serve Northern and Eastern Europe much more effectively in the future.

»Capital markets and our investors are fully supportive of zooplus' growth strategy«

Florian Seubert, CFO

The role of the capital markets

- Our success in recent years has brought zooplus into the limelight and increased the interest from the capital markets. From the very outset, we have encouraged this with a consistent, transparent and in-depth dialogue with all our partners. The capital markets' trust is a precious thing which motivates us and which we are dedicated to maintain in the future.
- The multiple oversubscription of our year-end 2010 capital increase which was successfully completed in early 2011 shows its shareholders' full support of zooplus and our expansionary strategy. During 2011, we will use the proceeds from the capital raising to further drive our dynamic growth and, at the same time, reinforce our capital base.
- The expansion of the financial participation by our long-standing anchor shareholder Hubert Burda is clear proof of his trust in our company and growth strategy.

Key topics for 2011

»Our ability to constantly acquire new customers and to turn these into loyal repeat customers is the primary driving force behind our success«

Andrea Skersies, CMO

Marketing and customer acquisition

- We plan to further build upon the key factors behind our market success in the future:
  - Convenience: Simple ordering from home and fast doorstep delivery, instead of a cumbersome bricks-and-mortar retail experience – for what are generally heavy and bulky products – in an offline outlet. In addition, the acceptance of all standard payment methods in combination with a high-performance customer care service.
  - Product selection: We offer an extensive product range of more than 7,000 articles in addition to high quality content, interactive advice and customer-generated product ratings.
  - Offering attractive prices for all our products – in line with or below specialist offline retail – in combination with free delivery means a highly attractive offering from the customer's perspective overall.
- In addition, we win our customers' support with a broad range of interactive content and community features.
- Moreover, particularly when acquiring first-time customers, zooplus makes use of the full spectrum of online marketing tools – from traditional search engine marketing and optimization through to country-specific affiliates programs and social networks.

»zooplus means state-of-the-art eCommerce«

Guido Bienhaus, CIO

Technology infrastructure

- Our country-specific websites mean that we approach our customers as quasi-local providers in their respective language with an offering that is tailored to national needs and preferences.
- Our payment systems and logistics structures are individually tailored to the specific requirements of 18 countries, whilst at the same time making use of the economies of scale and efficiency benefits offered by our overall pan-European setup.
- All of zooplus' core retail processes and structures have been consistently geared to a pure-play online retail operation – an immeasurable advantage over bricks-and-mortar competitors.

Report of the Supervisory Board

Dear Shareholders,

The fiscal year 2010 was another successful year for zooplus AG – twelve months which saw the company achieve many of its goals and post excellent sales and earnings figures. zooplus AG has now cemented its status as online market leader for all key European markets and has even extended an already strong market position. This is clear evidence that the company's focus on European growth was definitely the correct strategy. In order to ensure that the current growth rates are sustained in coming years, the company has invested in expanding its structures and capacity. Financing for the continued expansion was secured by successfully carrying out the capital increase at the end of 2010, amongst other measures.

The company has also firmly established itself on the capital markets on the back of its listing on the Prime Standard of the Frankfurt Stock Exchange. This is underlined by the constant rise in trading volumes combined with a solid upwards trend in the share price. The company's efforts in the areas of corporate governance and financial control were also expanded so that both the increased external requirements resulting from the highly regulated Prime Standard market segment as well as additional internal requirements have been met. All in all, the Supervisory Board believes that the fiscal year 2010 was a highly positive one for zooplus.

In addition, the Supervisory Board can once again look back on close and constructive cooperation with the Management Board. During the fiscal year 2010, the Supervisory Board performed its tasks according to the law, the articles of incorporation and the bylaws, and constantly monitored and advised the Management Board in its work.

Regular, up-to-date and comprehensive reporting by the Management Board allowed the Supervisory Board to deal in detail with the company's standing and development. When reporting on the course of business and company policy, the Management Board covered all relevant issues concerning forecasting, business development, corporate risks and risk management. The Supervisory Board was included directly in any decisions of fundamental importance for the company.

The Supervisory Board held a total of four face-to-face meetings, in which it dealt in depth with the company's financial and business development and operating environment during the past fiscal year based on written and verbal reports by the Management Board. There was also constant contact between the Supervisory Board and Management Board outside these meetings, discussing issues relating to the company's strategic alignment, business development, risk management as well as key individual measures. All of the transactions and activities that require the Supervisory Board's approval by law or according to the articles of incorporation were discussed in detail with the Management Board, and all necessary resolutions were passed by the Supervisory Board accordingly. At times this also took place within telephone conferences.

In addition to discussions about the business and strategic development of the company, the Supervisory Board also advised on matters such as the approval of the 2010 financial statements and the ongoing international expansion of zooplus AG. One further crucial issue was the establishment of zooplus' new logistics centre in Eisenach / Hörselgau and the resulting changes to its internal structures (logistics and distribution).

Conflicts of interest on the part of Management Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately and reported to the Annual General Meeting, did not occur during the past fiscal year.

Corporate governance

The Supervisory and Management Boards are aware that good corporate governance is in the best interest of our shareholders and forms a key foundation of the company's capital markets success. Together with the Management Board, we issued a declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG) in March 2011 which was made permanently accessible on zooplus AG's website (www.zooplus.de). A separate report is provided on implementation of the Corporate Governance Code as part of this annual report.

Audit of the annual financial statements as of December 31, 2010

During the Supervisory Board's meeting to discuss the annual financial statements on March 17, 2011, the Supervisory Board dealt in depth with the documents for the annual financial statements and auditors reports, in particular 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, 2010, and the company's management report and group management report for the fiscal year 2010. The auditor's reports, the financial statements prepared by the Management Board and the report on the situation of zooplus AG and the Group, as well as the Management Board's proposal for the appropriation of profits, were presented to us in good time, which gave us sufficient opportunity to review these. The auditor Schaffer WP Partner GmbH Wirtschaftsprüfungsgesellschaft, Äußere Sulzbacher Straße 118, 90491 Nuremberg, Germany, had previously audited the financial statements. There are no concerns regarding the auditor's independence.

According to the auditor's opinion, the single and consolidated financial statements in compliance with the respective accounting standards give a true and fair view of the net assets, financial position and results as well as the cash flows of the company and Group. The auditors issued unqualified opinions in each case. In addition, as part of the audit of the risk management system, the auditors ascertained that the Management Board had put the relevant measures in place which are required under section 91 (2) AktG in order to facilitate an early recognition of risks which could endanger the company's continued existence. Representatives from the firm of auditors were present during the discussions and reported on key findings of the audit and were also available to provide the Supervisory Board with additional information. Upon thorough examination of the annual financial statements and the management report the Supervisory Board concurred with the auditor's report. No objections were to be raised. The Supervisory Board therefore approved the financial statements and consolidated financial statements in its meeting on March 17, 2011. The financial statements of zooplus AG are therefore fully adopted. The Supervisory Board also approved the appropriation of income proposed by the Management Board.

The Supervisory Board would like to thank the Management Board and all of the company's employees for their work and dedication, and congratulates them on their success.

Munich, March 17, 2011

On behalf of the Supervisory Board

Felix von Schubert
Chairman of the Supervisory Board

Corporate Governance Report

The German Corporate Governance Code aims to create transparent general conditions for company management and control. zooplus considers good corporate governance as an important measure to increase trust on the part of shareholders, employees and the general public. zooplus confirms to the recommendations of the Code except for some exceptions. These deviations are explicitly outlined within this report.

Shareholders and General Meeting

Shareholders are able to exercise their rights and vote at the General Meeting. Each share grants one vote. Shares with multiple voting rights, preferential voting rights or maximum voting rights do not exist.

The Management Board presents the General Meeting with the annual financial statements and consolidated financial statements. The General Meeting decides upon the appropriate use of any net retained profits and exonerates the members of both the Management Board and the Supervisory Board for their responsibilities for the previous fiscal year. Moreover, the General Meeting is empowered to make changes to the company's articles of incorporation, elect the members of the Supervisory Board and select the auditors. During the year under review, the General Meeting also resolved upon an authorization to acquire own shares and the authorization to set up a stock option program together with the creation of new conditional capital.

The General Meeting takes place annually and it is here, where Management and Supervisory Board give account of the preceding fiscal year. At the General Meeting, shareholders can either exercise their voting rights in person, be represented by an authorized proxy of their choice or by a proxy appointed by the company and obliged to vote as per instruction. The Chairman of the Meeting ensures that the General Meeting proceeds in a timely manner. The Management Board is responsible for preparing and publishing the reports and documents presented at the General Meeting, including the annual report. These documents, along with the meeting's agenda, are readily accessible on the company's website.

Cooperation between the management and supervisory boards

As a German public limited company (Aktiengesellschaft, AG), zooplus is subject to the German Stock Corporation Act and has a dual-pronged management and control structure. These tasks are performed by members of the Management and Supervisory Boards.

The Supervisory Board and the Management Board work together intensively. In the exercising of its monitoring and advisory roles, the Supervisory Board works closely together with the Management Board in both regularly-scheduled and ad-hoc meetings. Both boards share the goal of achieving a sustained increase in enterprise value as their main objective.

The Management Board informs the Supervisory Board in a regular, prompt and comprehensive manner about all relevant company issues relating to planning, business development, risk positions, risk management and compliance. The information provided by the Management Board examines in great detail any business developments which deviate from the proposed plans and objectives and provides explanations for these deviations. Critically assessing the course of business is one of the Supervisory Board's core tasks.

The Management Board's concrete tasks and duties in relation to the Supervisory Board are set out in the rules of procedure of the Management Board. The rules of procedure specify the Management Board's obligations in regards to informing and reporting to the Supervisory Board, and outline the requirement that the Supervisory Board provides its approval of any transactions of fundamental importance to the business.

Item 3.8 of the German Corporate Governance Code recommends that companies carry liability insurance with a deductible of at least 10 % of the damage up to at least one-and-a-half times the fixed annual remuneration (so-called Directors and Officers liability insurance – D & O) for its Management and Supervisory Board members. The current D & O insurance includes a deductible for members of the Management Board in line with statutory requirements. In addition, no deductible is being considered for members of the Supervisory Board in future. This deviation from the Code's recommendation is stated in the Declaration of Conformity. The Management and Supervisory Boards believe that a deductible does not change the sense of responsibility and loyalty with which the members of the bodies perform their tasks and responsibilities.

In the past fiscal year, the company did not issue any loans to members of the Supervisory Board or Management Board. However, zooplus AG granted the members of its Management Board a permanent advance payment (EUR 42 thousand) to cover their travel-expenses.

This Corporate Governance Report as well as the current Declaration of Conformity are published in the annual report. The declaration of conformity is available on the zooplus website in both German and English for a period of five years.

Management board

zooplus' Management Board is responsible for managing the company in line with provisions of the German Stock Corporation Act, the company's rules of procedure, as well as its organizational chart outlining areas of responsibilities of the Boards and their members. The Management Board devises the strategic plans, secures the approval of the Supervisory Board for its plans and, having done so, ensures their implementation.

The Management Board consists of the following four members:

Name	Function	Contract begin	Contract end
Dr. Cornelius Patt	CEO	01.01.2009	31.12.2013
Florian Seubert	CFO	01.01.2009	31.12.2013
Andrea Skersies	CMO	01.07.2009	30.06.2013
Guido Bienhaus	CIO	01.07.2009	30.06.2013

A Chairman of the Management Board was elected. The members of the Management Board have clearly defined and delimited tasks. As set out in the respective applicable schedule of responsibilities, each Management Board member is solely responsible for his own specific area. Members of the Management Board are jointly responsible for the overall management of the company.

The Supervisory Board is responsible for determining the structure of the remuneration system for the Management Board and its application to the Board's individual members. The Supervisory Board regularly examines the remuneration structure to ensure its adequacy.

The Management Board's remuneration comprises three components:

- A basic monthly salary independent of performance
- Performance-related salary components
- Variable components which include long-term incentives

Item 4.2.3 of the Code recommends agreeing in a cap in stock option programs for the Management Board. The stock option program for the Management Board does not include any such cap. This is shown in the declaration of conformity as a deviation to the recommendation. From the Supervisory Board's perspective, which shares the Management Board's opinion, a cap contradicts using the option model as an incentive.

The company does not provide individualized information on the remuneration of individual members of the Management Board as a result of the resolution by the General Meeting on April 27, 2007; this is presented as a deviation to the recommendation in the declaration of conformity within the meaning of Item 4.2.5 in connection with Item 4.2.4. In all other respects a remuneration report will be prepared in the future according to the recommendations of Item 4.2.5.

Item 7.1.3 in connection with Item 4.2.5 of the Code recommends including concrete information on stock option programs and similar securities-oriented incentive systems employed at the company in the corporate governance report or in the remuneration report. The company does not have any securities-oriented incentive systems. The annual report includes more detailed information on zooplus AG's stock option program. The Management and Supervisory Boards believe that this information is sufficient for investors and the general public.

Supervisory board

The Supervisory Board monitors and advises the Management Board on conducting its business. It reviews the annual financial statements, the management report and the proposed appropriation of net retained profits, as well as the consolidated financial statements and group management report. Taking the auditors' reports into account, it adopts zooplus AG's financial statements and approves the consolidated financial statements. The Supervisory Board's tasks also include appointing members of the Management Board.

The Supervisory Board consists of the following members:

- Felix von Schubert, Chairman
- Frank Seehaus, Deputy Chairman
- Dr. Norbert Stoeck

The Supervisory Board discusses the business development, forecasts as well as the company's strategy and its implementation with the Management Board at regular intervals. As part of the strategic evaluation of the company, its risk management and reporting, the Management Board communicates with the entire Supervisory Board and not only to the Supervisory Board Chairman.

The Supervisory Board has established a set of rules of procedure. These define the Supervisory Board's tasks, obligations and internal organization and outline details on non-disclosure requirements, the handling of conflicts of interests and clarify the Management Board's reporting duties.

Items 5.2 and 5.3 of the Code recommend forming Supervisory Board committees and distributing functions in the Supervisory Board committees. The Supervisory Board currently only comprises three persons. As a result of its small size it did not form any committees – with the exception of the remuneration committee. The entire board is responsible for ensuring that those tasks are performed responsibly.

In view of Item 5.4.1 of the Code, the Supervisory Board has set itself the following targets for its composition:

- zooplus AG's Supervisory Board's members must ensure qualified control of and advice for the Management Board by the Supervisory Board. The candidates proposed for election to the Supervisory Board should be able, thanks to their knowledge, abilities and professional experience, to perform the duties of a member of the Supervisory Board in an international company and to uphold the zooplus Group's image in public. In this regard, particular attention must be paid to the personality, integrity, readiness to perform, professionalism and independence of the persons proposed. The aim is to ensure that the Supervisory Board has all of the knowledge and experience required which is deemed to be material in view of the activities of zooplus.
- Moreover, in view of the company's international orientation, it must also be ensured that the Supervisory Board includes a sufficient number of members with long-standing experience in regards of international business dealings. The aim of the next Supervisory Board election in 2011 is to retain the current proportion of members of the Supervisory Board with experience in regards of international business dealings.
- In preparation of its election proposals, the Supervisory Board should also include qualified women in the selection process. These female candidates are to be taken reasonably into account in election proposals.
- The Supervisory Board should include a sufficient number of independent members. Material and non-temporary conflicts of interest, for example from positions in executive bodies or consulting roles with key competitors to zooplus AG should be avoided. In addition, the members of the Supervisory Board should have sufficient time available to perform their duties, ensuring that they can perform these with the due care and regularity required.
- There is no age limit for members of the Supervisory Board. Membership of the Supervisory Board should be based on the professional qualification and experience of the candidate and their individual ability to perform, irrespective of a fixed age limit.

The Supervisory Board has reviewed the efficiency of its activities.

Remuneration for the entire Supervisory Board totals EUR 15,000.00. Each member receives EUR 5,000.00. The remuneration does not contain any performance-related component, contrary to Item 5.4.6. The company believes that this would not provide any additional incentive for proper fulfillment of the Supervisory Boards monitoring and consulting tasks. In addition, the Chairmanship and Deputy Chairmanship were not taken into account in the remuneration, as the company does not believe that this differentiation makes sense due to the size of the Supervisory Board. The Management and Supervisory Boards believe that this justifies his equal financial remuneration.

The period of office for the current members of the Supervisory Board terminates at the end of the Ordinary General Meeting for 2011.

Transparency

The Management Board and public relations employees ensure that shareholders, financial analysts, the media and interested general public receive open, prompt information on the company's situation and any major changes to the business.

Insider information directly affecting the company is published immediately by zooplus, even outside regular reporting schedule. To ensure shareholders receive comprehensive and prompt information, zooplus also uses the internet. The website is clearly structured and features a financial calendar which includes the dates of publication of all major documents and important company events (e.g. the annual and interim reports, the General Meeting).

In contrast to Item 7.1.2 Sentence 4, the interim reports are each published at the latest two months after the end of the reporting period, and thus during the two-month period required by the Frankfurt Stock Exchange's regulations for listing in the Prime Standard. zooplus AG believes that this deadline is sufficient to ensure proper accounting. As it believes that total sales are a key indicator of the company's success, the company will publish its preliminary total sales as soon as possible after the end of the respective reporting period in the future.

In accordance with the provisions of Section 15a of the German Securities Trading Act, zooplus discloses securities transactions promptly upon receiving the corresponding information (Directors´ Dealings). Information on securities transactions made by members of the Management Board and Supervisory Board which were reported for the 2010 fiscal year are included in the so-called "Annual Document" prepared in line with Section 10 of the German Securities Trading Act. This document also contains all the publications made in accordance with capital market regulations which zooplus released during the fiscal year.

The following table shows shares held by members of the Management Board (as of December 31, 2010):

Name	Owner	Shares	Shareholding
Dr. Cornelius Patt		146,000*	5.63 %*
Florian Seubert		100,200	3.86 %**
Andrea Skersies	held personally	41,031	1.58 %
Guido Bienhaus	held personally	46,890	1.67 %

* 5.60 % of the voting rights (145.270 shares) are attributed to him within the meaning of Section 22 (1) Sentence 1 No. 1, 6 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).
** 3.78 % of the voting rights (98.065 shares) are attributed to him within the meaning of Section 22 (1) Sentence 1 No. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

The members of the Supervisory Board did not hold any shares in 2010.

Accounting and Auditing

Since the 2005 fiscal year, the accounting of the company at group level has been done in accordance with the International Financial Reporting Standards (IFRS) while the single-entity statements are completed in adherence to German standards (Code of Commercial Law). Reporting with the annual financial statements and quarterly interim reports is made in line with statutory requirement and stock market regulations. According to international standards, the annual report and company website are published in English and the annual and interim reports are also published online.

The Management Board prepares the consolidated financial statements and these are examined by the auditor and the Supervisory Board. The corresponding dates for 2011 are found in the financial calendar published on the company website.

zooplus has the following subsidiaries listed below:

Name	Registered office	Ownership	Share capital (in local currency)	Equity as of 31.12.10 (in EUR thousand)	Result (in EUR thousand)
Matina GmbH	Munich, Germany	100 %	25,000.00 EUR	10.7	-7.6
Bitiba GmbH	Munich, Germany	100 %	25,000.00 EUR	64.5	28.0
zooplus services ltd.	Oxford	100 %	100,00 GBP	46.3	41.7
Logistic Service Center s.r.o.	Mimon, Czech Republic	49 %	200,000.00 CZK	n / a	n / a

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

The appointed auditors issued written confirmation of their neutrality. The auditors of zooplus AG agreed that the Supervisory Board Chairman is to be promptly informed of any possible disqualifying reasons and conflict of interests discovered in the course of the audit, if these are not resolved immediately. The auditor receives its mandate from the Supervisory Board Chairman who is directed in this choice by the vote of the General Meeting.

The auditor is required to inform the Supervisory Board or, if more appropriate, include mention in its audit report, of any factual contradiction between the Declaration of Conformity to the German Corporate Governance Code submitted by the Management Board and Supervisory Board and the facts as the auditor finds them.

On March 17, 2011, the auditor attended the Supervisory Board's discussion of the 2010 annual financial statements and consolidated financial statements. At this meeting, the auditor reported to the Supervisory Board on the results of its audit of the annual financial statements, the zooplus management report of December 31, 2010 (German Commercial Code) as well as the consolidated financial statements and zooplus group management report of December 31, 2010 (IFRS).

Historie

1999
zooplus set up under www.zooplus.de in Germany

2000
Entry into the Austrian market

2004
First fully profitable fiscal year on total sales of EUR 20 million

2006
European expansion kicks off with entry into the UK and the start of zooplus.com

zooplus AG's business model

Business model

zooplus is Europe's largest online retailer for pet products and the clear leader in its segment – far ahead of its competitors. Based upon a total annual EU market volume of EUR 19 billion, the company operates as pure-play business-to-consumer retailer across 18 countries. Its product range includes pet food and accessories for all of the major types of domestic pets.

History

zooplus AG was set up in June 1999 and since then has successfully used the Internet as a sales platform for pet-related products. Its business activities have been continuously expanded in recent years. An enlarged product range, the penetration of new European markets through a focused international expansion process, as well as the company's 2008 IPO are just some key milestones on zooplus' relentless growth path.

International presence

Since 2005, zooplus has been pursuing a relentless growth-oriented internationalization strategy, which has allowed the group to achieve critical size not only on its German home market but also in France, Italy, Spain, The Netherlands and in the United Kingdom. These markets are the six largest European markets by volume, and are thus of key importance to zooplus. The company has succeeded in positioning itself as clear online market leader in all of these markets. In addition, zooplus is active in twelve other European markets, where it also enjoys a market leadership position.

Shipments to customers are made out of two central logistics centers: Staufenberg / Lower Saxony (Germany) and Tilburg (The Netherlands). During the course of the second quarter of 2011, the logistics location in Staufenberg / Lower Saxony will be replaced by a new logistics center in Eisenach / Thuringia. This will

zooplus offers its customers an unbeatable mix of attractive prices, huge product selection and convenient home-delivery. In combination with its high-performance infrastructure, zooplus has become the clear number 1 in its segment.

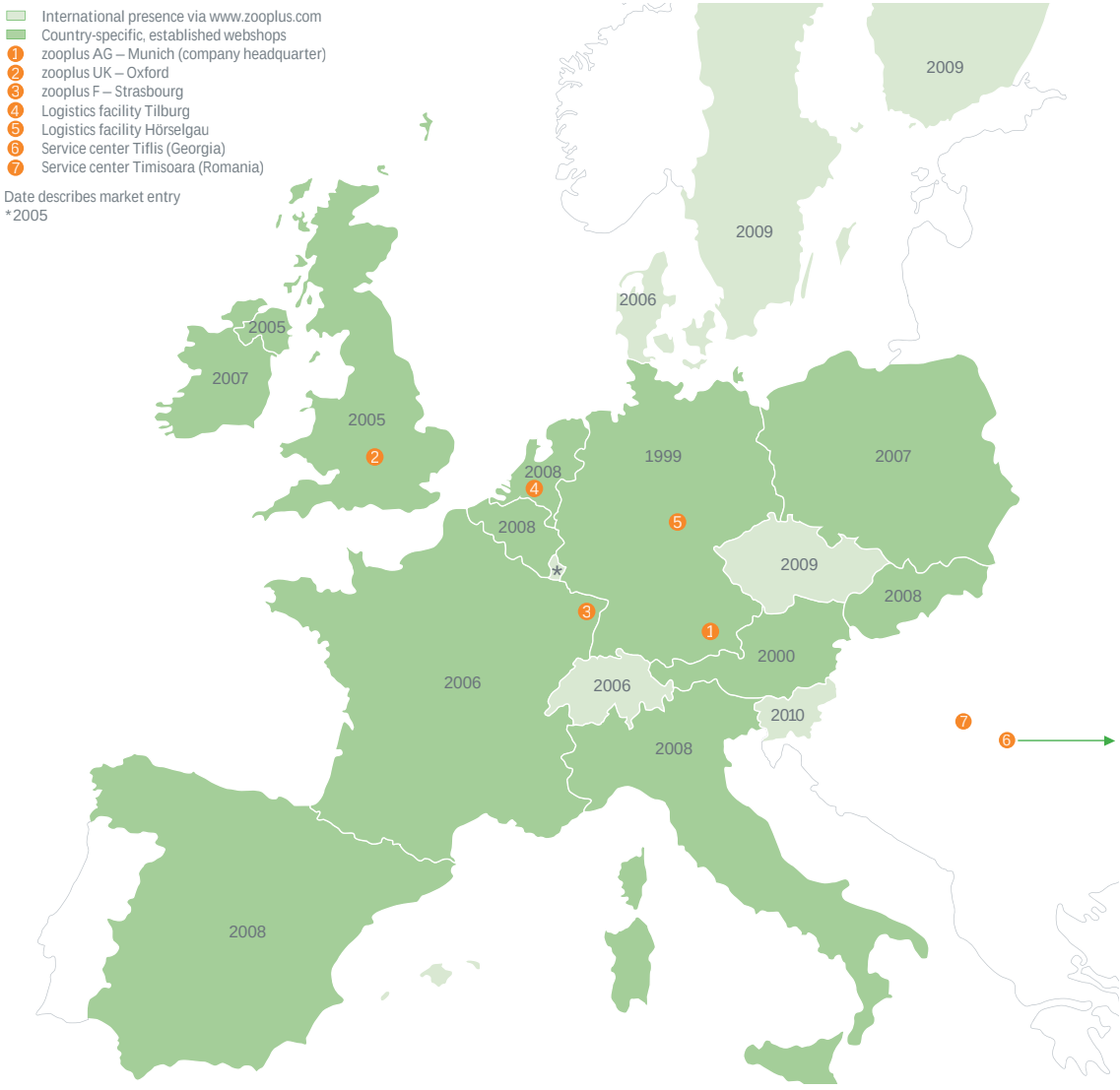
2007
International build-up continues with French market entry; total sales exceeds EUR 50 million p.a. for the first time

2008
Shares of zooplus AG admitted to the Frankfurt Stock Exchange (Entry Standard) – new market entries include Italy, Spain and the Netherlands

2009
Uplisting to Frankfurt Stock Exchange's Prime Standard segment; zooplus operating in 16 European countries

2010
50 % growth with total sales of EUR 194 million, EBT of EUR 3.1 million; online market leader in 18 European countries

zooplus' European market presence



zooplus' value chain

increase the company's total logistics capacity to an annual sales output volume of EUR 400 million, and will allow even faster, more efficient servicing of Northern and Eastern European markets based on a state-of-the-art international logistics and fulfillment structure.

Our experience has taught us the importance of country-specific and local offerings and web presences. That is why zooplus already operates local language web sites in 14 markets, through which it also attempts to offer a large number of specific regional pet products. This is currently the case in Germany, the United Kingdom, The Netherlands, France, Italy, Spain, Poland, Belgium, Ireland, Finland, the Czech Republic and Slovakia. In Slovenia, Sweden, Luxembourg and Denmark zooplus is at present available in English via zooplus.com. Our customers in Austria and Switzerland are served comprehensively via zooplus.de. Our German core business continues to enjoy stable growth within a corridor of 20 to 30 % annually, while the actual and potential growth on our international markets is significantly larger due to factors of our market phase-in between 2006 and 2010. In future we will continue to focus our growth efforts on developing existing markets as well as expanding into previously undeveloped regions.

Our multi-lingual customer services, tailored to our customers' needs, are a key factor in our internationalization strategy. zooplus uses several redundant multi-lingual customer care centers in Western and Eastern Europe as well as South America. In the past, this structure has proven to be highly efficient, offering top performance, whilst at the same time being highly scalable. All locations are staffed with highly motivated, excellently trained employees with excellent foreign language skills. As a consequence, we do not expect that our forecast growth will be the subject of any capacity restrictions in this regard.

Creating flexible, high-performance operating structures was and remains a key objective in developing our business model. These requirements are continuously taken into account by zooplus across all key business areas.

Purchasing and product range

Pet supplies are an important market segment within the European retail landscape. In 2010, annual total sales amounted to around EUR 19 billion within our industry in the European Union alone. zooplus follows an international purchasing strategy which results in a broad international product range. On the whole, and from the customer's perspective, the company offers an end-to-end product range spanning all product types and categories. In total, zooplus offers around 7,000 food and accessory products for dogs, cats, small animals, birds, reptiles, fish and horses – resulting in a unique selection for our customers to choose from. This broad range of brands and products includes everyday staples such as recognizable branded food ranges

zooplus product portfolio

	Dogs	Cats	Small animals	Fish	Birds	Reptiles	Horses
Canned food	●●	●●				●	
Dry food	●●	●●	●	●	●	●	●
Food supplements	●	●	●	●	●	●	●
Snacks and treats	●●	●●					●
Accessoires	●	●●	●	●	●	●	●

● zooplus private label
● Other branded products

generally available in specialist stores as well as zooplus' own private label and specialty products such as toys, care products and other accessories.

Of course it is necessary to maintain a continuously close relationship with our suppliers and manufacturers to provide this type of product range. zooplus procures all of its products directly, i.e. without involving wholesalers or other intermediaries. zooplus purchases its products from a range of more than 100 international suppliers.

This strategy is supplemented by our private label development within key product areas. In this context, zooplus uses a diversified proprietary brand universe which has been developed in house, which results in a convincing private label range offering for our customers. This includes, for example, dry and wet foods for dogs and cats under the Rocco and Smilla brands as well as additional proprietary premium brands (Lukullus, Cosma and Tigerino). In strategic terms, the company attaches particular importance to consistently differentiating products within its existing proprietary labels around a strong brand core. The private brands which have been launched so far are enjoying a generally high acceptance amongst our customers.

Over the medium term, our own brands will play a prominent role in our overall strategy. A constantly increasing number of customers with correspondingly higher total sales volume mean that over time we will be able to realize substantially better purchasing terms, which in turn will help to underpin attractive product margins. In addition, the zooplus-exclusive nature of our own brands should contribute further towards intensifying existing customer loyalty levels. Over the coming years, zooplus is planning to increase the proportion of own brands as a percentage of sales to at least 15 to 20 %.

ii. Logistics and information technology

National and international logistics
As of March 2011, zooplus operated two central logistics centers in Staufenberg (Germany) and Tilburg (The Netherlands), each with annual sales capacity of around EUR 150 and 180 million respectively. Our Staufenberg logistics center will be replaced during the second quarter of 2011 by a new operation in Hörselgau / Eisenach where a tailor-made state-of-the-art internet logistics center is being built with a total annual capacity of around EUR 220 million. In addition, it will be possible to service Northern and Eastern Europe substantially more efficiently and rapidly from Eisenach as a result of the logistics technology used at this location. The new location has a total area of around 25,000 m² and will be operated together with a partner, as is already the case in Tilburg. In order to ensure that we will be able to continue to drive our company's growth in a similarly dynamic manner in the future, both our logistics centers will

synchronize their production and work together very closely. Ultimately, after the new logistics center is taken fully on line, zooplus will be able to process total sales of EUR 400 million per year.

The Tilburg facility, newly opened in September 2009, and taken on line successively through to the end of the fourth quarter of 2009, was fully up and running in 2010. In 2010 zooplus already benefitted from being able to service its core markets of Benelux, France and the United Kingdom significantly faster and more efficiently out of The Netherlands. A planned and sustainably lower distribution cost base was realized during the course of the year.

Despite having outsourced its logistics operations, zooplus controls all of its core fulfillment processes centrally, representing the company's de facto proprietary expertise. The company employs a designated in-house team exclusively to coordinate and further develop its logistics and distribution structure. Smooth material flows, packaging efficiency and quality as well as delivery speed are critical levers to maximize customer satisfaction, which in turn is a crucial factor for our business success. Both inventory planning and supply chain management are processed through the company's own proprietary systems. Deliveries to our customers are made via national and international parcel providers.

Technology infrastructure
zooplus' performance is critically based and dependent upon the company's own operational back-end structures. These include a pan-European logistics platform and supply chain management as well as an integrated pan-European technology platform, which, in turn, allows the individual control of all respective geographic markets. All of the company's core areas, such as logistics and distribution, marketing, payment transactions, pricing and product management, purchasing and finance are controlled centrally from the company's headquarters in Munich. Country offices in France and the United Kingdom allow for regional fine tuning. These structures make it possible to generate significant economies of scale based on a continuously dynamic rate of growth.

zooplus is a technology-based online retail company. New and further developments of core processes and systems within our business are mostly initiated and executed in house. The aim is to find perfect-fit solutions which offer greatest possible flexibility within a scalable business model. External partners are called in if deemed useful and in order to supplement internal expertise and implementation capacity. In the past few years, in house development and highly-specific software solutions within all key areas have made a decisive contribution to zooplus's success, and will also be mission critical in delivering on the company's future targets.

Business areas in which these proprietary systems play a key role include:

- Pricing and margin management
- Logistics management and control
- National and international payment systems
- Online marketing and customer acquisition
- Working capital management and procurement
- Group controlling

zooplus' private label brand Rocco

A smooth and reliable provision of national and international payment options is of particular importance to online retailers. zooplus currently offers almost all leading European modes of payment. Proprietary credit checks have allowed the company to limit default rates to an all-time low of around 1.0 to 1.2 %.

Marketing and customer acquisition

Marketing, and in particular the acquisition of new customers, plays a key role in the company's growth and development. A key criterion in terms of marketing efficiency is to avoid any potentially costly media breaks within our customers' search behavior: This is why zooplus tends to avoid conventional advertising channels, such as print, radio or TV, and focuses on the various forms of online marketing and grassroots direct advertising instead. This ranges from traditional online advertising, search engine advertising as well as search engine optimization to affiliate networking and the use of price comparison engines and other industry-specific online activities. As a result, we try to meet our customers right where they have a direct and simple access to zooplus: online. As an international company, zooplus adapts all of its marketing activities to its respective geographic areas of activity in order to arrive at the most efficient acquisition process overall.

On balance, we were able to acquire around 1 million new customer accounts during 2010. This means that the company has once again set a new growth record – just as done last year. In future the company will continue to focus on further dynamic expansion in tune with strong new customer acquisition.

At the same time, the company will also continue to focus on delivering an optimum product experience to its customer base. A key factor in zooplus AG's business success remains the conversion of new customers into repeat customers, and simultaneously establishing itself as these customers' primary pet supplies provider. Stable and attractive repeat purchasing frequencies amongst zooplus' loyal customer base – caused by regular demands for food – are the main source of our long-term business success. The activities outlined above comprise regular special offers, customer loyalty programs, reactivation programs for dormant customer accounts flanked by a constantly attractive pricing structure as well as a convincing overall product and service range. This lies at the core of what zooplus is all about. zooplus aims to be the clear product and service leader amongst its competitors within the industry.

A recent study by the leading German trade journal "Lebensmittelzeitung", published in September 2010, shows that zooplus also delivers in this respect: The company recorded the by far highest overall customer satisfaction figures within the pet market segment, and, thereby, also outranked all bricks-and-mortar competitors surveyed.

Market and competition

The market

Two major factors are impacting the development of European online pet supplies retailing: the underlying growth of the European pet supplies market as such as well as the general and industry-specific growth of online shopping and online purchasing behavior.

The 2010 European pet supplies market stood at a total market volume of approx. EUR 19 billion p. a. The six high-volume markets alone – Germany, France, the United Kingdom, Spain, The Netherlands and Italy – accounted for around 16 billion of the total volume.

In addition, eCommerce has become an increasingly important retail sales channel in its own right. In Germany, for example, more than EUR 20 billion was turned over in business-to-consumer online retailing during 2010. Independent market experts such as Forrester Research assume that double-digit percentage growth rates will continue to be recorded within online retailing in the coming years.

In total, zooplus is forecasting a stable to slightly increasing overall market volume for pet supplies (< 3 % p. a.) on the back of stronger specific growth within the online segment (> 20 % p. a.) of the pet supplies market. From a zooplus perspective, therefore, we are facing promising medium- to long-term demand structures.

Competition

Advantages over other online competitors

zooplus is confronted with a host of mostly regional small-scale online providers within all of our European markets. This includes, for example, independent pet shops with add-on online shops and local delivery services. In addition, within the German, French and British markets, we notice around three to four smaller competitors, some of which are subsidiaries of larger bricks-and-mortar operators. We estimate that each of these generates annual sales within a single-digit million range. In addition, there are also non-specialist providers such as amazon and ebay, which offer a somewhat restricted pet supplies product range via their respective platforms. However, from an overall market perspective, these hardly outweigh zooplus at present. We currently estimate to be at least 15 to 20 times bigger than any of our competitors.

In contrast to smaller and direct competitors, zooplus is structurally able, in terms of its size and market leadership, to generate critical advantages from economies of scale and other efficiency effects which remain unavailable to smaller providers. These advantages in areas such as logistics, technology, customer service and marketing are key factors behind zooplus' confidence in its competitive position. At present zooplus does not believe that it will have to yield this head start over the short to medium term. This is complemented with additional advantages in terms of brand awareness as well as the company's underlying financial strength.

At the same time, an existing customer base of around three million customer accounts at the end of 2010 means that zooplus is benefiting substantially from a highly dynamic word-of-mouth recommendation. What

is more, the company currently operates 14 country-specific Web presences as well as an international English-language web presence – which together allow for major economies of scale.

Advantages over existing bricks-and-mortar competitors
zooplus AG's business model is based on a lean, technologically efficient and scalable value chain in connection with a convincing shopping experience in terms of selection, price and convenience. zooplus does not operate any offline outlets. It serves its customers from central warehouses and offers a significantly larger product range compared to traditional bricks-and-mortar retailers. At the same time, the company's centralized structures and associated efficiency benefits compensate for certain disadvantages due to size differences compared with larger offline pet store chains, for example in product purchasing.

Conclusion and objectives

Over the past twelve years, zooplus has succeeded in establishing itself as the clear online leader in our market. Its business model creates substantial added value for its customers, which is reflected in high customer loyalty and high repurchase rates. The company also believes that it will be able to follow up upon its past growth trajectory and to continue the success story it has delivered to date.

zooplus AG's medium-term goal is to defend and expand its leading position within online pet supplies retail and to sustainably benefit from the anticipated further growth of online retail per se.

As a first mover and market leader within the online space, zooplus benefits from its unique positioning versus its offline competition:

- Leading full service provider of online pet supplies
- Pan-European positioning on all key consumer retail markets
- By far the highest-growth within the segment
- Scalable technology and logistics platform
- Excellent track record in entering and developing new markets

This successful positioning also results from the fact that shopping with zooplus could hardly be simpler from a customer perspective: after making a selection from up to 7,000 products online and having put these into their virtual shopping baskets, our customers can pay by invoice, direct debit, credit card or other payment methods depending on their respective country of residence. The customer's order is then transferred in real time and directly to a zooplus distribution center, where it is usually packed and dispatched within 24 hours. As a result, our customers generally receive the goods they ordered within two working days through their respective parcel services – a truly unique offering.

An increasing number of pet owners and their pets all across Europe are discovering the advantages of online shopping – a trend that zooplus will benefit from considerably during the coming years.

From the customers' perspective, therefore, zooplus above all stands for:

- Convenience due to simple ordering and rapid doorstep delivery
- Huge product selection with more than 7,000 products
- Highly attractive pricing across all food and accessories ranges
- Excellent customer service and after-sales support

To sum up: There is not a single reason any more not to shop for pet supplies online.

The Share

Stock Chart zooplus AG: January 1, 2010 to December 31, 2010

zooplus AG's shares were introduced to the Frankfurt Stock Exchange's Entry Standard segment on May 9, 2008. Around one and a half years later, on October 22, 2009, the company successfully made the transition to the Prime Standard segment which requires the highest transparency and publicity standards.

During the past fiscal year, the performance of the international stock markets was characterized by a substantial upswing during the course of the year. The zooplus share also benefitted from this trend.

In January / February 2010, the shares recorded a downward dip to their annual low at EUR 28.50 during a market period which was still insecure and tense, but which took up pace rapidly until the beginning of April with the zooplus stock finally trading at around EUR 38 from April until September. Supported by the company's high-growth semi-annual and nine-month figures, the shares peaked at EUR 54.49 during mid-December. The shares' performance was mostly in line with its peer DAX subsector index All Retail Internet, whilst substantially outperforming the relevant SDAX index during the period under review.

The closing price on December 30, 2010 was EUR 53.65. This corresponds to market capitalization of EUR 139.1 million. As a result, the shares enjoyed a more than 66 % increase in value compared to a starting price of EUR 32.26 on January 4, 2010.

Capital increase

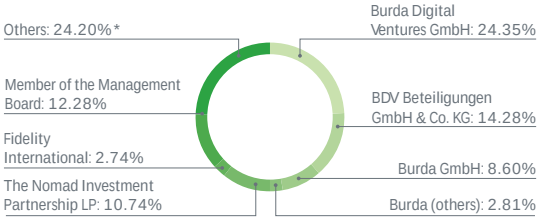
On November 19, 2010, the Managing Board of zooplus AG resolved, with the approval of the Supervisory Board, to increase the company's share capital by partially exercising the Authorized Capital 2008 from EUR 2,593,190.00 by a nominal amount of up to EUR 216,099.00 to up to EUR 2,809,289.00 by issuing up to 216,099 new, no-par value bearer shares, each with a nominal interest in the share capital of EUR 1.00 per share. Existing shareholders were offered to subscribe for one new share for each twelve old shares held at a price of EUR 42.00. On November 14, 2010, zooplus announced that the capital increase had been fully placed. The gross proceeds from the issue of around EUR 9.1 million are to be used to further drive the company's growth and expansion of its European online market leadership. The corresponding capital increase was registered with the commercial register on January 3, 2011. The company's share capital thus increased to EUR 2,809,289.00 on this date.

Key data

German securities code no. (WKN)	511170
ISIN	DE0005111702
Stock exchange symbol	Z01
Segment	Regulated market (Prime Standard)
Type of shares	No-par value bearer shares
Share capital in EUR as of December 31, 2010	2,593,190.00
Share capital in EUR as of January 3, 2011	2,809,289.00
Initial listing	May 9, 2008
Initial issuing price:	EUR 26.00
Share price – start of fiscal year*	EUR 32.26
Share price – end of fiscal year*	EUR 53.65
Percentage change	66.31 %
Annual high*	EUR 54.49
Annual low*	EUR 28.50

* Closing prices in Deutsche Börse AG's XETRA trading system

Shareholder structure



* According to Deutsche Börse the freefloat amounts to 44.38 %
As of March 24, 2011; on the basis of the published voting right announcements

zooplus has positioned itself as a clear-cut capital markets growth story right from the beginning. The future will be all about realizing zooplus' full potential.

As of March 24, 2011, zooplus AG had a free float of 44.38 % based on a relatively broad shareholder base. Companies affiliated with the Hubert Burda Media Group: Burda Digital Ventures GmbH (24.35 %), BDV Beteiligungen GmbH & Co. KG (14.28 %), Burda GmbH (8.60 %) and other companies which are to be allocated to Burda (2.81 %) hold a total of 50.04 % of the shares. At the same time, The Nomad Investment Partnership LP holds an interest of around 10.74 % in the company, with Fidelity International holding another approximately 2.74 %.

iii. Investor Relations

As part of zooplus AG's capital market strategy, great importance is attached to transparent and proactive investor relations and regular dialogue with analysts, investors and financial journalists.

The company aims to provide the public with regular, up-to-the-minute reports on company developments, thus providing information on the company's performance and establishing and expanding a basis of trust with our shareholders. Our Prime Standard listing means that zooplus undertakes to publish information that is of relevance to the share price through instant ad-hoc disclosures. The resulting statutory requirements are met and to be exceeded in the future – as already done so in the past. The company plans to continue its regular contacts with the financial community and offers any interested parties constant access through its active in-house investor relations department. In addition, shareholders and other stakeholders will be offered regular telephone and webcast conferences alongside the publication of its financial reports.

In addition to its statutory obligations, zooplus AG's investor relations activities also included:

- Participation at four capital markets conferences
- Six national and international roadshows

The company plans to add the following services to its voluntary IR activities from fiscal year 2011 onwards:

- Relaunch and build-up of its investor relations website
- Increasing its capital markets activities in non-German speaking countries

iv. General Meeting

The company's 2010 General Meeting was held at zooplus AG's headquarters in Munich on May 27, 2010. A total of 72.15 % of the capital and voting rights were represented. The attendees fully concurred with the Managing Board's development report regarding 2009 as well as the outlook for the current fiscal year.

All of the proposed resolutions, with the exception of the motion to authorize the establishment of the stock option program 2010 / I, which was passed with a majority of 98.67 %, were resolved unanimously with no abstentions or dissenting votes.

Financial calendar 2011

May 20, 2011	Publication of Quarterly Report Q1 / 2011
May 26, 2011	Ordinary General Meeting 2011
August 22, 2011	Publication of Half-Year Report H1 / 2011
November 18, 2011	Publication of the 9-Month Report Q3 / 2011
November 21-23, 2011	Analysts' and investors' conference as part of the German Equity Forum in Frankfurt am Main

Directors' Dealings

Date of transaction	Name	Place of transaction	Type of transaction	Financial instrument / ISIN	Number of shares / subscription rights	Price	Total volume in EUR
20.12.2010	Patt Vermögensverwaltung II GmbH [1]	OTC	Purchase	DE0005111702 [5]	68.740	54,00	3.711.960,00
20.12.2010	Dr. Cornelius Patt [2]	OTC	Sale	DE0005111702 [5]	68.740	54,00	3.711.960,00
15.12.2010	Dr. Cornelius Patt [2]	OTC	Sale	DE0005111702 [5]	8.000	47,10	376.800,00
10.12.2010	Dr. Cornelius Patt [2]	OTC	Participation in CI	DE0005111702 [5]	10.771	42,00	452.382,00
10.12.2010	Dr. Cornelius Patt [2]	OTC	Sale	DE000A1E89K2 [6]	10.008	0,275	2.752,20
10.12.2010	Barbara Dagach-Patt [3]	OTC	Sale	DE000A1E89K2 [6]	12.000	0,275	3.300,00
10.12.2010	Constantin Patt [4]	OTC	Sale	DE000A1E89K2 [6]	1.992	0,275	547,80
10.12.2010	Valentina Patt [4]	OTC	Sale	DE000A1E89K2 [6]	12.000	0,275	3.300,00
10.12.2010	Andrea Skersies [2]	OTC	Participation in CI	DE0005111702 [5]	1.855	42,00	77.910,00
10.12.2010	Andrea Skersies [2]	OTC	Sale	DE000A1E89K2 [6]	18.767	0,30	5.630,10
10.12.2010	Guido Bienhaus [2]	OTC	Sale	DE000A1E89K2 [6]	46.890	0,275	12.894,75
10.12.2010	Florian Seubert [2]	OTC	Participation in CI	DE0005111702 [5]	177	42,00	7.434,00
10.12.2010	Philidor Verwaltungs GmbH [1]	OTC	Sale	DE000A1E89K2 [6]	98.065	0,275	26.967,88
30.09.2010	Florian Seubert [2]	XETRA	Purchase	DE0005111702 [5]	100	46,50	4.650,00
29.09.2010	Florian Seubert [2]	XETRA	Purchase	DE0005111702 [5]	100	45,54	4.554,00
10.08.2010	Andrea Skersies [2]	OTC	Sale	DE0005111702 [5]	1.935	36,83	71.266,05
10.08.2010	Florian Seubert [2]	OTC	Purchase	DE0005111702 [5]	1.935	36,83	71.266,05
04.08.2010	Dr. Cornelius Patt [2]	XETRA	Purchase	DE0005111702 [5]	730	37,2949	27.225,30
08.06.2010	Andrea Skersies [2]	OTC	Exercise of share options	DE0005111702 [5]	19.270	12,50	240.875,00
1.6.2010	Guido Bienhaus [2]	OTC	Exercise of share options	DE0005111702 [5]	11.265	12,50	140.812,50
12.05.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	500	37,20	18.600,00
11.05.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	500	37,00	18.500,00
10.05.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	500	37,00	18.500,00
06.05.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	500	35,00	17.500,00
20.04.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	119	38,50	4.581,50
19.04.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	135	38,50	5.197,50
19.04.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	400	38,30	15.320,00
16.4.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	50	38,50	1.925,00
15.4.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	800	38,98	31.184,00
13.4.2010	Dr. Cornelius Patt [2]	Frankfurt	Sale	DE0005111702 [5]	400	39,50	15.800,00
12.4.2010	Dr. Cornelius Patt [2]	Frankfurt	Sale	DE0005111702 [5]	400	39,10	15.640,00
9.3.2010	Andrea Skersies [2]	Frankfurt	Sale	DE0005111702 [5]	300	32,50	9.750,00
23.2.2010	Seubert Vermögensverwaltung GmbH [1]	OTC	Purchase	DE0005111702 [5]	98.065	35,70	3.500.920,50
23.2.2010	Florian Seubert [2]	OTC	Sale	DE0005111702 [5]	98.065	35,70	3.500.920,50

[1] Legal entity in close relationship with member of the managing board
[2] Member of the managing board
[3] Spouse of registered partner of a member of the managing board
[4] Children entitled to maintenance of a member of the managing board
[5] zooplus shares
[6] zooplus AG subscription rights

Group management report

Group management report

Fiscal year 2010

1. Business and underlying trading conditions

a. Group structure and business activities

i. Divisions

zooplus AG was founded in Munich in 1999. This makes 2010 the company's twelfth year in business. As an online retail company, zooplus sells pet supplies directly to private customers via the Internet, and considers itself to be the clear online market leader in terms of sales and customer base.

Overall, zooplus sells around 7,000 items of food and accessories for dogs, cats, small animals, birds, reptiles, fish and horses. These include everyday staples such as brand name foods generally available at specialist dealers, zooplus AG's own private labels, as well as specialty articles such as toys, care and hygiene products and other accessories. In addition, zooplus offers its customers a wide range of free content and information accessible through its websites, such as veterinary and other animal-related advice, plus interactive features such as discussion forums and blogs. In addition, customers can directly rate the products they buy online. Business development over the course of the year does not tend to be subject to seasonal fluctuations due to the recurring nature of demand for food products.

zooplus generates the majority of its sales by selling its own warehoused goods from its central warehouses located in Germany and the Netherlands. This central warehousing approach enables the company to ensure rapid, uniform quality deliveries with a high level of general product availability to its customers throughout Europe. In addition, zooplus realises a small portion of its sales with its so-called „direct line business", in which zooplus directly sells and ships products from selected suppliers from its warehouses to customers. Sales in this area are always generated through a zooplus online shop. Shipments and final mile deliveries are made via selected carriers such as DHL, GLS, Parcelforce or other national and international providers.

Overall, zooplus AG's business model is based on a broad product range coupled with efficient supply and delivery processes, as well as clear cut and convenient user interfaces from the customers' perspective.

ii. Markets

zooplus maintains a pan-European presence in 18 countries, which together represent a total annual pet supplies market volume of around EUR 19 billion. The company operates a range of country-specific and international online shops. According to company estimates, zooplus AG is positioned as the online market leader in terms of sales and customer base in all of the high-volume European markets (Germany, France, United Kingdom, the Netherlands, Spain and Italy).

As of March 2011, zooplus operated a total of 14 country-specific webshops: In addition to the six high-volume markets stated above, the company is also maintaining local webshops in Austria, Belgium, Ireland, Finland, the Czech Republic, Slovakia, Switzerland and Poland. It also serves Slovenia, Sweden, Luxembourg and Denmark via the multinational English language pages at zooplus.com.

iii. Key influencing factors

There are two key factors which influence the development of European online pet supplies retailing: the underlying growth of the European pet supplies market itself, as well as the general and industry-specific development of online shopping among Internet users.

Development of the European pet supplies market

The European pet supplies market within the countries of the European Union has an annual market volume of approx. EUR 19 billion (last available study: April 2010) and is therefore in comparison around half the size of

the European retail book market. The six high-volume markets alone (Germany, France, United Kingdom, Spain, the Netherlands and Italy) account for around EUR 16 billion of this total volume.

The primary retail channels for pet supplies in all of the EU countries are predominantly bricks-and-mortar pet stores, garden centres and DIY stores, as well as supermarkets and discounters. The main differences between the individual bricks-and-mortar retail concepts within the pet supplies segment are the product range and product positioning: Conventional supermarkets and discounters generally limit themselves to a basic, high-turnover product range of around 150 to 200 products within low and medium priced food ranges, while larger pet store chains usually offer a comprehensive product range from foods (entry-level prices through to premium) to accessories (including toys, hygiene products, pet furniture and other accessories). zooplus has identified its relevant market segment as conventional specialist retailers as well as related specialist product areas of the core supermarket segment. The company estimates that this represents around a EUR 10 - 11 billion portion of the overall market, not to mention the more attractive area in terms of customer quality, margins and long-term growth potential.

Overall, zooplus is forecasting a stable to slightly increasing total pet supplies market volume for the coming years. The company is anticipating market growth of around 3 % for 2011 within the European Union. In Germany for instance, around one third of all households have one or more pets. zooplus assumes that the other key high-volume European markets have similar levels. The changes in the market are due to changes in the animal population, as well as a shift in sales towards higher value products and categories within the food and accessories sector („premiumisation“).

Overall, the pet supplies market enjoys a very low degree of seasonality as a result of repeat demand patterns, particularly within its food segments. Around 70 % of total demand in Germany is generated with pet food itself, which means that, from the company‘s perspective, the medium to long-term demand structures enjoy above average stability.

Overall, the pet supplies market enjoys a very low degree of seasonality as a result of repeat demand patterns, particularly within its food segments. Around 70 % of total demand in Germany is generated with pet food itself, which means that, from the company‘s perspective, the medium to long-term demand structures enjoy above average stability.

Development of online retailing

The growth of the Internet as a new sales and distribution channel for pet products is of key importance to zooplus. This development is determined by three major factors, only one of which the company is able to influence directly.

A fundamental requirement for successful European online retailing is fast and reliable Internet access for large sections of the population. This development is being primarily driven by the availability of high speed fixed and increasingly also mobile Internet access. As a result, the total number of Internet users has risen sharply in recent years. This, in turn, is leading to a substantial increase in general online activities and Internet shopping, in particular in conjunction with an increased day-to-day use of search engines and other Internet platforms such as price information services and product comparison sites, which again support the general interest and activities in online shopping.

eCommerce is an increasingly important sales channel within most retail sectors. For example, online consumer retail spending in Germany alone totalled more than EUR 20 billion during the year 2010. Further growth in

European online retailing seems probable, particularly given the inherent advantages which online retailing offers compared to existing bricks-and-mortar retail concepts – most notably the more extensive product ranges and greater shopping convenience. Independent market observers, such as Forrester Research, therefore anticipate that online retailing will continue to enjoy double-digit percentage annual growth rates over the coming years.

With regard to pet supplies, the proportion of products sold via the Internet is still relatively low compared to other consumer product categories, and is significantly driven by the sales zooplus itself generates across Europe. According to internal calculations, the company believes that only around 1.5 % to 1.75 % of the total European pet market has migrated online to date.

zooplus, as the dominant market leader, is therefore well positioned to benefit strongly from continuing and future changes to existing distribution and retailing structures.

iv. Competitive position

Advantages over online competitors

In general, there are significantly lower barriers to market entry in online retailing compared to traditional bricks-and-mortar retailing. As a result, zooplus is confronted with a host of small and mostly regional providers in all of its European markets, such as independent and owner-managed pet stores with small individual webshops and local delivery options.

In contrast to these small-scale competitors, zooplus is structurally capable, simply in terms of its size and its European market leadership status, of generating critical comparative advantages from specific economies of scale and efficiency effects, many of which remain out of reach for existing smaller providers. This structural advantage in areas such as purchasing, private label development, logistics, technology, customer service and marketing is a key factor that leaves zooplus excellently positioned. This is coupled with additional relative advantages with regard to brand awareness and financial strength.

At the same time, zooplus' base of active European customer accounts helps ensure that the company benefits from a substantial endogenous dynamics in terms of acquiring new customers through word-of-mouth recommendations.

Comparative advantages enjoyed over bricks-and-mortar competitors

zooplus' business model is based on a lean, technologically efficient and scalable value chain in connection with an attractive customer shopping experience in terms of selection, price and convenience.

zooplus does not operate any physical stores or outlets. Instead, it is able to supply customers throughout Europe with a significantly more generous product range than existing offline retailers thanks to its approach of distributing from two central warehouses. At the same time, the company's centralised management and corresponding efficiency advantages (stemming from its largely automated business processes) help to compensate for certain size-based advantages still enjoyed by the few larger bricks-and-mortar pet store chains, particularly in terms of sourcing and product purchasing.

zooplus' medium term objective is to consolidate and extend its online leadership and to sustainably benefit from the anticipated further substantial growth in online retailing overall.

v. Group structure

The zooplus Group comprises three wholly-owned subsidiaries that are included in the consolidated financial statements.

zooplus AG, Munich, Germany

- Bitiba GmbH, Munich, Germany (second-brand business)
- Matina GmbH, Munich, Germany (private label business)
- zooplus services ltd, Oxford, UK (international business development and UK)

In addition, zooplus AG operates a "Succursale" branch in Strasbourg, France. This is primarily used for country-specific marketing and for managing French customer acquisition campaigns.

zooplus AG is managed by a four-member Management Board:

- Dr. Cornelius Patt, CEO
- Guido Bienhaus, CIO
- Florian Seubert, CFO
- Andrea Skersies, CMO

The Management Board is advised and controlled by the Supervisory Board. At the end of the year, the Supervisory Board comprised:

- Felix von Schubert (Chairman)
- Frank Seehaus (Deputy Chairman)
- Dr. Norbert Stoeck

In the fiscal year 2010, zooplus employed an average of 143 people (108 employees during the fiscal year 2009).

Our human capital is a key success factor at zooplus. We regularly conduct internal employee training sessions and many employees participate in external training programmes, which has helped to further increase the quality of our work and our workforce's potential for value creation.

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

The management aims to substantially expand its existing market leadership within European online pet supplies retailing and in doing so make the most of the current market opportunities in the online arena across Europe. These efforts should be made with a view to creating sustainable operative profitability. To this end, zooplus will continue to focus on systematically expanding its existing core business.

Given this aim, our activities focus on the following specific objectives:

- Expanding our active customer base in all European markets
- Generating the maximum increases in sales and total sales each year
- Sustainably securing the company's operative profitability and enhancing it in the medium term

The Management Board views the following key figures as good yardsticks for measuring success:

- The Group's total sales and sales as an indicator of success in the market
- EBITDA before one-off items as a yardstick for operating performance
- Pre-tax profit as the key financial figure

In an effort to achieve its targets, the company utilises a wide range of financial and non-financial indicators and steering tools, focusing on the following areas:

- Price and product range management
- New customer acquisition and existing customer management
- Logistics and distribution management
- HR management
- General cost management in all fixed and variable areas
- Working capital management and payment optimisation

Relevant performance criteria are managed and controlled using target-oriented as well as process-specific indicators. These are reviewed regularly and can be adjusted and modified over the short to medium term if required. The company attaches particular importance to clearly communicating its key targets to its employees.

c. Technology and development

zooplus primarily regards itself as being a technology-driven Internet retailing company. New and further developments of core operational processes and systems are usually initiated and executed internally. External partners are called in if it is deemed sensible to supplement this internal expertise or support our physical capacity for implementation.

Over the past few years, hardware systems and highly-specific software solutions developed in house in all key areas of the company have made a decisive contribution to zooplus AG' success. From a current perspective, they will also act as vital components in achieving the company's future targets.

Business areas in which these proprietary systems play a key role include:

- Price and margin management
- Logistics management and controlling
- National and international payment processes
- Online marketing and customer acquisition
- Working capital management and stock procurement

d. Business development 2010

i. The economy and overall retailing market

The global economy rebounded in 2010 after the negative developments of 2009. The economic slump, which started in the United States in 2007 and 2008 as a sub-prime loan crisis, grew to become the largest economic crisis since WWII in the leading industrial nations by the start of 2009. 2010 was a year of recovery in the key international markets, with consumption and investment on the rise again. All in all, this development had a positive impact on zooplus AG.

ii. Development of zooplus AG

zooplus AG recorded a very encouraging development in the fiscal year 2010. The company can be highly satisfied with total sales growth of 50 % to EUR 193.6 million as well as a pre-tax profit of EUR 3.1 million. During the fiscal year, zooplus AG reached several important milestones as we continued to push our pan-European expansion strategy and further expanded our operating capacities and presence on the capital market. Consequently, we believe that the fiscal year 2010 was an extremely good year for our company's continued growth and long term success.

Given today's situation, zooplus believes that the European pet supplies market will remain relatively stable in 2011, with estimates suggesting overall market growth of 3 %. In view of this strong positive trend in the online retailing segment, as well as the high proportion of zooplus-specific sales derived from repeat and recurring demands for pet food, we believe that zooplus is relatively well positioned to successfully master the current fiscal year 2011.

With regard to online pet supplies in general, we anticipate that substantial growth will continue across all of Europe's high-volume markets.

Nevertheless, although unlikely from the current perspective, another economic downturn following on from 2009 („double dip") that would impact current pet industry pricing and margin structures cannot be completely ruled out. In spite of this, we continue to believe that zooplus is relatively well equipped in comparison to other market participants to deal sufficiently with any such developments, which look unlikely at this time and which would only occur for a limited period.

iii. Random sample by the Financial Reporting Enforcement Panel (DPR, Deutsche Prüfstelle für Rechnungslegung DPR e.V.)

The DPR Financial Reporting Enforcement Panel subjected zooplus AG's consolidated annual financial statements and Group management report for the fiscal year 2009 to a random sample test. It concluded that in the DPR's opinion, the calculation of the accrued sales for the „zooPluspunkte" customer loyalty program used a method which led to an accrued figure which was too low for the number of bonus points still to be redeemed in relation to the amount granted and before potential redeeming. Taking these earnings as the basis, sales and pre-tax profit were recorded EUR 616 thousand too high in the 2009 consolidated financial statements and equity EUR 1,769 thousand too high. This does not take into account the effects of taxation. After carefully analysing the circumstances, the zooplus AG Management Board agreed with this conclusion and recognised the error identified by the DPR's test. The consolidated annual financial statements for the fiscal years 2008 and 2009 were corrected in line with IAS 8. The figures included in these consolidated financial statements which related to the fiscal years 2008 and 2009 contain the corrected figures based on the DPR's conclusions. As a result, these figures from the fiscal years 2008 and 2009 could deviate from the figures reported in the consolidated annual financial statements in the past. The corrections carried out have no impact on the planned dynamic growth, financial situation or future earnings situation of the company. They will also not lead to cash outflows. A detailed overview of the corrections can be found in the notes section.

2. Earnings position, financial position and net assets

a. Earnings position

i. Sales trends

zooplus, which considers itself the European online market leader, was able to significantly increase its sales and total sales last year. Total sales (consisting of sales and other operating income) rose by 50 % year-on-year from EUR 129.1 million to EUR 193.6 million.

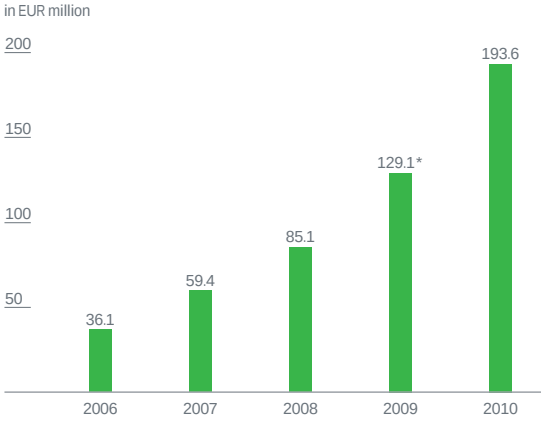
This growth was largely due to the significant expansion in the customer base in all of the company's geographic markets as well as the high level of customer loyalty and repeat purchase rates among existing customers. Both of these trends underscore and prove the sustainable market success of our business model.

Sales increased from EUR 122.6 million in 2009 to EUR 177.8 million in 2010, while other operating income rose from EUR 6.4 million to EUR 15.8 million in the period under review. Sales reflect product purchases, whereas other operating income includes income from industry-specific advertising and other remuneration, such as one-off payments from switching service providers.

Pet supplies retailing is mostly unaffected by seasonal fluctuations.

Overall, the positive development of sales and total sales clearly shows that zooplus, as the market leader, is benefiting from a migration in demand from the traditional sales channels of bricks-and-mortar retailing towards online retailing.

Total sales
(Sales and other operating income)



* adjusted (see note no. 4)

ii. Expense items

The following section provides a brief overview of the amount of and changes in 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 can be subject to slight rounding differences compared with the figures of the consolidated financial statements.

Cost of materials

The company's cost of materials increased at a slightly lower rate than in the previous year. The cost of materials to total sales ratio of 56.6 % in 2010 was a 3.2 percentage point improvement on the previous year's mark (59.8 %). In turn, this also caused the company's net product margin to rise from 40.2 % in 2009 to 43.4 % in 2010. The increased net product margin was mainly due to positive developments in other income.

Personnel costs

Personnel costs rose from EUR 6.6 million in 2009 to EUR 9.3 million in 2010. This represents a slight improvement in the personnel expenses ratio of 4.8 % (in terms of total sales), compared to 5.1 % in the previous year.

In the fiscal year 2010, zooplus employed an average of 143 people (108 employees during the fiscal year 2009).

Depreciation and amortisation

Scheduled depreciation and amortisation costs increased from EUR 0.5 million in 2009 to EUR 0.6 million in the year under review.

Logistics and fulfilment expenses

zooplus' business model requires warehousing, stock picking and the shipping of products sold to our customers. Additional expenses arise in areas such as the processing of returns, storage and other costs of logistics and distribution. These activities are, in essence, the zooplus equivalent to outlet and other high street costs within offline retailing.

Expenses for logistics and fulfilment rose from EUR 28.5 million in the previous year to EUR 42.0 million in 2010, which represents a slight percentage fall (in terms of total sales) from 22.1 % to 21.7 %.

The first full capacity operation of our second international distribution centre (also outsourced) in Tilburg (the Netherlands) in the first quarter of 2010 marked a key logistics milestone. This increased the company's overall logistics capacity to sales of more than EUR 300 million and therefore provides an important platform for the company's European growth. The total expenses for logistics and distribution are mostly attributable to distribution (e.g. package delivery companies), packaging as well as variable and fixed costs for the distribution centres, and are therefore mostly variable in line with the company's sales.

Marketing expenses
Marketing expenses are largely driven by the acquisition of new customers in all European markets. This is particularly the case for online marketing, where the efficiency of individual acquisition activities is constantly measured and individual activities are adjusted accordingly. This relates to the entire spectrum of search engine optimisation and affiliate marketing, other online partnerships and marketing tools as well as online direct marketing. In addition, minor activities are undertaken for conventional and offline-based marketing. zooplus attaches great importance to the fact that all of its core marketing competencies are kept in house, although the company occasionally cooperates with third parties in implementing some of these projects.

Expenses for marketing grew from EUR 8.2 million in 2009 to EUR 15.8 million in 2010, up from 6.3 % of total sales to 8.2 %. This increase was planned as part of the company's overall strategy of penetrating all of its key European markets, reaching a critical size in terms of both customer numbers and overall sales, and thereby cementing a position of clear market leadership. In 2010, the strategic priority remained growth over optimising earnings. The company believes that this contributes fundamentally towards sustainably increasing our company value in the long term.

Payment transaction costs
Expenses for payment transactions were up from EUR 1.3 million in 2009 to EUR 1.9 million in the year under review, primarily reflecting an increase in international payment transaction costs.

Other expenses
Other expenses, in addition to logistics and fulfilment, marketing and payment transactions described above included customer care and services, office rental, general administrative expenses, technology as well as other minor expenses incurred as part of our ordinary operating activities.

Financial expenses
In order to finance its working capital, zooplus AG has access to credit lines from the company's major bank. This financing facility totals EUR 10.0 million and was used in full by the year-end. During the course of the year, the amount used fluctuated between the maximum amount and EUR 0 million. This also explains the company's financial expenses (interest expenses).

iii. Profit growth

Operating income
Operating income totalled EUR 3.3 million in the period under review compared to EUR -1.9 million in 2009. This was therefore approx. 1.7 % of total sales compared to -1.5 % in 2009.

Pre-tax profit / EBT
In the period under review, pre-tax profit totalled EUR 3.1 million compared to EUR -2.1 million in 2009, and therefore represented approx. 1.6 % of total sales compared to -1.6 % in 2009.

Consolidated net profit / Overall result
Consolidated net profit and overall result in 2010 amounted to EUR 2.0 million compared to EUR -1.5 million in the previous year. The overall result only differs slightly from the consolidated net profit as a result of differences in currency conversion.

b. Net assets

Long term assets totalled EUR 6.3 million at the end of 2010, down on EUR 7.5 million at the end of 2009. Of this total, around EUR 4.9 million is due to deferred tax assets.

Short term assets rose during the period under review to EUR 52.1 million at the end of 2010 compared to EUR 23.1 million as of December 31, 2009. This is mainly due to a substantial rise in inventories as a result of the expansion of zooplus' private label and

direct import business, as well as a conscious increase in product availability and product range across all European markets. In addition, the company recorded a significant increase in liquid funds due to the inflow of funds from the capital increase carried out at the end of the year.

In particular with regards to general product availability and private label development, with the latter being subject to longer procurement cycles, higher inventory levels are a key driver of sales per individual customer account, and also contribute substantially to our successful improvements to product margin.

In addition, accounts receivable increased in line with expectations on the back of the company's growth. In the fiscal year 2010, accounts receivable with a net value of EUR 1.2 million were written off.

Equity totalled EUR 21.2 million at the end of 2010 compared to EUR 9.5 million at the end of the previous year. The equity ratio on December 31, 2009 therefore came in at around 36 %. Please note that the increase in equity during the fiscal year is the result of the capital increase from authorised capital totalling EUR 9.1 million in December 2010. The capital increase was registered on January 3, 2011.

Financial liabilities were up from EUR 6.1 million at the end of 2009 to EUR 10.0 million as of December 31, 2010. This increase came on the back of the working capital financing received from our major bank, which became necessary as a result of our growth.

Trade payables totalled EUR 12.0 million on December 31, 2010 compared to EUR 7.3 million at the end of 2009. As a rule, zooplus only uses around 20-30 % of the maximum payment periods available in order to make use and benefit from early-payment terms and resulting margin improvements. This makes business sense from both an overall earnings perspective as well as in view of the company's readily available financing options. zooplus will continue to utilise possible discounts and early payment options as far as possible in the future in an effort to maximise margins and potential income.

More than 90 % of the company's liabilities are denominated in euros. At times, there are also other liabilities – mostly six-digit – in British pounds and US dollars. The former is due to the company's VAT obligations and procurement in the United Kingdom and the latter to the purchase of merchandise from Asia.

Other short term liabilities increased during the year under review, totalling EUR 12.8 million as of December 31, 2010, up from EUR 5.6 million at the end of 2009. This was mostly due to the increase in VAT liabilities at the end of the year.

All of the current liabilities are due within one year. This is primarily attributable to the type of key liabilities items: trade accounts payable and VAT liabilities.

The company does not make use of any derivative financial instruments or other hedge instruments. In addition, no off-balance sheet financial instruments are used.

The company's total assets were therefore reported at EUR 58.4 million at the end of the fiscal year 2010, compared to EUR 30.5 million on December 31, 2009.

c. Cash flow, cash and cash equivalents and financing

Cash flow from operating activities totalled EUR -3.1 million in 2010, up from EUR -4.4 million in 2009. This improvement was largely attributable to the operating results for the year as a whole as well as the development in working capital.

Cash flow from investing activities remained negative (coming in at EUR -0.6 million in 2010 after EUR -1.1 million in 2009), while cash flow from

financing activities recorded positive development (EUR 15.2 million in 2010, compared to EUR 5.6 million in 2009).

To summarise, as a retail company zooplus is subject to substantial volatility in items that are of relevance to both the balance sheet and cash flow, such as inventories, liabilities and VAT payment schedules. This has led to significantly higher fluctuations within these accounts during the year as compared to the development of our earnings.

The overall changes in cash and cash equivalents during the course of the year were largely due to the company's strong growth and the capital increase carried out at the end of the year. The negative cash flow from operating activities is due to a significant increase in inventories and customer liabilities following the company's overall growth of more than 50 %.

However, the liquidity available to the company from its lines of credit was significantly higher at this time than was required to secure business operations. During the past fiscal year, zooplus was able to fulfil all of its payment commitments at all times.

The company has flexible lines of credit totalling EUR 10.0 million from its major bank. On average, between EUR 0 and EUR 10.0 million of these lines of credit was used during the past fiscal year. Some of these lines of credit are secured with inventories and receivables, and are subject to standard industry equity covenants. On the whole, it must be noted that zooplus is not subject to any particular restrictions that could impact the availability of financing, with the exception of the necessary fulfilment of the financing covenants. The company believes that it will also be possible to fulfil the covenants in the coming years.

The company's lines of credit are all indexed to Euribor, and their overall interest levels including the index premium are low to medium single-digit percentages.

An increase in the current level of interest would, by its very nature, lead to a rise in the company's financing costs, while, from the current perspective, this appears to be manageable. The company's management does not anticipate a significant change in credit conditions.

Overall, given its strong equity base, its dynamic growth and positive income situation as well as the significant improvement in results and the existing stable financing facilities, the company believes that it is well equipped to support strong future growth again in the coming year, as well as the related effects on our working capital (mostly inventories and receivables from customers).

d. Summary statement on zooplus' financial position

The fiscal year 2010 was a highly positive year, with total sales of EUR 193.6 million and positive earnings being recorded.

e. Report on events after the balance sheet date

After the end of the fiscal year 2010, the capital increase carried out in December 2010 was entered into the commercial register on January 3, 2011.

3. Opportunities and risks

As an internationally operating business, zooplus is exposed to a wide-ranging variety of business opportunities and risk factors. The dynamic tapping of new markets and the establishment of market-leading positions within all key European markets are the core priorities in our corporate activities. As a result, the Management Board already set up a comprehensive risk monitoring and management system at a very early stage in previous years. Within this system, the company's individual departments are primarily responsible for identifying and evaluating risks as well as developing effective counterstrategies.

Risk management can also mean consciously deciding to take measured risks. This is generally the case if the opportunities far outweigh the risks and we are in a position to deal with any possible damages in the worst case scenario.

a. Key individual risks

The following section discusses a selection of key opportunities and risks for zooplus AG' business activities.

Strategic risks

zooplus' success depends to a critical extent on the continued acceptance of the Internet as a channel for purchasing pet supplies.

If the growth in online retailing slows or even falls overall, this would directly affect the zooplus AG business model. However, from the current perspective, all of the indicators suggest that this is highly unlikely, and this is underlined by current growth rates.

Average order sizes and repeat purchase behaviour could be subject to negative changes in more difficult economic periods:

During a recession, existing and newly acquired customers' purchasing behaviour could change to the company's detriment. If our customers stop buying non-food products that are not seen as a necessity, or if they switch to lower priced alternative products or alternative suppliers, this could have a negative impact on zooplus overall. However, the fact that zooplus was still able to increase its total sales by 50 % during the worst annual recession (2009) since the end of WWII and acquire significant customers in all of the key European markets is a testament to the attractiveness of the business model, also in more difficult economic periods.

New competitors could establish a successful online presence and negatively impact zooplus' market opportunities:

zooplus is currently the clear market leader in Germany and Europe. Should this positioning change after new competitors enter the market, this would have a significantly negative impact on zooplus' sales and operating margins. From the current perspective, zooplus believes that the level of competition will increase over the medium term. However, this will take place within an eCommerce market that is continuing to see strong growth. In addition, zooplus believes that, as a result of its existing competitive advantage, it will be able to permanently retain its market leadership thanks to its superior operating systems and processes.

Operating risks

Unforeseen events could endanger the stability of key business systems for IT and logistics:

The company's operations are based on the constant availability of all of its technical systems. If this is jeopardised, for example by force majeure or other system problems, this would incur a substantial negative impact on zooplus as a whole. However, zooplus believes that this risk is manageable in view of the fact that business systems have proved stable for the past ten

years of operations. In addition, zooplus cooperates with reliable partners of good business standing in these areas, which in turn should reduce risks significantly.

The loss of key employees could endanger the company's long term success:

In managing its employees and departments, zooplus places its trust in several key employees, who would not be easy to replace. If these employees were to leave the company, this could have a negative impact, at least in the short term, on the company's success. However, zooplus believes that the company's key employees are, on the whole, loyal to zooplus, and it also believes, in the event that certain key employees are lost, that it would be possible to find adequate replacements for these employees over the medium term.

Forecasting demand incorrectly could result in overstocks along the supply chain and in the logistics system:

As a rule, material planning errors could result in overstocks in the company's warehouses. If it is difficult to sell these, or if they cannot be sold, this could result in significant damages for the company. As a result of the low seasonality, and also the relatively high ability to predict customer-based sales structures, the company believes that these risks can be controlled. This is coupled with the fact that the average shelf-life of typical zooplus products is around 1 to 2 years, which would also make it significantly easier to sell slow-moving products if this was necessary.

Financial risks

The main financial instruments the Group uses consist of lines of credit, operating leases, cash and cash equivalents and short term deposits. The main purpose of these financial instruments is to constantly cover the need for financing and to ensure financial flexibility. The Group has various other financial assets and liabilities at its disposal including, for example, trade accounts receivable arising directly in connection with its operations. The company does not use derivative financial instruments.

The company has international operations and is therefore exposed to substantial currency translation risks:

zooplus operates on foreign currency markets outside the Eurozone. The company's most important foreign currencies are British pounds and US dollars. As the company has not previously used hedge instruments, there are exchange rate risks related to purchasing and product sales. The company aims to limit these risks by buying products locally in foreign currency zones. At the same time, the company regularly reviews whether it makes sense to use possible hedge instruments that could be implemented if necessary.

Defaults on the company's receivables could increase in economically difficult periods:

In more difficult economic periods, zooplus could possibly also be impacted by higher credit defaults by its customers. This could result in sustained risks for zooplus AG's business model. In the past, total receivables defaults were generally around 1.0 to 1.2 % of the company's overall sales. From the current perspective, we do not anticipate any deterioration in this regard, thanks in no small part to the company's strict credit check system.

The company's access to the credit market could become more difficult or impossible:

Although zooplus is not currently subject to any borrowing restrictions, this could become restricted as a result of further banking and / or financial crises. However, from the current perspective, zooplus does not believe that this will be the case in the short or medium term.

The existing level of interest rates could increase and make existing borrowing more expensive:

The company's most important line of credit is indexed to Euribor. A general increase in interest rates, including in inter-bank business, could lead to a significant rise in the company's financing costs.

Overall statement on the risk situation
In view of the company's positive overall growth, as things stand today it appears that both the risks and also the potential dangers are limited and can be controlled. The company uses tried and tested risk management systems and processes. From the company's perspective, there are no individual risks that could endanger the company's continued existence at present and in the foreseeable future. The individual risks, taken together, do not endanger our company's continued existence.

4. Key features of the internal control system and the risk management system relating to accounting processes

The key features of the internal control system and risk management system at zooplus AG relating to the accounting process are set out below:

zooplus AG is characterised by its clear organisational and corporate control and monitoring structures. There are forecasting, reporting, controlling and early warning systems and processes in place throughout the Group. These have been coordinated and allow the end-to-end analysis and control of risk factors that could impact earnings and endanger the company's continued existence. The functions for all of the areas of the accounting process (e.g. financial accounting and controlling) are clearly assigned. Due to its size, zooplus AG does not have a separate internal audit department.

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

The IFRS consolidated financial statements are prepared on the basis of a uniform reporting format, which is conducted centrally from the Group head office in Munich. The validation processes and additional plausibility checks performed at the Group head office underpin the correctness and completeness of the annual financial statements of the Group companies and zooplus AG.

An appropriate internal risk management system has been implemented. The accounting data is reviewed regularly to ensure that it is correct and complete using random samples and plausibility checks carried out through manual checks and also with the software employed at the company. The key processes that are relevant for the company's accounting are subject to regular analyses. The existing company-wide risk management system is constantly being adjusted in response to current developments and its functionality is reviewed.

The Supervisory Board deals with aspects including major accounting issues, risk management, the audit mandate and its areas of focus.

The internal control and risk management system used in relation to the accounting process ensures that business events are recorded, prepared and assessed correctly in the accounts, and that they are therefore included in the external accounting.

The clear organisational and corporate control and monitoring structures as well as the fact that the accounting department is sufficiently staffed and has sufficient materials available, form the foundations for the areas and employees involved in the accounting process to work efficiently. Clear

guidelines and instructions, stemming from both legal requirements and from within the company, ensure that the accounting process is uniform and correct. The clearly defined review mechanisms within areas which participate in the accounting system, as well as the review by internal controlling and early recognition of risks by risk management, ensure error-free accounting.

The internal control and risk management system within the zooplus group safeguards that the zooplus group's accounting is in line with the legal and statutory requirements and internal guidelines. In particular, the uniform risk management system within the company, which fully meets the statutory requirements, is designed to recognise risks in good time, measuring and communicating these appropriately. As a result, the reports' recipients are provided with accurate, relevant and reliable up-to-date information.

5. Outlook

The underlying economic conditions are expected to remain stable overall in 2011 and 2012. We are therefore forecasting a slight increase in sales for our industry as a whole in 2011 and 2012. We can assume that this will take a certain amount of pressure off prices and margins, and that this will have a generally positive effect on zooplus.

Irrespective of this, however, we believe that online shopping will continue to grow substantially during the coming year and consequently gain in importance as a sales and distribution channel. zooplus will benefit substantially from these effects.

Overall, we are expecting the following results for zooplus on the back of these two countervailing trends for 2011:

- Total sales will increase from EUR 194 million to at least EUR 250 million
- Positive pre-tax results

We are expecting the following scenarios in 2012:

- Total sales to grow further to at least EUR 320 million
- Positive pre-tax results

The following key sales and expense factors will drive these anticipated changes:

- We are expecting a significant rise in overall sales across all European markets based upon a substantial total increase in the number of active customers (new and existing) for the coming two fiscal years 2011 and 2012.
- We are anticipating a stable to slightly increasing gross product margin for both 2011 and 2012 in terms of sales.
- We believe that logistics costs will rise slightly on a percentage basis over sales during 2011. This is primarily due to the impact on fixed costs from the new German logistics facility located in Hörselgau / Eisenach, which will lead to extraordinary costs of up to EUR 1.0 to 1.5 million in the fiscal year 2011. This trend will decline again in 2012 as a result of substantial economies of scale for the logistics facility. However, in the long run we believe that this new production facility will significantly reduce our national and international parcel distribution costs, as well as sustainably optimise our international parcel delivery times.
- As a result of the planned increase in new customer accounts, we are anticipating stable marketing costs compared to total sales in 2011. The company is planning to acquire over 1,000,000 new customer accounts during 2011. With a view towards zooplus' long term prospects, these new customers are a crucial component on our path towards sustainable and long term European market leadership as well as towards reaching critical operational mass.
- We believe that it will be possible to realise additional economies of scale within personnel expenses, technology and other operating expenses.

As during previous years, the prime focus for 2011 and 2012 will be the company's overall growth. From our perspective, it is absolutely mission-critical for zooplus to maintain its European market leadership in online pet supplies and to further expand its position in its key markets. As a result, zooplus will continue to be managed with a clear focus on growth in 2011 and 2012, with the management giving priority to sensible growth as opposed to premature earnings maximisation efforts. In the Management Board's view, zooplus posseses the necessary operating and financial power to quickly establish a position as pan-European market leader. This is our utmost priority in both the current and next fiscal year.

Given this objective, we have outlined the medium term goals of the company as follow:

We are aiming to:

- reach a total sales run rate of EUR 500 million no later than 2014,
- always be at least 5 times larger than any other online competitor within our segment,
- firmly establish zooplus as a Top 3 European pet retail player on par with our two largest offline rivals,
- achieve a pre-tax return on sales of 8-10 % within our repeat customer segment.

6. Remuneration report

The Supervisory Board is responsible for setting the remuneration for members of the Management Board. It regularly reviews the remuneration structure to ensure that it is appropriate. The Management Board's remuneration comprises three components:

- Non-performance related salary paid monthly
- Performance-related salary components
- Variable components with a long term incentive

The Management Board's remuneration (all three components) totalled EUR 1,639 thousand in the fiscal year 2010. Of this total, the non-performance related basic salary accounted for around 48 %. The performance-related salary components of all Management Board members are dependent upon the respective annual increases in the company's operating income and total sales. This accounted for around 39 % of total remuneration in 2010. The variable components with a long term incentive are stock option programs. The costs of this remuneration accounted for around 13 % of total expenses in 2010.

In 2010, the members of the Management Board also received advance payments for travel expenses and advance payments for bonuses. The company does not provide individualised details of the Management Board's remuneration. The Management Board was exempted from the disclosures pursuant to § 314 Paragraph 1, 6a, Clauses 5 - 8 of the German Commercial Code (HGB) by vote of the Annual General Meeting on April 27, 2007. Further details on the remuneration structures can be found in the notes to the financial statements.

Members of the Supervisory Board receive a fixed, non-performance related annual remuneration.

7. Information under takeover law (Section 315 (4) of the HGB)

Composition of the subscribed capital
As of December 31, 2010, the subscribed capital comprised 2,593,190 no-par value registered shares, each with a proportionate interest of EUR 1.00 in the company's share capital.

Restrictions affecting voting rights or the transfer of shares
zooplus AG's shareholders are neither restricted by German legislation nor by the company's articles of incorporation on their decision to buy or sell shares. Only the statutory prohibitions on voting rights apply.

Equity participations exceeding 10 % of voting rights
As of December 31, 2010, the following shareholders held more than 10 % of voting rights:

- Burda Digital Ventures GmbH
- BDV Beteiligungen GmbH & Co. KG
- The Nomad Investment Partnership L.P., George Town, Cayman Islands

The voting rights held by Burda Digital Ventures GmbH and BDV Beteiligungen GmbH & Co. KG are attributable to Hubert Burda, Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, and Burda Gesellschaft mit beschränkter Haftung, Offenburg, pursuant to section 22 (1), sentence 1, no. 1 of the Securities Trading Act (WpHG) as well as to Acton Capital Partners GmbH, Munich, pursuant to section 22 (1), number 6 of WpHG.

The share of voting rights held by Nomad Investment Partnership L.P. are attributed to Sleep, Zakaria & Company (Cayman) Ltd., George Town, Cayman Islands pursuant to section 22 (1), sentence 1, numbers 1 and 6 of the WpHG.

Shares with special rights / control of voting rights
There are no shares with special rights, and employees do not participate in equity such that they cannot directly exercise their controlling rights.

Appointment and dismissal of members of the Management Board, changes to the Articles of Incorporation
The appointment and dismissal of Management Board members is made in compliance with sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints the 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, the articles of incorporation section 7 stipulate that the number of Management Board members is fixed by the Supervisory Board and that the Management Board can comprise just one member.

Requirements for the amendment to the articles of incorporation are primarily stipulated in sections 179 to 181 of the AktG. Amendments to the articles of incorporation require a resolution from the Annual General Meeting pursuant to section 179 of the AktG. Pursuant to section 24 of the articles of incorporation, the Supervisory Board of zooplus AG is permitted to make changes to the articles of incorporation, to the extent that these changes only affect their wording.

Authorization for the Management Board to issue shares
As a result of the resolution by the Annual General Meeting on April 25, 2008, the Management Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions during the period until April 24, 2013 against cash or non-cash contributions by up to a total of EUR 1,193,075.00 by issuing new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. As a rule, shareholders are to be granted subscription rights. However, the Management Board is authorised, with the approval of the Supervisory Board, to remove shareholders' statutory subscription rights in the following cases:

(1) For fractional amounts;

(2) In order to place the new shares on an organised market in connection with the admission of all of the company's shares;

(3) Where the capital is increased against cash contributions and the total pro rata amount of share capital represented by the new shares in respect of which the shareholders' subscription rights are excluded does not exceed 10 % of the company's share capital existing either at the time the authorization is entered in the commercial register or at the time the new shares are issued and the issue price of the

new shares is not substantially (within the meaning of section 203 [1] and [2] and section 186 [3] sentence 4 AktG) below the trading price of listed shares of the same class carrying the same rights at the time when the Management Board finally determines the issue price; for the purpose of calculating the 10 % threshold, the pro rata amount of share capital represented by any new or repurchased shares that were issued or sold after April 25, 2008 subject to the simplified exclusion of shareholders' subscription rights pursuant to or in accordance with section 186 (3) sentence 4 AktG and the pro rata amount of share capital to which any conversion or option rights or obligations relate under bonds that were issued on or after April 25, 2008 by applying section 186 (3) sentence 4 AktG mutatis mutandis must be deducted;

(4) Insofar as it is necessary to exclude subscription rights in order to grant bearers of convertible bonds / loans or warrants issued by zooplus AG or its subsidiaries subscription rights to new shares to the extent that they would be entitled after exercising their warrants or conversion rights or after fulfilling conversion obligations;

(5) For capital increases against non-cash contributions to grant shares as part of business mergers and for the purpose of acquiring companies, parts of companies or equity interests in companies.

The Management Board is entitled to finalise further details regarding the execution of capital increases from the authorised capital 2008 in conjunction with the Supervisory Board.

Authorisation for the Management Board to buy back shares

zooplus AG's Annual General Meeting on May 27, 2010 authorised the Management Board, subject to the approval of the Supervisory Board and through to May 26, 2015, to acquire shares of the company up to a total of 10 % of the share capital, measured on the share capital at the time of the Annual General Meeting resolution, subject to the condition that the shares acquired as a result of this authorisation together with other shares of the company, which the company either holds or which are to be allocated to it pursuant to sections 71d and 71e of the AktG, do not total more than 10 % of the company's share capital at any point in time. Dependent Group companies within the meaning of section 17 AktG or third parties acting for the account of the company or dependent Group companies acting for the account of the company are also entitled to purchase the shares.

This authorisation may be exercised for all purposes permissible by law. The company is not permitted to trade in its own shares. The authorisation may be exercised on one or more occasions, or in parts. The shares can be acquired in partial tranches spread over various purchase dates within the authorisation period until the maximum purchase volume is reached.

The shares are acquired while upholding the principle of equal treatment (section 53a of the AktG) via the stock market or using a public purchase offer made to all shareholders.

If the shares are acquired via the stock exchange, the compensation paid by the company per no-par value share (without incidental acquisition costs) may not be more than five percent higher or lower than the volume-weighted average of the closing prices for shares of the company in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange on the last five stock market days prior to the date on which the undertaking to acquire the shares was entered into. If the acquisition is performed via a public purchase offer addressed to all shareholders, the purchase price offered or the thresholds for the purchase price range offered per share (without incidental acquisition costs) may not be more than ten percent higher or lower than the volume-weighted average price of shares of the company in Xetra trading (or a functionally comparable

successor system) on the Frankfurt Stock Exchange in the last five stock market trading days prior to the date the offer is published. The volume of the offer may be restricted. If the total number of tendered shares is greater than this volume, the acquisition may be made proportionately according to the ratio of vested shares; in addition, there may be preferred acceptance for lower numbers of up to 100 vested shares per shareholder and figures may be rounded according to commercial principles to avoid fractions of shares. Any further rights of tender are not permitted to shareholders.

At the end of the year under review, the conditional capital to serve subscription rights under the stock option programme amounted to EUR 222,710.00.

Material agreements of the company that are subject to a change of control upon a takeover bid
The Management Board contracts of employment contain the special right to termination for Management Board members in the case that a qualified majority of at least 75 % of the company's existing voting rights are purchased by a shareholder and that their role as Management Board members is significantly impacted by this or they are subsequently dismissed.

Compensation agreements of the parent company for the case that members of the Management Board or employees are impacted by a takeover
In the case that an employment relationship is terminated following the exercising of the special right to termination or an amicable agreement following the purchase of a qualified majority, the Management Board is entitled to a compensation payment, except in the case that its members received a severance payment from a third party as part of the termination of an employment relationship.

8. Other

The corporate governance declaration pursuant to section 289a of the HGB is published in the investor relations section of the company's website at: http: / / investors.zooplus.com / de / ir

9. Overall outlook

The European online pet market will continue to enjoy sustainable growth and become more attractive overall. zooplus AG is excellently positioned to enjoy significant benefits from these developments. As a result, the Management Board is expecting a favourable development of the company in 2011.

Dr. Cornelius Patt
For zooplus AG's Management Board

Munich, March 16, 2011

Consolidated financial statement and Notes

Consolidated Balance Sheet as of December 31, 2010 according to IFRS

Assets

in EUR		Note No.	31.12.2010	31.12.2009 adjusted[1]	01.01.2009 adjusted[1]
A.	LONG-TERM ASSETS				
I.	Property, plant and equipment	8	702,383.86	715,625.76	617,976.05
II.	Intangible assets	9	617,439.26	515,366.06	380,710.71
III.	Financial assets	10	3,699.12	253,699.12	0.00
IV.	Deferred tax assets	11	4,930,810.29	5,971,732.51	5,305,742.40
	Total long-term assets		6,254,332.53	7,456,423.45	6,304,429.16
B.	SHORT-TERM ASSETS				
I.	Inventory	12	20,567,513.50	12,533,320.65	9,046,252.31
II.	Advance payments	13	2,865,853.81	371,509.24	545,535.66
III.	Accounts receivable	14	6,250,870.94	5,623,836.98	4,162,587.35
IV.	Other short-term assets	15	11,494,172.84	2,990,847.08	2,571,722.54
V.	Cash in hand and cash equivalents	16	10,957,784.13	1,546,197.18	465,235.72
	Total short-term assets		52,136,195.22	23,065,711.13	16,791,333.58
			58,390,527.75	30,522,134.58	23,095,762.74

[1] 2009 figures have been adjusted (see note no. 4)

Equity and Liabilities

in EUR		Note No.	31.12.2010	31.12.2009 adjusted[1]	01.01.2009 adjusted[1]
A.	EQUITY				
I.	Capital subscribed	17	2,593,190.00	2,561,755.00	2,406,020.00
II.	Capital reserves	17	22,960,449.80	22,284,758.36	20,556,046.46
III.	Contributions made to implement the resolved capital increase	17	9,041,281.48	0.00	0.00
IV.	Other reserves	17	-55.55	-336.76	-402.18
V.	Profit and Loss carried forward	17	-13,372,158.05	-15,341,776.59	-13,855,674.64
	Total equity		21,222,707.68	9,504,400.01	9,105,989.64
B.	LONG-TERM LIABILITIES				
	Deferred tax liabillties	11	118,683.49	104,005.44	0.00
C.	SHORT-TERM LIABILITIES				
I.	Trade liabilities	19	12,029,637.50	7,261,023.01	8,065,705.53
II.	Financial debt	20	10,000,000.00	6,119,070.19	1,203,057.45
III.	Other short-term liabilities	21	12,820,005.91	5,591,147.46	3,358,303.17
IV.	Tax liabilities		92,746.60	73,014.01	144,074.13
V.	Provisions	22	2,106,746.57	1,869,474.46	1,218,632.82
	Total short-term Liabilities		37,049,136.58	20,913,729.13	13,989,773.10
			58,390,527.75	30,522,134.58	23,095,762.74

[1] 2009 figures have been adjusted (see note no. 4)

Consolidated statement of comprehensive income January 1 to December 31, 2010 according to IFRS

in EUR	Note No.	2010	2009 adjusted[1]
Sales	23	177,828,136.09	122,648,608.15
Other income	25	15,771,135.25	6,443,774.63
Total sales		193,599,271.34	129,092,382.78
Cost of materials		-109,538,484.58	-77,211,436.61
Personnel costs	24	-9,256,199.50	-6,556,283.87
cash		(-8,932,056.56)	(-6,508,588.07)
non-cash		(-324,142.94)	(-47,695.8)
Depreciation	8, 9	-586,562.40	-549,354.64
Other expenses	25	-70,917,771.31	-44,520,504.85
of which logistics / fulfillment		(-41,984,062.15)	(-28,471,051.74)
of which marketing		(-15,804,415.83)	(-8,170,296.93)
of which payment		(-1,890,525.28)	(-1,279,409.03)
Operating income (excluding one-off costs)		3,300,253.55	254,802.81
One-off costs EU logistics centre		0.00	-1,742,165.69
One-off costs IPO		0.00	-430,607.41
Operating income		3,300,253.55	-1,917,970.29
Financial income		3,249.89	163.54
Financial expenses		-227,339.49	-198,850.93
Pre-tax profit		3,076,163.95	-2,116,657.68
Taxes on income		-1,106,545.41	630,555.72
Consolidated net profit		1,969,618.54	-1,486,101.96
Differences from currency translation		281.21	65.42
Overall result		1,969,899.75	-1,486,036.54
Consolidated profit / loss per share			
undiluted	26	0.76	-0.61
diluted	26	0.76	-0.61

[1] 2009 figures have been adjusted (see note no. 4)

Group cash flow statement
January 1 to December 31, 2010 according to IFRS

in EUR	Note No.	2010	2009 adjusted[1]
Cash Flow from operating activities			
Pre-tax operating profit		3,076,163.95	-2,116,657.68
Allowances for:			
Depreciation of fixed assets	8, 9	586,562.40	549,354.64
Non-cash personnel expenses	18	324,142.94	47,695.80
Other non-cash expenses / Income		125,538.23	140,351.05
Financial expenses		227,339.49	198,850.93
Financial income		-3,249.89	-163.54
Changes in:			
Inventory		-8,034,192.85	-3,487,068.34
Advance Payments		-2,494,344.57	174,026.42
Accounts receivable		-627,033.96	-1,461,249.63
Other short-term assets		-8,503,325.76	-419,124.54
Accounts payable		4,768,614.49	-804,682.52
Other liabilities		7,228,858.45	2,232,844.29
Provisions		237,272.11	579,781.52
Tax		-14,053.99	-2,485.32
Interest income		3,249.89	163.54
Cash Flow from operating activities		-3,098,459.07	-4,368,363.39
Cash Flow from investing activities			
Proceeds from the disposal of property, plant and equipment / intagible asstes		158,297.68	0.00
Payments for financial investments		0.00	-253,699.12
Payments for property, plant and equipment / intangible assets		-760,983.48	-850,888.94
Cash-Flow from investing activities		-602,685.80	-1,104,588.06
Cash Flow from financing activities			
Capital increase		9,459,141.50	1,836,751.10
Uptake of loans		6,000,000.00	4,000,000.00
Loan repayments		0.00	0.00
Interest paid		-227,339.49	-198,850.93
Cash Flow from financing activities		15,231,802.01	5,637,900.17
(Continued on the next page)			
Net change of cash and cash equivalents		11,530,657.14	164,948.72

in EUR	Note No.	2010	2009 adjusted[1]
Cash and cash equivalents at the beginning of the period		-572,873.01	-737,821.73
Cash and cash equivalents at the end of the period		10,957,784.13	-572,873.01
Composition of funds balance at the end of the period			
Cash on hand, bank deposits, cheques	16	10,957,784.13	1,546,197.18
Overdraft balances		0.00	-2,119,070.19
		10,957,784.13	-572,873.01

[1] 2009 figures have been adjusted (see note no. 4)

Group statement of changes in equity as of December 31, 2010

in EUR	Capital subsribed	Capital reserves	Contributions made to implement the resolved capital increase	Other reserves	Accumulated profit or loss	Total
As of January 1, 2010	2,561,755.00	22,284,758.36	0.00	-336.76	-15,341,776.59	9,504,400.01
Additions from stock options	31,435.00	675,691.44	0.00	0.00	0.00	707,126.44
Currency translation differences	0.00	0.00	0.00	281.21	0.00	281.21
Net profit / loss 2010	0.00	0.00	0.00	0	1,969,618.54	1,969,618.54
Capital increase	0.00	0.00	9,041,281.48	0	0.00	9,041,281.48
As of December 31, 2010	2,593,190.00	22,960,449.80	9,041,281.48	-55.55	-13,372,158.05	21,222,707.68
As of January 1, 2009	2,406,020.00	20,556,046.46	0.00	-402.18	-13,083,113.10	9,878,551.18
Adjustments in accordance with IAS 8	0.00	0.00	0.00	0.00	-772,561.54	-772,561.54
Adjusted total as of January 1, 2009	2,406,020.00	20,556,046.46	0.00	-402.18	-13,855,674.64	9,105,989.64
Additions from stock options	155,735.00	1,728,711.90	0.00	0.00	0.00	1,884,446.90
Currency translation differences	0.00	0.00	0.00	65.42	0.00	65.42
Net profit / loss 2009	0.00	0.00	0.00	0.00	-1,486,101.96	-1,486,101.96
As of December 31, 2009	2,561,755.00	22,284,758.36	0.00	-336.76	-15,341,776.59	9,504,400.01

Notes

to the consolidated financial statements as of December 31, 2010 according to the International Financial Reporting Standards (IFRS)

1. Information regarding the company

zooplus AG (henceforth referred to as the "company") is a stock corporation with limited liability as defined under German law, the shares which have been publicly traded since 2008. The company's registered office is at Sonnenstrasse 15, 80331 Munich, Germany.

zooplus AG and its subsidiaries are active in the online retailing of pet supplies in Germany and other European countries. Pet supplies are generally understood to be foods and accessories. The company's retail operations are carried out via the company's websites.

The consolidated annual financial statements were approved for publication by the Management Board on March 16, 2011.

2. Principles of preparing the annual financial statements

The consolidated annual financial statements of zooplus AG and its subsidiaries (in the following referred to as the "Group") as of December 31, 2010 were prepared in accordance with section 315a of the German Commercial Code (HGB) and with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) as applied within the European Union.

The cost method is generally applied in the preparation of consolidated financial statements. Excluded from this are derivative financial instruments and financial assets available for sale, both of which are carried at fair value. The income statement was prepared according to the total expenditure format.

The consolidated annual statements are prepared in euros (EUR), the functional currency and representational Group currency. Unless indicated otherwise, all values are expressed in whole amounts in thousands of euros figures after rounding off as per standard commercial practice.

3. Consolidation principles

The consolidated financial statements comprise zooplus AG and its subsidiaries as of December 31 of each fiscal year. The financial statements of the subsidiaries are prepared according to the same accounting and valuation methods as used for the parent company and on the same balance sheet date.

Subsidiaries are fully consolidated from the date on which they were acquired, i. e. the date on which the Group obtained full control over them. Inclusion in the consolidated financial statements is discontinued on the date when the parent company no longer exercises this control.

Capital is consolidated according to the purchase method. This means that, as part of a business combination, the identifiable assets, liabilities and contingent liabilities are measured at fair value on initial consolidation. If the acquisition costs exceed the Group's acquired interest in the fair value of the net assets, this excess amount is recognised as goodwill. There is currently no such goodwill at any of the subsidiaries. If the acquisition costs are lower than the fair value of the net assets of the purchased subsidiary, the difference is recorded directly in the income statement.

Expenses, income, receivables and liabilities between the companies included in the consolidation as well as intermediate data from trading within the Group (of inventory and intangible assets) are eliminated. For consolidation transactions which affect the company's annual profit, deferred tax entries are created.

As in the previous year, the following subsidiaries have been included in the consolidated annual financial statements:

	Equity share	Share of equity interest (IFRS) in EUR thousand
Matina GmbH, Munich	100 %	18
Bitiba GmbH, Munich	100 %	65
zooplus services Ltd., Oxford, England	100 %	46

The subsidiaries' financial statements are prepared using uniform accounting methods for the same period as the parent company.

The Group also holds a 49 % interest in Czech Republic-based Logistic Services Center s. r. o.. This company is not measured at equity since it has minor business activities which are of subordinate importance for conveying a true and fair view of the Group's net assets, financing position and results of operations.

4. Adjustments in accordance with IAS 8

The DPR Financial Reporting Enforcement Panel subjected zooplus AG's consolidated annual financial statements as of December 31, 2009 and Group management report for the fiscal year 2009 to a random sample test. It concluded that in the DPR's opinion, the calculation of the accrued sales for the "zooPluspunkte" customer loyalty programme used a method which led to an accrued figure which was too low for the number of bonus points still to be redeemed in relation to the amount granted and before potential redeeming. Taking these earnings as the basis, sales and pre-tax profit were recorded EUR 616 thousand too high in the 2009 consolidated financial statements and equity EUR 1,769 thousand too high. This does not take into account the effects of taxation. After carefully analysing the circumstances, the zooplus AG Management Board agreed with this conclusion and recognised the error identified by the DPR's test. The consolidated financial statements for the fiscal years 2008 and 2009 were adjusted as follows in accordance with IAS 8.

Adjustment to the consolidated balance sheet in accordance with IAS 8

in EUR thousand	31.12.2009 after adjustment	Adjustment made in accordance with IAS 8	31.12. 2009 before adjustment	1.1.2009 after adjustment	Adjustment made in accordance with IAS 8	1.1.2009 before adjustment
ASSETS						
Deferred tax as assets	5,971	583	5,388	5,306	380	4,926
Total assets	30,522	583	29,939	23,096	380	22,716
EQUITY AND LIABILITIES						
Losses carried forward	-15,342	-1,186	-14,156	-13,856	-773	-13,083
Total equity	9,504	-1,186	10,690	9,106	-773	9,879
Provisions	1,870	1,769	101	1,219	1,153	66
Total liabilities	30,522	583	29,939	23,096	380	22,716

Adjustments to the consolidated statement of comprehensive income in accordance with IAS 8

in EUR thousand	2009 after adjustment	Adjustment made in accordance with IAS 8	2009 before adjustment
Sales	122,649	-616	123,265
Pre-tax profit / EBT	-2,117	-616	-1,500
Taxes on income	631	203	427
Consolidated profit / loss	-1,486	-413	-1,073

The figures included in these consolidated financial statements which related to the fiscal years 2008 and 2009 contain the adjusted figures based on the DPR's conclusions. As a result, these figures from the fiscal years 2008 and 2009 could deviate from the figures reported in the consolidated annual financial statements in the past.

5. Accounting and valuation principles

Amendments to the accounting and valuation principles

The accounting and valuation methods applied generally correspond to those used the previous year. In addition, the following standards and interpretations which have been mandatory for the first time in the fiscal year 2010 have been observed:

- Amendment to IFRS 1 (Exemptions for First-time Adopters, limited scope exemption pursuant to IFRS 7)
- Amendment to IFRS 2 (Intra-Group Share-based Payment)
- IFRS 3 (Business Combinations)
- IAS 27 (Consolidated and Separate Financial Statements under IFRS)
- Amendment to IAS 39 (Eligible Hedged Items)
- IFRIC 17 (Distributions of Non-cash Assets to Owners)
- IFRIC 18 (Transfer of Assets from Customers)
- Annual improvement project 2009

The amendment to IFRS 2 aims to provide clarification for accounting for cash-settled intra-group share-based payment transactions. These transactions exist if a subsidiary receives goods or services from employees or suppliers which are paid by the parent company or another group company. The amendment to this standard clarifies that such transactions are also covered by the scope of IFRS 2.

IFRS 3 includes new regulations for the use of the acquisition method for business combinations. The main new features relate to the valuation of non-controlling interests, the recognition of step acquisitions and the treatment of conditional purchase price components and incidental acquisition costs.

In March 2009, the IASB published “Improving Disclosures About Financial Instruments (Amendments to IFRS 7)“ to augment reporting on the fair-value measurement of financial instruments. This change relates to the introduction of a three-step fair value hierarchy for reporting purposes. This differentiates fair value according to the importance of the input parameters included in the valuation, and clearly shows the extent to which observable market data is available when identifying fair value. In addition, the information on liquidity risk is to be improved by clarifying the scope of the liabilities to be included in the statement of maturities. The new regulation did not make any substantial changes to the information on liquidity risks.

Key adjustments to IAS 27 relate to the accounting for transactions without a change of control and transactions with a change of control.

The IASB published amendments to various IFRSs as part of its annual improvement project in April 2009. The changes provide more precise information on the recognition, the measurement and the disclosure of transactions, make terminology uniform and are mostly editorial corrections to existing standards.

The amendments do not currently affect the consolidated financial statements.

The following standards and interpretations that have already been published and which only came into effect after January 1, 2010 have not been applied:

- IAS 24 (Related Party Disclosures)
- Amendments to IAS 32 (Classification of Rights Issues)
- Amendments to IFRIC 14 (Prepayments of a Minimum Funding Requirement)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)

The main changes to IAS 24 relate to a partial exemption from the disclosure requirements for transactions between a state-controlled reporting unit and this state or another company which is controlled by this state, as well as changes to the definition of a related party. The amendments do not currently affect the consolidated financial statements.

In addition, the new IFRS 9, the use of which is mandatory for fiscal years starting on or after January 1, 2013, has not been applied. The European Financial Reporting Advisory Group has postponed the recommendations to adopt IFRS in the EU, in order to take more time to review the results of the IASB project on the improvement of accounting for financial instruments. The Group is currently reviewing the impacts that application would have on the consolidated financial statements.

Other changes do not currently impact the Group.

Key accounting and valuation methods

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation and cumulative impairment losses.

The costs of fixed assets comprise the purchase price, import duties and other non-refundable tax as well as all directly attributable costs that are incurred when the asset is put into operational condition. Reductions in the purchase price such as rebates, volume and early payment discounts are deducted from the purchase price. Subsequent costs such as repair and maintenance costs are entered in the period during which they are incurred and recognised in income. If such costs can be shown to verifiably lead to an increase in the future financial benefit resulting from the use of the asset which is higher than the original cost, these additional costs are entered as subsequent costs.

The estimated useful lives of respective assets are the basis of the scheduled straight line depreciation, with useful lives between three and ten years being assumed.

An item from property, plant and equipment is written off either at its disposal or when no financial benefit can be expected from the further use or sale of the asset. If property, plant and equipment is divested or disposed of, their purchase costs and also the accumulated depreciation are derecognised, and any gain or loss arising from the sale is recognised in the income statement.

The length of the amortisation period and the amortisation method is reviewed annually at the end of each financial year.

Intangible assets

Intangible assets not acquired as part of a business combination are reported at cost on initial recognition. The cost of purchase of intangible assets acquired as part of a business combination reflects the fair value on the acquisition date. They are measured at cost net of accumulated scheduled amortisation and accumulated impairment losses. Expenses for internally generated intangible assets are recognised in income in the period in which they are incurred, except in the case of development costs that can be capitalised. Development costs from individual projects are only capitalised as intangible assets if the Group can prove the following:

- The technical feasibility of completing the intangible asset which allows it to be available for internal use or sale
- The intention to complete the intangible asset and use or sell it
- How the intangible asset will generate probable future financial benefits
- The availability of resources for the purpose of completing the asset and
- The ability to reliably measure the expenditure attributable to the intangible asset during its development

Intangible assets with a finite useful life are amortised over their useful life using the straight-line method and tested for impairment if there is an indication that the intangible asset may be impaired. The length of the amortisation period and the amortisation method is reviewed annually at the end of each financial year. The amortisation of intangible assets with a limited useful life is reported under depreciation and amortisation in the income statement.

Development costs are recognised after they are disclosed for the first time, i. e., on the date on which the intangible asset fulfils the above conditions for the first time, using the acquisition cost model, i. e., at acquisition costs less accumulated amortisation and accumulated impairment losses. Amortisation starts upon completion of the development phase and from the date on which the asset can be used. Assets are written down over the period in which future benefits are expected. Annual impairment tests are performed during the development phase at least once a year or upon signs of impairment.

The estimated useful life of these intangible assets is three years.

Expenses for software purchases with a limited useful life are accounted for as intangible assets providing these expenses cannot be considered to be part of the corresponding hardware.

The company does not currently hold intangible assets with an indefinite useful life.

Impairment of non-financial assets

At every balance sheet date the Group tests non-financial assets for signs of impairment. If there are such signs or an annual impairment check is required, the Group estimates the recoverable amount for the respective asset.

The recoverable amount is judged to be the higher of the following two amounts: the fair value of an asset or cash generating unit less the costs of divestment and the value in use. The value in use is the present value expected from the further use of the asset together with its sales value at the end of its useful life. The value in use is determined for every asset individually or for the corresponding cash generating unit. If the carrying amount of an asset or cash generating unit exceeds this amount, the asset is considered to be impaired and is written down to the recoverable amount.

Impairment for continued operations is recognised as an expense in the cost category that corresponds to the impaired assets, unless the corresponding asset is carried at its remeasured amount. In this case, the impairment is treated as a reduction of the revaluation reserve.

A review is performed on each balance sheet date to look for indicators that an impairment previously recognized no longer exists or has been reduced. If any of such indicators are present, the Group estimates the recoverable amount of the asset or cash generating unit. An impairment loss from prior years is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recorded. The write-up is limited in that the carrying amount of an asset may not exceed its recoverable amount nor the carrying amount which would have resulted after consideration of scheduled depreciation if no impairment losses had been recognized for the asset in previous years. Write-ups are recognized in income unless the asset is accounted for using the revaluation method. In this case, the write-up is treated as an increase in value from revaluation.

Leases

Whether an agreement is or includes a lease depends on the financial aspects of the agreement which in turn requires an estimate whether the fulfilment of the contractual agreement is dependent upon the use of a particular asset and whether the agreement includes a right of use for this asset.

Finance leases, for which all general property-based risks and opportunities connected with respect to the transferred asset are assigned to the Group, did not exist during 2010, with the result that no finance leases had to be capitalised.

Lease payments for operating leases for which all significant risks remain with the lessor are included as costs in the income statement subject to straight-line depreciation over the duration of the lease.

Financial assets

Financial instruments are all agreements which give rise to a financial asset at one company and a financial liability or equity instrument at another company. The Group's financial assets mostly comprise cash and cash equivalents, accounts receivable, receivables from loans extended and other receivables, listed and non-listed financial instruments.

Categorization under IAS 39 depends on the type and designated purpose of the financial assets and is performed upon initial recognition. zooplus does not apply the categories "financial assets recognized in income at fair value" and "held-to-maturity financial instruments".

Financial assets are measured at fair value upon initial recognition. Financial investments that are not classified as measured at fair value also include transaction costs that are directly allocable to the acquisition of the assets.

Purchases or sales of financial assets that include delivery of the financial asset within a period which is defined by regulations or conventions on the respective market (standard market purchases) are recorded on the trade date, i. e., the date on which the group enters into the obligation to buy or sell an asset.

The subsequent measurement of financial assets therefore depends on their classification:

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments that are not traded in an active market. After these have been recognised for the first time they are measured at amortised cost applying the effective interest rate method and less any impairment. Profits and losses arising from these are recognised in the income statement for the period if the loans and receivables are deleted or impaired or as part of amortisation. As of December 31, 2010, accounts receivable, other current assets and cash and cash equivalents were allocated to this category. These comprise bank balances as well as cash on hand.

Available-for-sale financial assets include debt and equity instruments. In the case of available-for-sale equity instruments, these are equity instruments that are not held for trading nor recognized at fair value through profit and loss. The debt instruments in this category are debt instruments that are to be held for an indefinite period and which can be sold in response to liquidity requirements or changes in market conditions. After these have first been recognized, the available-for-sale financial assets are measured at fair value through profit and loss, with the ensuing profit or loss being entered as other earnings in a separate equity item as a reserve. At the time at which such an asset is derecognised, the accumulated profit or loss entered previously as equity is now recognised in income. If such an asset is impaired, the accumulated loss entered previously directly under equity is recognized in income under financial expenses. As of December 31, 2010, other non-current financial assets were allocated to this category. They were measured at cost.

No derivatives were used as hedge instruments during the financial year.

Impairment of financial assets

The Group performs a review each balance sheet date to ascertain if there are objective indicators that a financial asset or a group of financial assets is impaired.

If there is an objective indication that loans and receivables accounted for at amortised cost have been impaired, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows discounted at the asset's original effective interest rate. The asset's carrying amount is reduced by the corresponding impairment loss and the impairment loss is recognized as an expense. If the

impairment decreases in one of the following reporting periods and if this reduction can be objectively allocated to an event occurring after the impairment has been recognised, the impairment accounted for earlier will be cancelled. The subsequent recovery in value is entered as a profit providing that the carrying amount of the asset does not exceed the amortised costs at the time of the recovery in value.

For accounts receivable, an impairment is recognised if there is an objective indication that the Group will not be in a position to collect the receivables.

If there are indicators for the impairment of an available-for-sale asset, the accumulated loss – which results from the difference between the costs of purchase and the current fair value less any impairment previously recognized as an expense for this instrument – is removed from other earnings under equity and is recognized as an expense. Recovery in the value of an equity instrument is not reversed and recognized as income; a later increase in the fair value is recognized directly under other earnings.

Derecognising financial assets

A financial asset is derecognised if one of the three following conditions is fulfilled:

- The contractual rights to the cash flow arising from a financial asset have elapsed.
- The Group has transferred its contractual right to claim the cash flow from a financial asset to a third party or entered into a contractual obligation to pay the cash flow immediately to a third party as part of an agreement that fulfils the conditions of IAS 39.19 (so-called pass-through agreement), and in so doing has either (a) transferred in general all risks and opportunities connected with the ownership of the financial asset or (b) must neither transfer nor retain all risks and opportunities connected with the ownership of the financial asset, must however transfer the disposal over the financial asset.

If the Group has transferred its contractual rights to cash flows from a financial asset or has entered into a pass-through agreement, and in so doing essentially neither transfers nor retains all of the opportunities and risks that are associated with ownership of this asset, but nevertheless retains the power of disposal over the transferred asset, the Group records an asset within the scope of its ongoing involvement. In this case the Group also recognizes an associated liability. The transferred asset and the associated liability are measured such that the rights and obligations which the group has retained are taken into account.

Inventories

Raw materials, consumables and operational supplies as well as items for resale are measured at the lower of cost or net realisable value. Costs of purchase are the purchase price plus incidental acquisition costs less reductions to the acquisition price. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Because of the high stock turnover and the corresponding short time items for resale are held in stock, these will effectively be measured according to FIFO.

Equity

An equity instrument is a contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments are recognised at the issuing proceeds received less directly allocable issuing costs. Issuing costs are costs that would not have been incurred without the issue of the equity instrument.

If the group acquires its own shares, these are recorded at cost of purchase and deducted from equity. The purchase, the sale, the issue or the withdrawal of own shares is taken directly to equity. Any differences between the carrying amount and compensation are recorded under other share premium.

Convertible preferred shares are broken down into debt and equity components based on the contractual conditions. For issues of convertible preferred shares, the fair value of the debt component is determined using a market interest rate for comparable non-convertible bonds. This amount is recorded as a financial liability measured at amortised cost (less transaction costs) until it is derecognised as a result of conversion or a buy-back. The amount of the proceeds from the issue in excess of this amount is recorded under equity as a conversion option after the deduction of transaction costs.

The carrying amount of the conversion option remains unchanged in following years.

Financial liabilities

The Group classifies its financial liabilities within the meaning of IAS 39 upon initial recognition. The Group does not use the opportunity to classify financial liabilities as measured at fair value through profit and loss upon initial recognition (fair value option). The category “Derivatives designated as hedge transactions and effective as such” is also not used.

All financial liabilities are measured at fair value upon initial recognition, in the case of loans plus the directly allocable transaction costs. The Group’s financial liabilities include trade payables, other liabilities, overdrafts and loans.

After the first entry, interest-bearing other financial liabilities are measured at amortised cost applying the effective interest rate method. Profits and losses are recognised for in the income statement concerned if the debt has been deleted or has been amortised using the effective interest rate method.

A financial liability is derecognised if the obligation is then fulfilled, or notice has been given of terminating it, or if it has elapsed. If an existing financial liability is exchanged for another financial liability from the same lender with substantially different contractual conditions, or if the conditions for an existing liability are subject to material change, this exchange or this change is treated as deletion of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in income.

Provisions

A provision is formed if the Group has a current obligation (legal or factual) resulting from a past event for which the use of resources with financial benefits for fulfilling the obligation is probable and a reliable estimate can be made of the amount of the obligation. To the extent that the Group expects at least a partial refund for a provision carried as a liability (as is the case, for example, for insurance policies), the refund is only recorded as a separate asset if the refund is as good as secure. Expenses for the formation of provisions are carried in the income statement after deduction of the refund. If the effect of interest is significant, provisions are discounted at a pre-tax interest rate which reflects any risks specific to the debt. In the event of discounting, the increase in the provisions over time is recorded as financial expenses.

Provisions are audited at every reporting date and amended according to the best estimate in each case. The amount of the provision corresponds to the present value of the probable costs required to fulfil the obligation.

Currency conversion

Foreign-currency denominated accounts and transactions are converted according to IAS 21 and the functional currency principle.

Transactions denominated in foreign currency in the single-entity financial statements for zooplus AG and its subsidiaries are translated to the functional currency using the exchange rate on the transaction date. On the balance sheet date, monetary items are converted using the closing rate of the reporting date. Currency conversion differences are recognised in income. This does not include all monetary items that constitute effective hedges of a net investment in foreign business operations. These are recorded under other earnings until the net investment is sold, and are only recognized in the income statement upon their disposal.

The assets and liabilities of foreign Group companies for which the functional currency is not the Group's reporting currency (EUR) are converted according to the modified closing-rate method. In the consolidated financial statements, assets and liabilities are converted based on the exchange rate prevailing on the final day of the period. Items in the income statement are converted to EUR based upon average exchange rates during the period. The resulting net profit or loss is then carried in the balance sheet. Currency conversion differences are posted directly in equity under other reserves in equity.

Share-based payment

Some Group employees and the Management Board receive a share-based remuneration in the form of equity instruments. The expenses that arise as a result of granting equity instruments are measured at the fair value of the instruments on the date they are granted. The fair value is identified using a suitable option price model. During this measurement, the only conditions that apply, if any, are those linked to zooplus AG's share price ("market conditions"), no other performance-related conditions for exercising the option are considered.

Expenses arising from granting equity instruments are recorded with an accompanying corresponding increase of the equity over the period in which the performance and / or service conditions are fulfilled. This period ends at the time from which the employee has an irrevocable right to exercise the option. The accumulated expenses from granting the

equity instruments reflect, at every reporting date up to the time when the option may first be exercised, the elapsed part of the period between granting and exercising the option as well as the Group's best estimate of the quantity of equity instruments that become vested. The amount that is debited or credited to the income statement reflects the development of the accumulated expenses at the beginning and at the end of the reporting period.

No expenses are recognized for remuneration rights that cannot be exercised. This does not include transactions with compensation via equity instruments for which specific market or non-exercise conditions have to be fulfilled in order that these can be exercised. Irrespective of whether the market or non-exercise conditions have been fulfilled, these are regarded as being exercisable if all other performance and service conditions have been met.

Revenue recognition / Recognition of income

Income is recorded when it is probable that the financial benefits will flow to the Group and the amount of the sales can be reliably determined. Income is recognized at the fair value of the compensation less any bonuses and discounts granted as well as value added tax or other levies.

When goods are sold, sales are recognised if the delivery was performed and the risks have been transferred to the purchaser. Sales arising from the sale of goods are recognised at net value, i. e. after the deduction of VAT, returns, early payment and volume discounts and rebates. It is common Group business practice that the purchaser has the right to return the goods. Goods returned by customers after the reporting date are entered so as to reduce sales. Provisions are formed for any outstanding or uncertain returns.

The Group runs its own loyalty programme, allowing customers to collect bonus points with every purchase. Once a certain minimum number of points have been collected, the customer can then redeem these points for goods. The compensation received is apportioned to the goods sold and bonus points awarded, with the apportionment of the compensation to the points depending on their fair value. The fair value of the bonus points is determined based on the sales price of the various products offered as rewards. The fair value of the awarded bonus points is deferred and recognised as sales only when the bonus points are redeemed.

For the provision of services, sales are recognised at the point of time at which the service was provided. Services mainly comprise industry specific bonuses, advertising income and the provision of advertising space.

The Group has carried out an analysis of its business relations to determine whether it takes the role of principal or intermediary and has determined that it acts as the principal in all its sales transactions.

Interest is recognised at the time of accrual and reported in the income statement under financial earnings.

Borrowing costs

Borrowing costs that can be allocated directly to the purchase, construction or production of an asset, said asset requiring a substantial amount of time to render usable or saleable, are capitalised as cost of purchase or cost of conversion of the relevant asset. There are currently no capitalised borrowing costs.

All other borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs are interest and other costs incurred by a company when taking on debt.

Taxes on income

Actual tax liabilities and claims for tax refunds
The actual tax liabilities and claims for tax refunds for the current period and for earlier periods are to be measured at the amounts expected for payment to the tax authorities or expected for refund by the tax authorities respectively. When calculating these amounts, the tax rates and tax laws as valid on the balance sheet date are applied.

Deferred tax
Deferred taxes are formed by applying the liability method for temporary differences existing on the balance sheet date between the carrying amount of an asset or liability on the balance sheet and its value in the tax base.

Deferred tax liabilities are formed for all taxable temporary differences with the exception of the following:

- Deferred tax liabilities arising from the initial measurement of goodwill or an asset or a liability for a business transaction that is not a business combination and at the time of the transaction neither influences the trading profit nor the taxable profit / loss for the financial year.
- Deferred tax liabilities arising from taxable temporary differences connected with shareholdings in subsidiaries and associated companies and joint ventures, if the timing for reversing the temporary differences can be controlled and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax losses brought forward which have not yet been deducted, to the extent to which it is likely that taxable income will be available in the future against which the deductible temporary differences and the losses brought forward that have not yet been deducted can be offset, with the exception of the following:

- Deferred tax assets may not be entered that arise from deductible temporary differences connected to the initial valuation of an asset or debt that is not related or connected to a business combination and at the time of the business transaction had no influence on either the trading profit / loss for the financial year concerned nor the taxable profits / loss.
- Deferred tax assets that arise from deductible temporary differences connected to shareholdings in subsidiaries and associated companies may only be entered to the extent to which it is likely that these temporary differences will not be reversed in the foreseeable future and an adequate taxable profit will be available against which the temporary differences can be offset.

The carrying amount of deferred tax assets is reviewed at every reporting date and reduced to the extent in which it is no longer likely that an adequate taxable profit will be available against which the deferred tax asset can at least be partially offset. Deferred tax assets that are not carried on the balance sheet are reviewed at every reporting date and carried to the extent to which it has become likely that a future taxable profit will enable the deferred tax asset to be realised.

Deferred tax assets and liabilities are calculated based on the anticipated tax rates and the tax laws that apply on the balance sheet date.

Deferred tax assets and liabilities are netted if there is a legally enforceable right to set off the deferred tax receivables against the deferred tax liabilities and these are for income taxes for the same tax authority and if the Group intends to net its current tax assets and tax liabilities.

Current and deferred taxes are recognised as income or expense unless they are connected to items which are taken directly to equity. In this case, taxes are also to be taken directly to equity.

Business transactions after the balance sheet date

Business transactions that occurred before the balance sheet date but become known after the balance sheet date will be accounted for in the consolidated financial statements. Significant transactions in relation to which financial consequences arise after the balance sheet date are explained.

6. Significant estimates and discretionary decisions

Preparing the consolidated financial statements requires the management to make estimates and assumptions which directly impact income, expenses, assets and liabilities on the balance sheet date as well as the disclosure of contingent liabilities. However, the uncertainties associated with these assumptions and estimates could lead to results which might substantially affect the carrying amounts of the aforementioned items in future periods.

The most important forward-looking assumptions and other key sources of estimating insecurities which exist on the balance sheet date and as a result of which a risk exists that will make an adjustment to the carrying amounts of assets and liabilities necessary during the next fiscal year are discussed below:

Accounts receivable

The company applies age structure timebands to determine impairments on accounts receivable. The overdue timebands are impaired by a percentage based on past empirical data. As of December 31, 2010 and 2009, the impairment for accounts receivable totalled EUR 3.7 million and EUR 3.6 million respectively.

Loyalty programme

The measurement of obligations from the loyalty programme is based on various estimates. In accordance with IFRIC 13 "Customer Loyalty Programmes", the fair value of the distributed but not yet redeemed bonus points is deferred. The fair value of a bonus point is determined based on the sales price of the various products offered as rewards. The fair value of bonus points that are no longer likely to be used is not deferred. Estimates of how many bonus points are unlikely to be redeemed in the future are based on the previously observed redemption rate, while also taking into account the current participation conditions of the loyalty programme. Assumptions and related methods for estimating the measurement of the loyalty programme are presented in Note 22.

Share-based payments

The costs that arise as a result of granting equity instruments to employees are measured at the fair value of the granted instruments on the date they are granted. The most suitable measurement method must first be determined by estimating the fair value of share-based payment; this is dependent on the granting conditions. For this estimation, suitable input parameters in this measurement process are required, primarily including aspects such as likely maturity period, volatility and dividend yield as well as corresponding assumptions. Assumptions and related methods for estimating the fair value of share-based payments are presented in Note 18.

Deferred tax

Deferred tax assets are to be created for all unused tax losses carried forward insofar as it is probable that adequate taxable income will be generated in the future so that the tax losses carried forward can be utilised. When identifying the amount of deferred tax assets that can be capitalised, the management must exercise discretion with regard to the anticipated date of occurrence and the amount of the future taxable income and also the future tax planning strategies.

The Group has tax losses carried forward totalling EUR 14.8 million (2009: EUR 16.1 million). These are mostly at zooplus AG, which recorded positive earnings in 2008 and 2007. zooplus AG's loss in 2009 was due to extraordinary one-off factors. As a result of the consolidated net profit in 2010 as well as the future corporate forecast and the existing opportunities to carry forward losses, the Management Board believes that it will be possible to use these losses carried forward in full. If actual results differ from the Management Board's expectations, this could have a negative impact on the net assets, financing position and results of operations. Further details on deferred taxes can be found in Note 11.

7. Segment reporting

As defined by IRFS 8, a segment is a clearly outlined part of the Group that: engages in business activities from which it may earn sales and incur expenses, and whose operating results are reviewed regularly by the entity's chief operating decision-maker in making decisions about resources to be allocated to the segment and to measure its performance, and for which separate financial information is available.

zooplus AG's sole business activity is the sale and distribution of pet supplies. The range of products distributed by the company is homogenous and cannot be sub-divided. As an Internet retailer, the company distributes its products from two locations, independently of the geographic location of the customers. All key corporate processes are defined on a

pan-European basis. Suppliers, brands and price structures apply Europe-wide. For this reason, the Management Board manages the company based on the key figures of the business as a whole. The business is not split into segments. Consequently the company does not provide or produce any segment-oriented reports.

No individual customers account for more than 10 % of total sales.

The breakdown of the sales by country is discussed in Note 23. The Group's main non-current assets are all held by zooplus AG in Germany.

8. Property, plant and equipment

	in EUR thousand
Cost as of January 1, 2009	1,306
Additions	424
Disposals	-11
Cost as of December 31, 2009	1,719
Accumulated depreciation as of January 1, 2009	688
Depreciation for the fiscal year	326
Disposals	-11
Accumulated depreciation as of December 31, 2009	1,003
Carrying amount as of December 31, 2009	716

	in EUR thousand
Cost as of January 1, 2010	1,719
Additions	416
Disposals	-97
Cost as of December 31, 2010	2,038
Accumulated depreciation as of January 1, 2010	1,003
Depreciation for the fiscal year	343
Disposals	-11
Accumulated amortisation as of December 31, 2010	1,335
Carrying amount as of December 31, 2010	703

Property, plant and equipment consist exclusively of fixtures, fittings and equipment at the company's premises. The company does not have any finance leases. There were no signs of impairment on the reporting date.

9. Intangible assets

in EUR thousand	Software developed in-house	Software / licenses	Total
Cost Balance on January 1, 2009	0	687	687
Additions	368	60	428
Disposals	0	-90	-90
Balance on December 31, 2009	368	657	1,025
Accumulated amortisation Balance on January 1, 2009	0	307	307
Additions	52	172	224
Disposals	0	-21	-21
Balance on December 31, 2009	52	458	510
Carrying amount as of December 31, 2009	316	199	515

in EUR thousand	Software developed in-house	Software / licenses	Total
Cost Balance on January 1, 2010	368	657	1,025
Additions	167	178	345
Disposals	0	0	0
Balance on December 31, 2010	535	835	1,370
Accumulated amortisation Balance on January 1, 2010	52	458	510
Additions	123	120	243
Disposals	0	0	0
Balance on December 31, 2010	175	578	753
Carrying amount as of December 31, 2010	360	257	617

Intangible assets solely comprise concessions, industrial property rights and similar rights and licences to such rights of which the remaining useful life is up to three years. During the fiscal year, software developed in-house was capitalised for the first time for a total of EUR 167 thousand. This software is utilised by zooplus AG as part of the ordering process. Amortisation on development costs recorded as expenses in the income statement during the fiscal year totalled EUR 123 thousand (2009: EUR 52 thousand). There were no further development costs.

There were no signs of impairment on the reporting date.

There are no restrictions to the rights of disposal for the intangible assets. Furthermore no material intangible assets have been pledged as collateral for debts.

10. Other financial assets

in EUR thousand	2010	2009
Participating interests	4	4
Loans	0	250
Total	4	254

The participating interests relate to the 49 % interest in Czech Republic-based Logistic Service Center s. r. o. In accordance with IAS 39, the participating interest is classed as an available-for-sale financial asset and is recorded on the balance sheet at the cost of purchase, as no market prices exist for a publicly accessible market in this case. In addition, Logistic Service Center s. r. o. was granted a loan of EUR 250 thousand in the fiscal year 2009. This is recorded under loans and receivables and measured at amortised cost.

As of December 31, 2010, there were objective indications for an impairment on the loan. As a result, an impairment loss of EUR 250 thousand was recorded.

11. Taxes on income

The significant components of the income tax expense for the financial years 2010 and 2009 are as follows:

in EUR thousand	2010	2009 adjusted[1]
Actual taxes on income		
Current taxes on income	-34	69
Deferred tax		
on temporary differences	-25	-110
on losses carried forward	-1,048	672
Total	-1,107	631

[1] 2009 figures have been adjusted (see note no. 4)

As a result of a corporation tax refund from previous years, there was non-period tax income during the fiscal year of EUR 78 thousand.

In order to identify the current taxes in Germany, a uniform corporation tax rate of 15 % (previous year 15 %) is applied, with a solidarity surcharge of 5.5 % on this amount for the distributed and retained profits. In addition to corporation tax, trade tax was charged for the profits generated in Germany. Taking into account the possibility of deducting the trade tax as an operating expense, there is an average trade tax rate of 17.15 %. This results in a total tax rate in Germany of approx. 33 %. When calculating the deferred tax assets and liabilities, the tax rates are used that apply on the date the asset is realised or the liability is fulfilled. Deferred tax assets and liabilities are measured using the total tax rate of 33 %.

The calculation for converting the income tax to the product of the profit / loss for the reporting period and the Group tax rate for the fiscal years 2010 and 2009 is as follows:

in EUR thousand	2010	2009 adjusted[1]
Pre-tax profit	3,076	-2,117
Taxes on income at the tax rate in Germany of 33 %	-1,014	699
Impact of non-deductible expenses from share options	106	-16
Impact of basis of calculation for trade tax	28	-23
Impact of other non-deductible operating expenses	-44	-29
Impact of tax refund for previous years	-77	0
Impact of minimum taxation	-89	0
Impacts of directly deductible expenses from equity procurement	-17	0
Taxes on income in the consolidated income statement	-1,107	631

[1] 2009 figures have been adjusted (see note no. 4)

Deferred tax on the balance sheet date had the following structure:

in EUR thousand	2010	2009 adjusted[1]
Deferred tax as assets		
Intangible assets	2	3
Inventories	56	47
Losses carried forward	4,873	5,922
	4,931	5,972
Deferred tax liabilities		
Internally generated intangible assets	119	104

[1] 2009 figures have been adjusted (see note no. 4)

On December 31, 2010, corporation tax losses carried forwards totalled EUR 14,723 thousand (previous year: EUR 16,075 thousand) and trade tax losses carried forwards came in at EUR 14,808 thousand (previous year: EUR 16,259 thousand). The company believes that, as a result of its future business activities, it will be able to generate sufficient positive taxable income to realise its deferred tax assets.

Tax-relevant losses in Germany can be offset in full up to an amount of EUR 1.0 million, however above that amount only 60 % can be offset.

12. Inventories

This balance sheet item is structured as follows:

in EUR thousand	2010	2009
Raw materials, consumables and supplies	143	152
Merchandise	20,425	12,381
Total	20,568	12,533

Raw materials, consumables and supplies consist in general of packaging for the mail order trade. On the balance sheet date there were no reasons for performing impairment that would have had to be considered by creating an allowance. The company's inventories are used as security for securing the loans received.

13. Advance payments

These are payments made in advance for upcoming deliveries of goods to be added to inventory.

14. Accounts receivable

All accounts receivable have a remaining term of up to one year and are not subject to interest. As a rule they are due within 30 days. There are no restrictions on the rights to dispose over them.

The age distribution of accounts receivable as of December 31 is as follows:

in EUR thousand	Purchase cost	Not due and not impaired	Overdue and not impaired			Overdue and impaired
			< 30 days	30 - 90 days	> 90 days	
2010	9,991	3,868	1,153	286	460	4,225
2009	9,265	4,040	608	339	187	4,092

As of December 31, 2010, receivables totalling EUR 3,741 thousand (previous year: EUR 3,641 thousand) were impaired. This impairment is mainly in connection with receivables stemming from customers undergoing private insolvency or related moratoria. The company uses the time buckets of the age structure to determine impairments on accounts receivable. The overdue time buckets are impaired by a percentage based on past empirical data.

The impairment account changed as follows:

in EUR thousands	2010	2009
Balance on January 1	3,641	2,066
Additions	1,278	1,889
Utilisation	-1,178	-314
Balance on December 31	3,741	3,641

15. Other short term assets

in EUR thousands	2010	2009
Creditors with net debit balance	3,525	2,171
VAT receivables	2,190	360
Receivables from compensation payments	2,975	0
Advance payments	1,550	0
Others	1,254	460
Total	11,494	2,991

Creditors with net debit balance refers to claims against suppliers due to advertising and marketing campaigns carried out in the fiscal year. Other short term assets also contain claims for one-off payment in connection with switching service providers. All other short term assets have a term of up to one year.

16. Cash and cash equivalents

in EUR thousands	2010	2009
Bank balances	10,955	1,543
Cash on hand	3	3
Total	10,958	1,546

Bank balances are subject to variable interest for demand deposits. Bank balances contain a capital inflow of EUR 9,076 thousand from the capital increase carried out in December.

In the previous year, the level of funds used to support the consolidated cash flow comprised the above-mentioned cash and cash equivalents less current overdraft liabilities. Cash flows from operating activities were prepared according to the indirect method.

17. Equity

Subscribed capital

The subscribed capital corresponds to zooplus AG's share capital and totals EUR 2,593,190.00 (previous year: EUR 2,561,755.00). It has been fully paid and comprises no-par bearer shares, each with a theoretical interest of EUR 1.00 in the share capital.

In fiscal year 2010, zooplus AG's subscribed capital increased as a result of the allocation of a total of 31,435 shares from the conditional capital 2004 / I, 2007 / I and 2007 / II from EUR 2,561,755.00 by a total of EUR 31,435 to EUR 2,593,190.00.

Approved capital

The Management Board is authorised, based upon the resolution of the Annual General Meeting of April 25, 2008, to increase the company's share capital with the consent of the Supervisory Board and no later than April 24, 2013 by up to EUR 1,193,075.00 either within one or several transactions and either against cash and / or non-cash capital contributions through issuing ordinary bearer shares with a nominal value of EUR 1,00 each (Approved Capital 2008 / I). The Management Board is entitled to finalise further details regarding the execution of capital increases from Approved Capital 2008 in conjunction with the Supervisory Board.

With the approval of the Supervisory Board, the Management Board passed a resolution on November 19, 2010 to increase the company's share capital to a nominal EUR 216,099.00 through a partial utilisation of the Approval Capital 2008 by issuing up to 216,099 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. The capital increase was registered on January 3, 2011.

Conditional capital

The company's share capital was conditionally increased by up to EUR 1,820.00 (Conditional Capital 2004 / I) on the balance sheet date. Conditional Capital 2004 / I currently backs rights for the subscription of up to 1,820 no-par value bearer shares and serves to secure subscription rights from stock options for the company's employees. The conditional capital increase is only to be executed to the extent that the holders of the subscription rights issued as a result of the authorisation resolution by the Annual General Meeting on December 27, 2004 in the version dated March 23, 2006, April 27, 2007, July 20, 2007 and November 30, 2008 as part of the 2004 stock option programme exercise their subscription rights for shares of the company and the company does not grant its own shares to satisfy the subscription rights.

The company's share capital was conditionally increased by a further EUR 10,890.00 (Conditional Capital 2007 / I) on the balance sheet date. Conditional Capital 2007 / I currently backs rights for the subscription of up to 10,890 no-par value bearer shares and serves to secure subscription rights from stock options for the company's employees. The conditional capital increase is only to be executed to the extent that the holders of the subscription rights issued as a result of the authorisation resolution by the Annual General Meeting on April 27, 2007 in the version dated July 20, 2007 as part of the 2007 / I stock option programme exercise their subscription rights for shares of the company and the company does not grant its own shares to satisfy the subscription rights.

Conditional Capital 2007 / II was completely exhausted with the issue of shares in the fiscal year 2010.

The company's share capital was conditionally increased by a further EUR 210,000.00 (Conditional Capital 2010 / I) on the balance sheet date. Conditional Capital 2010 / I currently backs rights for the subscription of up to 210,000 no-par value bearer shares. Conditional Capital 2010 / I serves to secure subscription rights from stock options for members of the company's Board of Management. The conditional capital increase is only to be executed to the extent that the holders of the subscription rights issued as a result of the authorisation resolution by the Annual General Meeting on May 27, 2010 as part of the 2010 / I stock option programme exercise their subscription rights for shares of the company and the company does not grant its own shares to satisfy the subscription rights.

As of December 31, conditional capital was structured as follows:

in EUR	2010	2009
Conditional Capital 2004 / I or III	1,820.00	1,945.00
Conditional Capital 2007 / I	10,890.00	11,665.00
Conditional Capital 2007 / II	0.00	30,535.00
Conditional Capital 2010 / I	210,000.00	0.00
Total	222,710.00	44,145.00

Capital reserves

As of December 31, 2010, the capital reserves totalled EUR 22,960,449.80. The increase in the capital reserves came about from the initial entry of expenses in connection with the employee stock option plan (see further information under Note 18) and the premium from the conditional capital increase performed in the fiscal year. On the balance sheet date these were structured as follows:

in EUR thousand	2010	2009
Capital reserves paid during financing rounds	15,003	15,003
Converted shareholder loans	4,820	4,820
Capital reserves from increases out of conditional capital	2,048	1,697
Debentures / employee share options	1,089	765
Total	22,960	22,285

Contributions made to implement the approved capital increase

With the approval of the Supervisory Board, the Management Board passed a resolution on November 19, 2010 to increase the company's share capital to a nominal EUR 216,099.00 through a partial utilisation of the Approval Capital 2008 by issuing up to 216,099 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. Payments of EUR 9,076,158.00 were made for the above-described capital increase in the period between November 30, 2010 and December 13, 2010. These were reported as of the balance sheet date as a deposit that had been rendered to perform a capital increase, less equity procurement costs. The capital increase was entered into the commercial register on the balance sheet date January 3, 2011. In total, costs from equity sourcing totalled EUR 52 thousand. This resulted in tax effects of EUR 17 thousand.

Other reserves

The reserve for currency differences serves to record differences resulting from the currency translation of financial statements of the foreign subsidiary zooplus services Ltd.

Profit / loss for the period and losses carried forward

in EUR thousand	2010	2009 adjusted[1]
Losses carried forward as of January 1	-15,342	-13,856
Profit / loss for the period	1,970	-1,486
Losses carried forward as of December 31	-13,372	-15,342

[1] 2009 figures have been adjusted (see note no. 4)

18. Share-based payments

The expenses recorded for the options granted in the financial year were as follows:

in EUR thousand	2010	2009
Expenses for executives	222	21
Expenses for employees	102	27
Total costs	324	48

Employee stock option program

According to the stock option programme 2004 / 2005, zooplus AG employees can be granted option rights with respect to zooplus AG shares. Each option entitles the bearer to subscribe for five bearer shares at a nominal value of EUR 1.00 per share. The subscription price will be EUR 1.44 per share. The options can only be converted to shares. The option rights can only be exercised two years after the options have been granted at the earliest. After this period has elapsed, 50 % of the rights can be exercised immediately in one tranche and the rest at a rate of 1 / 24 after each further month has elapsed (waiting period). The options must be exercised seven years after their issue date at the latest.

On the basis of the resolution of the Annual General Meeting of April 27, 2007, the Management Board passed a resolution on June 29, 2007 with the agreement of the Supervisory Board with regard to the employee Share Option Programme 2007 / I and the corresponding granting of share options with a right to subscribe for shares of the company.

According to the Share Option Programme 2007 / I, the Management Board and Supervisory Board can authorise certain employees of zooplus AG to purchase a total up to 16,790 individual shares of the company. Each option entitles the bearer to subscribe for five bearer shares at a nominal value of EUR 1.00 per share. The subscription price will be EUR 1.44 per share. The options can only be converted to shares. The option rights can only be exercised two years after the options have been granted at the earliest. After this period has elapsed, 50 % of the rights can be exercised immediately in one tranche and the rest at a rate of 1 / 24 after each further month has elapsed (waiting period). The options must be exercised seven years after their issue date at the latest. The subscription rights on share options can only be exercised if specific performance goals are achieved.

On the basis of the resolution of the Annual General Meeting on May 27, 2010, the Management Board passed a resolution on June 15, 2010 with the agreement of the Supervisory Board with regard to the employee Share Option Programme 2010 / I and the corresponding granting of share options with a right to subscribe for shares of the company. According to the Share Option Programme 2010 / I, the Management Board and Supervisory Board can authorise certain employees of zooplus AG to purchase a total of up to 85,000 individual shares in the company. The share options are issued in two tranches (42,500 / 42,500), with each linked to a different performance goal. In the fiscal year 2010, at total of 62,000 share options (31,000 / 31,000) were issued to employees of zooplus AG. Each

option entitles the bearer to subscribe for one no-par value bearer share of zooplus AG at a nominal value of EUR 1.00 per share. The subscription price will be EUR 34.99 per share. The option rights can only be exercised four years after the options have been granted at the earliest. The subscription rights on share options can only be exercised if specific performance goals are achieved. It is possible to exercise the subscription rights within three years, starting with the expiry of the waiting period.

Option plan for executives

On the basis of the resolution of the Annual General Meeting on April 27, 2007, zooplus AG's Supervisory Board passed the regulations of the Share Option Programme 2007 / II on June 29, 2007 for granting share options to members of the Management Board with the right to subscribe for zooplus AG shares.

According to the Share Option Programme 2007 / II, members of zooplus AG's Management Board can exercise the option of subscribing for zooplus AG shares up to a total number of 176,330 shares. Each option entitles the bearer to subscribe for five zooplus AG bearer shares at a nominal value of EUR 1.00 per share. The subscription price per share is EUR 12.50. The options can only be converted to shares. The option rights can only be exercised two years after the options have been granted at the earliest. The options must be exercised seven years after their issue date at the latest. The subscription rights on share options can only be exercised if specific performance goals are achieved. As of the balance sheet date, all options in the stock option programme 2007 / II had been exercised.

On the basis of the resolution of the Annual General Meeting on May 27, 2010, zooplus AG's Supervisory Board passed the regulations of the Share Option Programme 2010 / I on June 15, 2010 for granting share options to members of the Management Board with the right to subscribe for zooplus AG shares. According to the Share Option Programme 2010 / I, members of the Management Board can subscribe for up to 125,000 shares in the company. The share options were issued in two tranches (62,500 / 62,500), with each linked to a different performance goal. Each option entitles the bearer to subscribe for one no-par value bearer share of zooplus AG at a nominal value of EUR 1.00 per share. The subscription price will be EUR 34.99 per share. The option rights can only be exercised four years after the options have been granted at the earliest. The subscription rights on share options can only be exercised if specific performance goals are achieved. It is possible to exercise the subscription rights within three years, starting with the expiry of the waiting period.

All options can only be converted into equity instruments.

In the reporting year, the following stock options were issued under the SOP 2010:

	Amount
Dr. Cornelius Patt	50,000
Florian Seubert	25,000
Andrea Skersies	25,000
Guido Bienhaus	25,000
Non-executive employees	62,000

The fair value of the granted stock options is determined by applying the Black & Scholes model at the time they were granted and by taking the conditions under which the share options were granted into account. The following model parameters were used for the calculation:

	Stock option programme (SOP)			
	2004 / 2005	2007 / I	2007 / II	2010 / I
Average share price (EUR)	6.13	7.51	7.51	37.70
Expected volatility (%)	50	30	30	36
Risk-free interest rate (%)	4.0	4.5	4.5	2.2
Dividend yield (%)	0.0	0.0	0.0	0.0
Anticipated maturity of the options (years)	3.0	3.5	2.5	5.5

The anticipated maturity of stock options is based on past data and current expectations, and does not necessarily reflect the actual exercising patterns of the stock holders. The future volatility during the anticipated maturity period of the stock option was estimated based on past volatilities and the expected future share price development. Due to the limited history of the company's share on the market, the volatility of the past year was used as the basis. The anticipated volatility is based on the assumption that past volatility will be reflected in future trends, however the actual future volatility can deviate from the assumptions made.

The stock options changed as follows:

	Stock option programme (SOP)			
	2004 / 2005*	2007 / I*	2007 / II*	2010 / I**
Outstanding at the beginning of the reporting period	97	1,725	6,107	0
Lapsed in the reporting period	0	-50	0	0
Exercised in the reporting period	-25	-155	-6,107	0
Granted in the reporting period	0	0	0	187,000
Outstanding at the end of the reporting period	72	1,520	0	187,000

* One option authorises the purchase of five shares
** One option authorises the purchase of one share

The prices for exercising the options for the shares outstanding on December 31, 2010 were between EUR 1.44 and EUR 34.99. The weighted average share price on the date the options were granted was EUR 35.19 (previous year: EUR 31.80).

At the end of the period under review, 955 options could be exercised (previous year: 6,204). The weighted average remaining contractual term for the stock options outstanding on December 31, 2010 was 3.39 years (previous year: 0.54 years).

19. Trade liabilities

Trade liabilities have a term of up to one year and are not subject to interest payments. Payment periods usually vary between 14 and 30 days.

20. Financial debt

in EUR thousand	2010	2009
Current account liabilities	0	2,119
Short-term bank loans	10,000	4,000
Total	10,000	6,119

The company has lines of credit totalling EUR 10.0 million with no definite maturity. As of the balance sheet date December 31, 2010, this total was completely drawn down (previous year: EUR 4.0 million). As part of this line of credit, the company was utilising a one-month money market loan of EUR 10.0 million with an interested rate based on Euribor plus 250 basis points. The loans are collateralised according to standard banking practice using the transfer of inventories, global cessions for customer receivables and assignment of insurance claims for merchandise. In addition, there is a covenant which includes a minimum equity ratio of 25 %. Unused credit lines are subject to interest of 0.5 % p. a.

21. Other short-term liabilities

in EUR thousand	2010	2009
Tax liabilities		
VAT	8,577	3,577
Salary and church taxes	141	85
Subtotal	8,718	3,662
Other sundry liabilities		
Debtors with net credit balance	1,892	1,172
Bonus payments	416	213
Employee vacation obligations	247	188
Costs of preparing the annual financial statements and audit costs	70	69
Others	1,477	287
Subtotal	4,102	1,929
Total	12,820	5,591

The other short-term liabilities have a term of up to one year and are non-interest bearing. Creditors with net debit balance relate to customers with a positive balance due to excess payment or returns.

22. Provisions

in EUR thousand	2010	2009 adjusted[1]
Provisions for loyalty programme points	1,913	1,769
Provisions for returns	144	100
Other provisions	50	0
Total	2,107	1,869

[1] 2009 figures have been adjusted (see note no. 4)

Provisions for as yet unredeemed bonus points from the customer loyalty programme totalled EUR 1,913 thousand as of December 31, 2010. To calculate these provisions, the redeemable bonus points according to the applicable participation conditions on the balance sheet date December 31, 2010 were determined and measured taking into account past redeeming rates as well as the fair value of a bonus point based on the sale prices of the products available in the loyalty programme. For the fiscal year 2010, an addition of EUR 144 thousand was made to the provision.

In addition, provisions consist of provisions for expected returns of goods from customers after the balance sheet date totalling EUR 144 thousand, which the company provides for over the usual warranty period. The valuation was based on past empirical data. The company expect that the entire liability amount is accrued within one year of the balance sheet date. The calculation of the guarantee provision is based on assumptions stemming from the current sales level and the available information on the return of sold products available at the time.

23. Sales

in EUR thousand	2010	2009 adjusted[1]
Germany	95,470	77,869
France	24,311	14,774
The Netherlands	13,094	5,723
Great Britain	10,533	7,027
Other countries	34,420	17,255
Total	177,828	122,648

[1] 2009 figures have been adjusted (see note no. 4)

The Group's sales relate to the sale of pet products in Germany and other European countries. Sales from other European countries mainly include France, the Netherlands and Great Britain. In addition, the Group also operates in a number of smaller European markets, including Austria, Belgium, Poland, Denmark, Ireland, Italy, the Czech Republic, Switzerland, Finland, Slovakia, Spain, Luxemburg and Sweden.

24. Personnel costs

in EUR thousand	2010	2009
Wages and salaries	7,920	5,630
Social security deductions and expenses for pension provisions and other benefits	1,336	926
Total	9,256	6,556

We refer to Section 18 for the personnel expenses incurred as a result of share-based payments.

On average for the year, and not including the Management Board, there were 143 employees working at the company (previous year: 108).

25. Other income and expenses

Other income

in EUR thousand	2010	2009
Income from marketing services	8,282	5,254
Compensation payments	6,125	0
Income from reminder charges	421	395
Other income	943	795
Total	15,771	6,444

In connection with a switch of service providers, the Group received compensation payments totalling TEUR 6,125 in the year under review.

Other expenses

in EUR thousand	2010	2009
Logistics & fulfilment	41,984	28,471
Advertising	15,804	8,170
Payment transaction costs	1,891	1,279
Other various operating expenses	11,239	6,600
Total	70,918	44,520

In 2010, losses from currency conversion totalling EUR 224 thousand (previous year: EUR 165 thousand) were recognised in income. In addition, other expenses included an impairment loss of EUR 250 thousand for an impairment carried out on a loan granted to Logistic Service Center s. r. o.

Financial income / Financial expenses

in EUR thousand	2010	2009
Interest income and similar income	3	0
Interest payments for current liabilities	-227	-199
Total	-224	-199

26. Consolidated profit / loss per share

When calculating basic earnings per share, the earnings to be allocated to bearers of ordinary shares of the parent company is divided by the weighted average number of ordinary shares in circulation throughout the year.

Diluted earnings per share are calculated by dividing the earnings to be allocated to bearers of ordinary shares of the parent company by the weighted average quantity of ordinary shares in circulation throughout the year plus the share equivalents leading to the dilution.

The values of basic and the diluted earnings per share are calculated as follows:

		2010	2009 adjusted[1]
Consolidated profit / loss	EUR	1,969,618.54	-1,486,101.96
Weighted ave. no. of ordinary shares in circulation	No. of shares	2,579,137	2,419,739
Dilution effect			
Share options	No. of shares	23,466	n / a[2]
Weighted ave. no. of ordinary shares in circulation			
adjustment for the effects of dilution	No. of shares	2,602,603	n / a[2]
Basic consolidated earnings per share	EUR / share	0.76	-0.61
Diluted consolidated earnings per share	EUR / share	0.76	-0.61

[1] 2009 figures have been adjusted (see note no. 4)
[2] No dilution due to loss situation

In the period between the balance sheet date and the preparation of the consolidated financial statements, the capital increase was entered in the commercial registry on January 3, 2011. As part of this registration, 216,099 no-par bearer shares, each with a theoretical interest of EUR 1.00 in the share capital, were issued.

27. Other financial obligations and unquantifiable factors affecting company profit / loss

The total of future financial commitments arising from leases, insurance policies and warehouse logistics agreements and also rental agreements for the facilities in Munich, Oxford and Strasbourg have the following structure:

Up to one year	EUR	11,210	thousand
Longer than one year and up to five years	EUR	39,150	thousand
Longer than five years	EUR	41,445	thousand

The leases comprise rental agreements as well as car and server leases at standard market conditions. There are no sub-leases.

The annual rental costs for the Group's business premises were around EUR 1,215 thousand in 2010 (previous year: EUR 601 thousand).

In addition, there are variable obligations for usage fees for logistics services. Furthermore there is a possible obligation from the agreement on the participating interest in Logistics Service Center s. r. o. for a put option to acquire an additional equity interest of 21 %.

There was no material litigation on the balance sheet date. Contingent liabilities from guarantees totalled EUR 65 thousand. No claims are currently expected.

28. Related party disclosures

There were no notable relationships between the Group and related parties during the year under review. The expenses from stock options for members of the Management Board are detailed in Section 18. Members of the Supervisory Board do not hold any shares of the company.

Shareholders with significant influence on the Group pursuant to IAS 24 were:

- Burda Digital Ventures GmbH, Offenburg, Germany
- BDV Beteiligungen GmbH & Co. KG, Munich, Germany

On the last applicable date before December 31, 2010, the voting rights held by Burda Digital Ventures GmbH totalled 37.79 % (912,977 voting rights) and therefore breached the threshold requiring disclosure as stipulated by the German Securities Trading Act (WpHG). Of this amount, 15.29 % (369,421 voting rights) owned by BDV Beteiligungen GmbH & Co. KG, Munich, were attributable to Burda Digital Ventures GmbH pursuant to section 22 (1) no. 1 WpHG. On the last applicable date before December 31, 2010, the voting rights held by BDV Beteiligungen GmbH & Co. KG totalled 14.42 % (369,421 voting rights) and therefore breached the threshold requiring disclosure on December 9, 2009 as stipulated by the WpHG.

The voting rights held by Burda Digital Ventures GmbH and BDV Beteiligungen GmbH & Co. KG are attributable to Prof. Dr. Hubert Burda, Hubert Burda Media Holding Kommanditgesellschaft, Offenburg, and Burda Gesellschaft mit beschränkter Haftung, Offenburg, pursuant to section 22 (1), sentence 1, no. 1 of the German Securities Trading Act (WpHG) as well as to Acton Capital Partners GmbH, Munich, pursuant to section 22 (1), number 6 of WpHG.

29. Financial risk management: Aims and methods

The most significant financial liabilities used by the Group are overdrafts, current money-market loans, trade liabilities and other liabilities. The main purpose of these financial instruments is to constantly cover the need for financing and to ensure financial flexibility. The Group has at its disposal accounts receivable and other receivables as well as cash and cash equivalents that result directly from its business activities. There are no derivative financial instruments.

The most significant risks arising from these financial instruments for the Group are credit and liquidity risks as well as risks relating to changes in interest rates. There are no material concentrations of credit risk.

Interest rate risk

The Group currently only uses overdrafts and current money-market loans. Interest rate risks exist if the current level of interest rates increases. No hedges have been put in place for the interest rate risk, as the impact is regarded as minor. If interest rates were to rise by 100 basis points, this would result in a loss of EUR 100 thousand, while a fall in interest rates by 100 basis points would result in a profit of EUR 100 thousand.

Credit risk

Credit risk is defined as the risk that a business customer will not be able to fulfil its obligations which in turn leads to a financial loss for the Group. The extent of the credit risk of zooplus AG is equal to the total of accounts receivable as well as other receivables. There are no credit concentration risks.

Credit limits are set for all customers based on internal risk classification characteristics. Outstanding receivables from customers are monitored regularly. In order to reduce credit risk, lump-sum adjustments to individual values are made based on past experience. Receivables are written down where a debt collection agency has proved unable to collect the debt, or a customer has applied for individual insolvency, or as a result of the statute of limitations.

For the Group's other financial assets such as securities and cash or cash equivalents, the maximum credit risk corresponds to the carrying amount of an asset in the case of a default by the debtor concerned.

Liquidity risk

The risk of a liquidity bottleneck is monitored continually by the Group taking account of the terms of the financial liabilities and receivables as well as the expected cash flow. The Group aims to preserve a balance between constantly covering its liquidity requirements and ensuring flexibility through the use of overdrafts and loans. On the date that these consolidated financial statements were prepared, unused lines of credit worth EUR 2 million were available. As a result, the Group does not have any liquidity risks.

Currency risk

The Group also operates on foreign currency markets outside of the Eurozone, which could result in exchange rate risks in both sales and purchasing. Currency risks result mainly from cash and cash equivalents, accounts receivable and payables as well as payments made in a foreign currency. The most important foreign currencies are British pounds and US dollars. The Group is increasingly trying to limit these risks by buying products locally in foreign currency zones. The Group does not currently use other hedging instruments. IFRS 7 requires sensitivity analyses when presenting market risks, with these analyses presenting the effects of hypothetical changes to the relevant risk variables on profit / loss and equity. In addition, effects of taxation are not taken into account. The scenario is carried out on the basis of the exchange rates on December 31, 2010. A 10 % rise in USD would result in a negative effect of EUR 1.4 million, while a 10 % fall in USD would result in a positive effect of EUR 1.4 million. A 10 % depreciation in the value of GBP would lead to a positive effect of EUR 0.8 million, while a 10 % rise in GBP would result in a negative impact to the tune of EUR 0.8 million.

Equity and capital management

Primary aim of the Group's equity and capital management is to retain its high credit rating on the basis of a sound overall equity ratio in an effort to support its business activities and maximise value for shareholders. The Group actively controls its capital structure and will undertake the relevant adjustments if deemed necessary, taking the change in the underlying economic conditions into account. The Group's capital is monitored by controlling the equity ratio, which should total at least 25 %. In 2010, the Group's equity ratio totalled 36 % compared to 31 % in the previous year.

Securities

As of December 31, 2010 and December 31, 2009, the Group did not hold any securities.

30. Additional information on financial instruments

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

The following table displays the carrying amount and fair value of all of the financial instruments contained in the consolidated financial statements:

in EUR thousand	Measurement category	Carrying amount		Fair value	
		2010	2009	2010	2009
Financial assets					
Accounts receivable	LaR	6,250	5,624	6,250	5,624
Outstanding loans	LaR	0	250	0	250
Participating interests	AfS	4	4	4	4
Other receivables	LaR	7,398	2,260	7,398	2,260
Cash and cash equivalents	LaR	10,958	1,546	10,958	1,546
Total		24,610	9,684	24,610	9,684
Financial liabilities					
Current loans	FLaC	10,000	4,000	10,000	4,000
Trade liabilities	FLaC	12,030	7,261	12,030	7,261
Other liabilities	FLaC	1,892	1,172	1,892	1,172
Overdrafts	FLaC	0	2,119	0	2,119
Total		23,922	14,552	23,922	14,552

LaR (Loans and Receivables)
AfS (Available for Sale)
FLAC (Financial Liability at Cost)

The market values of the cash and cash equivalents, accounts receivable, current assets, trade payables and other current payables as of December 31, 2010 and 2009 correspond to their carrying amounts. This is primarily due to these instruments' short terms.

The Group's financial liabilities are all short-term and a maturity of up to one year. The repayments of the existing financial liabilities are made from operative cash flow.

31. Events after the reporting date

One material event after the balance sheet date was the capital increase, which was entered into the commercial register on January 3, 2011. For more information, please refer to Note 17.

32. Executive bodies

Members of the Management Board:

- Dr. Cornelius Patt, CEO
- Guido Bienhaus, CIO
- Florian Seubert, CFO
- Andrea Skersies, CMO

The Management Board's emoluments in 2010 including all perquisites are all short-term and amounted to EUR 1,639 thousand (previous year: EUR 1,286 thousand). An advance payment of EUR 560 thousand was paid for bonuses in the fiscal year 2010. In addition, zooplus AG granted the members of its Management Board a permanent advance payment (EUR 41 thousand) to cover their expenses.

Members of the Supervisory Board:

- Felix von Schubert, salaried commercial employee, zouk ventures ltd. (Chairman)
- Frank Seehaus, investment manager, Acton Capital Partners (Deputy Chairman)
- Dr. Norbert Stoeck, self-employed businessman

In 2010, the Supervisory Board received remuneration of EUR 15 thousand (previous year: EUR 10 thousand).

33. Auditors' fees

In the fiscal year 2010, the auditor's fees amounted to EUR 86,5 thousand (previous year: EUR 66 thousand) on top of additional accountancy and auditing services totalling another EUR 0 thousand (previous year: EUR 61 thousand).

34. Declaration with respect to corporate governance

zooplus AG's corporate governance declaration based upon section 161 of the German Public Limited Companies Act (AktG) and in accordance with the German Governance Code has been published and can be accessed online under http: / / investors.zooplus.com / de / ir / cgk.

Munich, March 16, 2011
Management Board

Dr. Cornelius Patt | Andrea Skersies | Guido Bienhaus | Florian Seubert

Declaration of the legal representatives

To the best of our knowledge, we declare that, according to the principles of proper consolidated reporting applied, the consolidated financial statements provide a true and fair view of the company's net assets, financial position and results of operations, that the consolidated management report presents the company's business including the results and the company's position such as to provide a true and fair view and that the major opportunities and risks of the company's anticipated growth for the remaining financial year are described.

Munich, March 16, 2011

Dr. Cornelius Patt | Andrea Skersies | Guido Bienhaus | Florian Seubert

Auditors Report issued and addressed to zooplus AG

We have audited the annual consolidated financial statements as of Dec. 31, 2010 prepared by zooplus AG, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated changes in equity, the cash flow statement, the notes to the financial statements as well as the management report for the financial year 1 January to 31 December 2010. The preparation of the annual financial statements in accordance with IFRS as applied within the EU, as well as the rules and regulations applicable under § 315 Paragraph 1 HGB and the article of incorporation, and the management report is the responsibility of the company's management.

Our responsibility is to express an opinion based on our audit of the annual financial statements and the management report. We performed our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB, „Handelsgesetzbuch") and taking account of the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer (IDW)). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and profits / losses in the annual financial statements prepared in accordance with IFRS and commented upon in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. Within the scope of the audit the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial statements and the management report are examined primarily on a sampling basis. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the companies included in the consolidation, the balance sheet and consolidation principles applied and the significant estimates made by senior management as well as evaluating the overall presentation of the consolidated annual financial statements and the Group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements give a true and fair view of the net assets, financial position and profits / losses of the company in accordance with IFRS applied within the EU, us well as the rules and regulations applicable under § 315 Paragraph 1 HGB and the article of incorporation and therefore, gives a true and fair view of the Group's net assets, financial position and profit / loss. The management report is consistent with the annual financial statements and as a whole provides a correct view of the Company's position and correctly presents the opportunities and risks of future developments.

Nuremberg, March 16, 2011

Schaffer WP Partner GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Horst Schaffer
Wirtschaftsprüfer

Imprint

Publisher

zooplus AG
Sonnenstrasse 15
80331 Munich
Germany
Tel: +49 (0) 89 95 006 - 100
Fax: +49 (0) 89 95 006 - 500

E-Mail: contact@zooplus.com
www.zooplus.com

Investor Relations

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

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

Concept, editing, layout and typesetting:

cometis AG

Photos:

Page 22, graphic „zooplus' value chain":
from left: 1. and 2.: zooplus AG; 3.: DHL; 4.: iStockphoto (no. 11113859); 5.: Fotolia (no. 11641122)

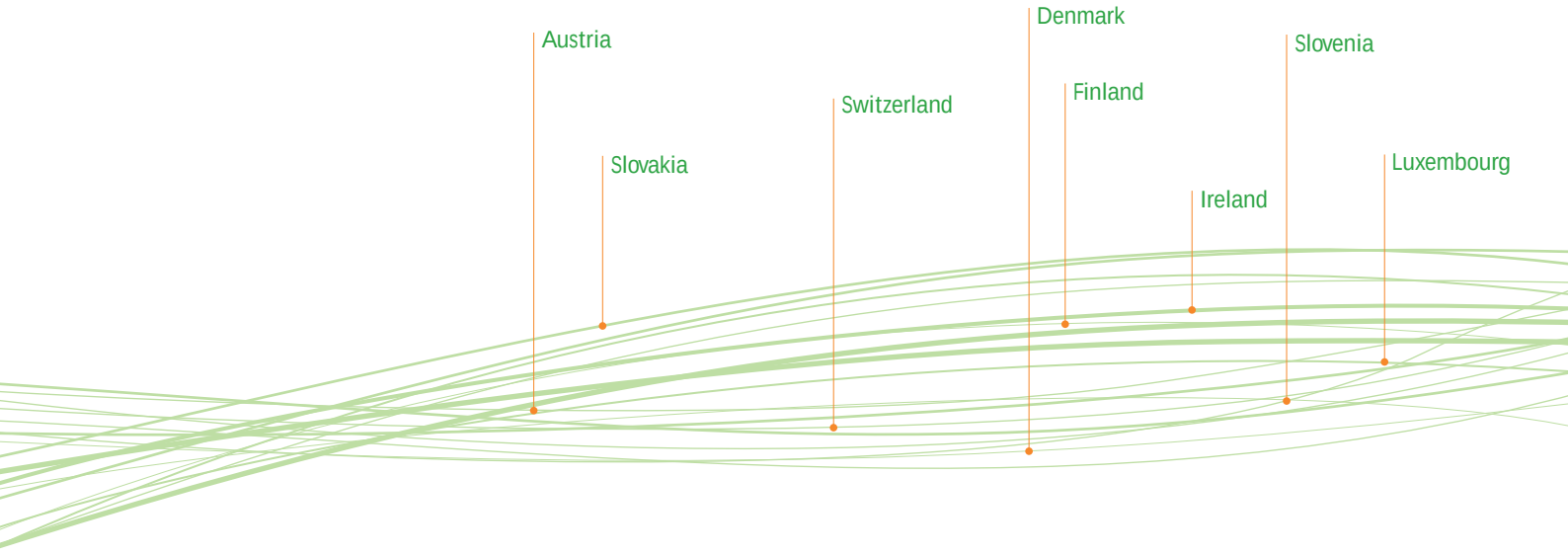
All further pictures: zooplus AG

This annual report is also available in German. In case of discrepancies the German version prevails.

A digital version of this zooplus AG annual report and the interim reports can be downloaded from the Investor Relations section of www.zooplus.com.

Forward looking Statements

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report from page 44 to 46. We do not assume any obligation to update the forward-looking statements contained in this report.



zooplus AG
Sonnenstraße 15
80331 Munich
Germany