zooplus

Semi-annual Report 2014

Highlights of the first half of 2014

Total sales rise by 29.3 % to EUR 257.0 m (previous year: EUR 198.8 m)

– Forecast for total sales for 2014 increased from EUR 500 m to at least EUR 530 m

Total cost ratio down to 30.6 % (previous year: 34.9 %)

– Further substantial improvements in all cost items

Positive earnings before taxes of EUR 3.3 m (previous year: EUR -0.5 m)

– EBT earnings target of around EUR 6 m for 2014 confirmed

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To the shareholders

The zooplus AG share

Stock chart zooplus AG: January 2 to June 30, 2014

Overview

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 moved into the Prime Standard segment (which requires the highest transparency and disclosure requirements in Germany). After continuous positive development in market capitalization and trading volumes, the zooplus AG share ascended to the SDAX on June 29, 2011.

The zooplus share closed the first day of trading in the current financial year 2014 (January 2, 2014) at a price of EUR 51.88. As part of a consolidation movement in February and March, the price fell to EUR 48.00.

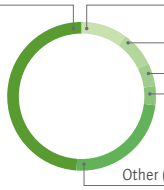
A substantial recovery in the zooplus AG share price started in mid-March. The zooplus share recorded its high of EUR 58.18 during the reporting period on March 31, 2014, after which the share subsequently lost some value. On June 30, the final trading day of the reporting period, the zooplus share was trading at EUR 44.17.

In June 2014, the number of zooplus shares increased from 6,101,639 to 6,368,211 due to options being exercised. zooplus AG's market capitalization therefore amounted to EUR 281.3 m as of the balance sheet date June 30, 2014. This corresponds with a market capitalization of free float in accordance with Deutsche Börse AG's definition of around EUR 144.0 m.

Analysts

Institution	Analyst	Date	Recommendation	Target price (EUR)
Bankhaus Lampe	Christoph Schlienkamp	22.07.2014	Buy	57.00
Berenberg	Stanislaus Thurn und Taxis	21.05.2014	Sell	47.00
Citigroup	Dan Homan	25.06.2014	Neutral	n.a.
Close Brothers Seydler	Martin Decot	22.07.2014	Buy	60.00
Commerzbank	Dennis Schmitt	22.07.2014	Buy	60.00
Deutsche Bank	Benjamin Kohnke	22.07.2014	Hold	60.00
Hauck & Aufhäuser	Christian Schwenkenbecher	30.05.2014	Hold	56.00
montega	Tim Kruse	22.07.2014	Sell	39.50

Shareholder structure



As of: July 23, 2014
Share ownership corresponds with the published voting rights notifications
* Free float stands at 51.21 % according to Deutsche Börse's definition

Key data

WKN	511170
ISIN	DE0005111702
Ticker symbol	Z01
Trading segment	Regulated market (Prime Standard)
Type of shares	No-par-value ordinary bearer shares
Share capital in EUR as of December 31, 2013	6,101,639.00
Share capital in EUR as of June 30, 2014	6,368,211.00
Number of shares as of June 30, 2014	6,368,211
Initial listing	09.05.2008
Initial issuing price*	EUR 13.00
Share price as of January 2, 2014	EUR 51.88
Share price as of June 30, 2014	EUR 44.17
Percentage change	-14.86 %
Period high	EUR 58.18
Period low	EUR 44.17

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

Financial calendar 2014

October 21, 2014	Preliminary sales figures for Q3 2014
November 18, 2014	Publication of the nine-month report 2014
November 24-26, 2014	German Equity Forum

Interim Group Management Report

Interim Group Management Report as of June 30, 2014

1. Business report

A. Business performance and underlying trading conditions

a. Group structure and business activities

i. Divisions

The Group parent company zooplus AG was founded in Munich in 1999. The Group operates in the field of e-commerce with web-based trading activities focusing on pet supplies for private customers. The zooplus Group is positioned as the clear online market leader in Europe in terms of sales and active customer base in this area.

The overriding goal is sustained growth and the expansion of the company's online market leadership in Europe. In this context, zooplus is continuously working to expand its technological infrastructure in an effort to remain the "state-of-the-art" technology leader within its segment.

Overall, zooplus offers its customers around 8,000 food and accessory products for dogs, cats, small animals, birds, fish and horses. These include everyday staples such as brand name foods generally available at specialist dealers, zooplus AG's own private labels and specialty articles. These encompass items such as toys, care and hygiene products and other accessories. In addition, zooplus offers its customers a wide range of free content and information on its websites, veterinary and other animal-related advice, plus interactive features such as discussion forums and blogs.

zooplus generates the majority of its sales by selling its goods from its three central warehouses located in Germany, the Netherlands and Poland. The locations of the central warehouses enable the company to ensure rapid and efficient deliveries with a high level of general product availability for its customers across Europe.

In addition, zooplus realizes a smaller share of its sales with its so-called "direct line business". As part of this, zooplus directly sells products from selected suppliers, with shipping taking place directly from the warehouses of the respective suppliers to the customers. However, processing and sales in this area are always generated through a zooplus-operated Internet platform. In addition, shipments and final-mile deliveries are generally handled by national and international parcel service providers.

Overall, the zooplus business model is based on a broad product range coupled with highly attractive prices, efficient supply and delivery processes, as well as easy-to-use and convenient user interfaces from the customers' perspective.

ii. Markets

zooplus maintains a pan-European presence in 24 countries, as the company operates a range of country-specific and international online shops. The overall market volume in the pet segment is estimated at around EUR 23 bn. According to the company's own estimates, zooplus AG is the online market leader in terms of sales and active customer base in the following European markets (Germany, France, the Netherlands, Spain and Italy) and overall within Europe. The company also assumes that it is clearly the fastest-growing company in its sector.

As of the end of June 2014, zooplus operated a total of 22 country-specific online shops: In addition to the five high-volume markets stated above, the company also runs online shops in the United Kingdom, Belgium, Denmark, Finland, Ireland, Croatia, Austria, Poland, Romania, Slovakia, Switzerland, Slovenia, Sweden, the Czech Republic, Hungary, Portugal and Turkey. The company is therefore effectively the dominant provider in the online segment across Europe by a substantial margin compared to smaller local and national competitors.

iii. Key influencing factors

Two major factors influence the development of online pet supplies retailing: the underlying growth of the European pet supplies market overall, as well as the general and industry-specific development of online shopping and purchasing behavior per se.

Development of the European pet supplies market

In 2013, the pet supplies market within the countries of the European Union weighed in at an annual market volume in excess of EUR 23 bn. Of this total, the high-volume markets in Germany, France, the United Kingdom, Spain, the Netherlands and Italy alone made up around EUR 17 bn. The primary retail channels for pet supplies in all of the EU countries are predominantly bricks-and-mortar pet stores, garden centers 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. While conventional supermarkets and discounters generally limit themselves to a basic, high-turnover product range of around 150 to 200 products within low-priced food ranges, 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 equipment). 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 11-12 bn 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 2 % for 2014 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 present similar levels. The variations in the market are due to changes in the animal population, as well as a shift in sales towards higher value products and categories within the food and accessories sector ("premiumization").

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 75 % of total demand in Germany relates to pet food itself, which means that, from the Group's perspective, the medium to long-term demand structures enjoy above-average stability.

Development of online retailing

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

Within retailing, e-commerce has become an important sales channel. According to publications from the Handelsverband Deutschland (German Retail Association), e-commerce sales in Germany in 2013 totaled around EUR 33.1 bn, which represents a 12 % increase year-on-year. 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. In addition, logistics service providers and parcel services are making a significant effort to improve the delivery quality to customers even further. This will also additionally support growth in the online market. 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 share 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 4-5 % of the total European pet market has migrated online to date. zooplus, as the market leader, is therefore very well positioned to benefit from continuing and future changes to existing distribution and retailing structures.

iv. Competitive position

Advantage 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 addition, there are a large number of smaller online retailers specializing in e-commerce. Increasingly, larger bricks-and-mortar retailers are also setting up infrastructures for online sales, which would result in direct competition for zooplus.

In contrast to both of these groups, 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 well positioned. This is coupled with additional relative advantages with regard to the brand awareness and financial strength of the Group.

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

Advantages over bricks-and-mortar competitors

The zooplus business model is based on a lean, technologically efficient and scalable value creation chain in connection with an outstanding 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 larger product range than offline retailers thanks to its approach of distributing from three central warehouses. At the same time, the Group's centralized structure and corresponding efficiency advantages (stemming from its largely automated business processes) help to compensate for certain size-based advantages still enjoyed by the larger bricks-and-mortar pet store chains, particularly in terms of product purchasing.

zooplus' objective remains to consolidate and extend its online leadership position and to significantly benefit from the anticipated further substantial growth in online retailing overall.

v. Group structure

As of June 30, 2014, the scope of fully consolidated members of the Group included zooplus AG, Munich, as well as the following subsidiaries.

	Equity share	
matina GmbH, Munich	100 %	(private label business)
bitiba GmbH, Munich	100 %	(second-brand business)
zooplus services Ltd., Oxford, England	100 %	(service company for the UK)
zooplus italia s.r.l., Genoa, Italy	100 %	(service company for Italy)
zooplus polska Sp. z o.o., Cracow, Poland	100 %	(service company for Poland)
zooplus services ESP S.L., Madrid, Spain	100 %	(service company for Spain)
zooplus france S.A.R.L, Strasbourg, France	100 %	(service company for France)
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100 %	(sales company for Turkey)

The following subsidiaries have not been included in the consolidated financial statements:

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

These four companies did not conduct any business activities during the financial year and are therefore not included in the consolidated interim financial statements due to their lack of importance.

zooplus AG was led by the following Management Board during the first half of 2014 and as of June 30, 2014:

- Dr. Cornelius Patt, CEO (company management, IT & operations)
- Andrea Skersies (sales & marketing)
- Andreas Grandinger (finance, controlling & legal)
- Since April 1, 2014: Jürgen Vedie (supply chain management, logistics, warehousing & distribution)

The Management Board is advised and controlled by the Supervisory Board. As of June 30, 2014, the Supervisory Board consisted of the following members:

- Michael Rohowski, Managing Director of Burda Direkt Services GmbH, Offenburg (Chairman)
- Dr. Jörg Lübcke, Managing Director of Burda Digital GmbH, Munich (Deputy Chairman)
- Dr. Norbert Stoeck, freelance corporate consultant, Munich
- Dr. Rolf-Christian Wentz, freelance corporate consultant, Bonn
- Stefan Winners, Management Board member of Hubert Burda Media Holding Kommandit-gesellschaft, Munich
- Thomas Schmitt, President and CEO of the AquaTerra Corporation, Mississauga, ON, Canada

b. Corporate strategy

The Group aims to maintain and significantly expand its existing market leadership within the European online pet supplies segment and thereby substantially increase the company's medium and long-term earnings potential. In the company's view, the Internet and Internet retailing in Europe are still in an early stage of development. The Group is therefore now aiming to position itself and create the necessary structures so that it can achieve significant positive returns in the medium to long-term by virtue of its size and market leadership.

Given this aim, the Group activities focus on the following objectives:

- Defending and expanding the market leadership
- Expanding the customer base and further increasing customer loyalty in all major European markets
- Further penetration of existing national markets as well as tapping additional European markets
- Boosting sales and contribution margin per customer / year

The top priority is realizing continued high growth in connection with sustained operating profitability and its continuous increase. Against the backdrop of great growth opportunities across Europe and wide-ranging untapped potential for boosting earnings, the Group believes this to be the most sensible strategy for long-term growth in the company's value over the coming quarters and years.

Relevant performance criteria are managed and controlled using process-specific indicators in all areas. These are reviewed regularly and can be adjusted and modified over the short to medium-term if required. In this context, the company attaches particular importance to clearly communicating its key targets to its employees and the general public.

c. Technology and development

zooplus primarily regards itself as being a technology-driven Internet retailing group. New and further developments of core operational processes and the most important systems in the business model are usually initiated and executed internally. External partners are called in if it is deemed sensible to supplement this internal expertise or support the 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 the success of zooplus AG and the zooplus Group as a whole. 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 procurement

B. Net assets, financial position and results of operations

a. Business development H1 / 2014

i. The economy and overall market

There is still a risk that the effects of the Euro debt crisis, as well as the foreign currency risks outside of Europe, could have a significant negative impact on the real European economy. In addition, it is not currently clear which additional risks could occur as a result of the Ukraine crisis. Although the German economy has been able to largely set itself apart from the rest of the Eurozone up to now, economic uncertainties exist which could influence zooplus AG's business in the future. The management believes that a key influence on zooplus AG compared to the general economic overview provided above still remains the development of the specific industry and online retailing environment in the respective individual markets.

ii. Development of the zooplus Group in the period under review

In the view of the Management Board, the zooplus Group recorded positive development in the first half of 2014 and is ahead of planning with regard to achieving its target for 2014 in total sales and on track with regard to earnings. This is primarily reflected in the growth in sales and total sales of 29 % compared to the same period in the previous year. The Group was able to maintain its growth rate from the first quarter 2014 and this remains at almost 30 %, above the growth rate of the financial year 2013 of 27 %. Due to the sustained growth, the Management Board has increased the forecast for total sales for 2014 from EUR 500 m to at least EUR 530 m.

In the period under review, zooplus was also able to achieve further significant economies of scale and efficiency gains in all key operating areas while boosting customer loyalty further on the back of marketing which has once again been optimized. Together, both effects enabled a substantial improvement in earnings during the reporting period. In the first half of 2014, zooplus generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 3.8 m (H1 / 2013: EUR 0.0 m) as well as pre-tax earnings (EBT) of EUR 3.3 m (H1 / 2013: EUR -0.5 m). This meant that the company improved by EUR 3.8 m for both earnings figures compared to the previous year period. For the full year 2014, the Management Board confirms the earnings forecast (EBT) of around EUR 6 m. The asset and financial situation also remains positive.

b. Earnings position

i. Development of sales and total sales

Overall, the Group's total sales increased by 29.3 % in the first half of 2014 to EUR 257.0 m compared to EUR 198.8 m in the same period of the previous year. This reflected the continued positive development in new and existing customer business in connection with further internationalization and penetration of existing markets. The Group's sales in the period under review rose by 28.7 % to EUR 244.8 m compared to EUR 190.2 m in the same period in the previous year.

The share of sales generated abroad rose to 69 %, following a 63 % share in the previous year period. In particular, the sustained high customer loyalty and repeat purchase rate of existing customers had a significantly positive effect on sales and total sales.

ii. Expense items

The cost of materials rose to EUR 175.2 m from EUR 129.9 m in the first half of 2014 compared to the previous year. As a result, the cost of materials ratio increased to 68.2 % in relation to total sales, compared to 65.3 % in the same period of the previous year. In turn, the company's net product margin fell from 34.7 % to 31.8 %.

This was attributable to the competitive e-commerce environment and the resultant price adjustments made to continue to offer customers the optimal value for money.

The tangible improvements for the customers in value for money were offset on the earnings side by operating progress in all cost items.

The improvements are particularly visible in the substantial reduction of overall costs for marketing, logistics, personnel and administration, depreciation, amortization and interest from 34.9 % of total sales in the previous year to 30.6 % in the period under review, meaning that the gross margin effects were more than offset.

This change is primarily explained by significant efficiency gains in the logistics area. The central driver of the substantially improved logistics efficiency is the new fulfillment center in Wroclaw, Poland launched in the second quarter of the financial year 2013, as well as further efficiency improvements made at both existing fulfillment centers. Despite a considerably higher proportion of international shipping, expenses on logistics reached a level of 20.5 % in relation to total sales, down 1.8 % from 22.3 % in the same period of the previous year.

In addition, expenses on customer acquisition and marketing were once again reduced from EUR 6.0 m to EUR 4.4 m in the first half of 2014 compared to the previous year period. In relation to total sales, this makes up a level of 1.7 %, compared to 3.0 % in the previous year. This positive result was particularly made possible by specific efficiency improvements and further optimization in the marketing approach. Despite the reduction in expenses for customer acquisition and marketing, the growth rate remains high.

Personnel costs developed by a substantially below-average amount compared to total sales in the first half of 2014, and this resulted in a reduced personnel costs ratio of 4.1 % compared to 4.6 % in the previous year period. In absolute terms, personnel costs increased from EUR 9.2 m to EUR 10.5 m in the period under review.

Total payment transaction costs amounted to EUR 3.3 m in the reporting period compared to EUR 2.9 m in the previous year period, while as a percentage of total sales it fell slightly to 1.3 % compared to 1.4 % in the previous year period.

iii. Earnings development

In the first half of 2014, the company generated positive earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 3.8 m compared to EUR 0.0 m in the same period of 2013, and was therefore able to make a substantial improvement on the earnings side. Earnings before taxes (EBT) came in at EUR 3.3 m during the same period compared to EUR -0.5 m in the previous year period 2013. In addition, the consolidated net result was recorded at EUR 2.0 m compared to EUR -0.6 m in the first half of the financial year 2013.

Significant economies of scale and efficiency improvements in operating areas as well as further dynamic growth as stated earlier formed the basis for earnings development.

c. Net assets

As of June 30, 2014, non-current assets totaled EUR 13.8 m compared to EUR 12.5 m as of December 31, 2013. The rise in intangible assets is influenced by the introduction of a new transaction platform for shop, order and finance management. At the same time, the positive earnings development contributed to a decline in deferred tax assets.

Current assets stood at EUR 84.1 m as of the reporting date June 30, 2014, compared to EUR 71.3 m as of the end of 2013. The change is largely attributable to the increase in inventories, prepayments made and accounts receivable. In addition, cash and cash equivalents recorded a significant rise from EUR 5.6 m to EUR 11.1 m on the back of the cash inflow from the capital increase from conditional capital. This was offset by the decline in other current assets.

Equity totaled EUR 43.9 m on June 30, 2014, clearly up on the level on the balance sheet date December 31, 2013. The change mainly resulted from the capital increase from conditional capital totaling EUR 4.6 m as well as the positive consolidated net result of EUR 2.0 m. This resulted in an equity ratio of 44.8 % as of June 30, 2014 which lies above the long-term target range of a balance sheet equity ratio between 30 % and 40 %. As part of the capital increase from conditional capital, 266,572 new shares with a notional interest of EUR 1.00 per share in the share capital were subscribed. Subscribed capital therefore increased from EUR 6,101,639.00 by EUR 266,572 to EUR 6,368,211.00. The capital reserves increased mainly due to the premium from the capital increase as of June 30, 2014 to EUR 55,116,903.74 compared to EUR 50,258,447.53 EUR as of December 31, 2013.

Accounts payable increased to EUR 18.7 m as of June 30, 2014 compared to EUR 16.3 m at the end of 2013. At the same time, other current liabilities rose from EUR 12.7 m to EUR 15.8 m as of June 30, 2014 compared to the end of the previous year.

Financial liabilities totaled EUR 13.0 m on June 30, 2014, remaining on a par with the level on December 31, 2013. The company continues to have flexible lines of credit available worth a total of EUR 25.0 m, of which the named EUR 13.0 m had been used as of June 30, 2014.

As of June 30, 2014, total assets came in at EUR 97.9 m and were therefore up on the EUR 83.7 m posted on December 31, 2013.

d. Financial situation

Cash flow from operating activities came in at EUR 3.2 m in the reporting period compared to EUR -6.3 m in the first half of 2013. The operating cash flow was mainly positively influenced by half-year earnings, as well as by the improvements in working capital. Cash flow from investing activities amounted to EUR -2.2 m, compared to EUR -2.6 m in the same period in the previous year. The payouts relate to the transaction system for shop, order and finance management that is currently in the conception and implementation phase. Cash flow from financing activities was recorded at EUR 4.4 m and largely relates to the incoming funds from the capital increase from conditional capital.

In summary, as a retail company, zooplus is subject to substantial volatility with regard to items that are of relevance to both the balance sheet and cash flow, such as inventories, liabilities and VAT. This has led to significantly higher natural fluctuations in these figures during the course of the year as compared to the development of our earnings.

e. Summary statement on zooplus' financial position

With growth in total sales of almost 30 % to EUR 257.0 m as well as a substantial EUR 3.8 m improvement in earnings year-on-year from EUR -0.5 m to EUR 3.3 m, the first half of the financial year 2014 can be viewed as a positive overall.

2. Report on events after the balance sheet date

Following the end of the first half of 2014, no affairs of material importance occurred which impacted on the net assets, financing position and results of operations.

3. Outlook, risks and opportunities

A. Outlook

According to the most recent forecasts, the economic conditions should remain stable overall in 2014. We are nevertheless expecting a slight increase in overall sales in the pet supplies sector over this period of time.

Irrespective of this, however, we anticipate that the Internet (e-commerce) will continue to grow further in importance as a sales channel in the coming years and develop at a faster rate than the market overall. zooplus will benefit substantially from this.

On the back of the high level of sustained growth, the Management Board has decided to increase the forecast with regard to total sales: The forecast for total sales for the current financial year is being raised from EUR 500 m to at least EUR 530 m.

Over and above this, we are reiterating our forecasts and anticipating the following results for the financial year 2014:

- Earnings before interest, taxes, depreciation and amortization (EBITDA) of around EUR 8 m
- Earnings before taxes (EBT) of around EUR 6 m

The following factors will drive the anticipated development in the earnings position, net assets and financial position:

- We are expecting a further rise in overall sales across all European markets based on an increase in the number of active customers (new and existing) for 2014.
- We anticipate a slight reduction in the gross margin (in relation to total sales) for 2014.
- We also expect that expenses for logistics and fulfillment will decline in relation to total sales in 2014 due to increased efficiency and economies of scale.
- In new customer accounts, we are forecasting stable advertising costs in relation to total sales for 2014.
- We expect an equity ratio of between 30 % and 40 %.
- We anticipate being able to maintain our position as market leader in the online pet supplies sector.

As in previous years, the prime focus for 2014 will be on the company's growth. In addition, sustainably boosting earnings is also an important element of our strategy.

B. Report on risks

The risk situation of zooplus AG has not changed significantly since the presentation of risks in the annual report 2013 (pages 44 to 47).

C. Report on opportunities

The opportunity situation of zooplus AG has not changed significantly since the presentation of opportunities in the annual report 2013 (pages 47 to 48).

Consolidated interim financial statements as of June 30, 2014

Consolidated balance sheet as of June 30, 2014 in accordance with IFRS

Assets

in EUR		30.06.2014	31.12.2013
A.	NON-CURRENT ASSETS		
I.	Property, plant and equipment	621,917.22	530,615.65
II.	Intangible assets	6,916,670.41	4,924,346.34
III.	Other financial assets	47,708.71	47,708.71
IV.	Deferred tax assets	6,188,312.56	6,949,481.16
	Non-current assets, total	**13,774,608.90**	**12,452,151.86**
B.	CURRENT ASSETS		
I.	Inventories	47,920,173.73	43,658,315.05
II.	Advance payments	4,015,617.82	260,657.65
III.	Accounts receivable	12,910,413.68	10,785,686.09
IV.	Other current assets	8,261,731.49	10,913,863.52
V.	Derivative financial instruments	0.00	0.00
VI.	Cash and cash equivalents	11,053,947.60	5,646,622.19
	Current assets, total	**84,161,884.32**	**71,265,144.50**
		97,936,493.22	**83,717,296.36**

Equity and Liabilities

in EUR		30.06.2014	31.12.2013
A.	EQUITY		
I.	Subscribed capital	6,368,211.00	6,101,639.00
II.	Capital reserves	55,116,903.74	50,258,477.53
III.	Other reserves	76,229.08	39,503.54
IV.	Profit / loss for the period and losses carried forward	-17,712,072.78	-19,686,820.01
	Equity, total	**43,849,271.04**	**36,712,800.06**
B.	NON-CURRENT LIABILITIES	750,873.49	525,072.49
C.	CURRENT LIABILITIES		
I.	Accounts payable	18,679,871.99	16,249,048.76
II.	Financial liabilities	13,000,000.00	13,000,000.00
III.	Derivative financial instruments	43,964.79	79,341.01
IV.	Other current liabilities	15,844,924.82	12,678,391.23
V.	Tax liabilities	1,309,824.86	770,491.86
VI.	Provisions	3,356,175.72	2,712,781.09
VII.	Deferred items	1,101,586.51	989,369.86
	Current liabilities, total	**53,336,348.69**	**46,479,423.81**
		97,936, 493.22	**83,717,296.36**

Consolidated statement of comprehensive income from January 1 to June 30, 2014 in accordance with IFRS

in EUR	H1 / 2014	H1 / 2013	Q2 / 2014	Q2 / 2013
Sales	244,825,260.40	190,193,444.93	124,144,102.43	97,385,046.72
Other income	12,167,553.97	8,629,917.53	6,538,748.68	4,396,888.48
Total sales	**256,992,814.37**	**198,823,362.46**	**130,682,851.11**	**101,781,935.20**
Cost of materials	-175,166,578.02	-129,902,829.71	-89,654,378.47	-66,756,591.90
Personnel costs	-10,518,482.64	-9,189,496.70	-5,099,977.20	-4,579,844.51
of which cash	(-10,025,494.43)	(-8,803,442.8)	(-4,875,072.4)	(-4,365,701.93)
of which non-cash	(-492,988.21)	(-386,053.90)	(-224,904.8)	(-214,142.58)
Depreciation	-338,622.63	-345,740.41	-163,851.51	-176,652.76
Other expenses	-67,491,864.80	-59,756,917.81	-33,639,965.07	-29,930,028.88
of which logistics / fulfillment	(-52,677,870.81)	(-44,367,496.04)	(-26,303,407.9)	(-22,319,151.16)
of which marketing	(-4,412,562.62)	(-5,964,689.23)	(-2,068,124.78)	(-2,781,948.91)
of which payment	(-3,337,901.99)	(-2,868,949.26)	(-1,525,494.58)	(-1,448,846.96)
of which others	(-7,063,529.38)	(-6,555,783.28)	(-3,742,937.81)	(-3,380,081.85)
Operating income	**3,477,266.28**	**-371,622.17**	**2,124,678.86**	**338,817.15**
Financial income	334.82	2,654.61	94.19	693.60
Financial expenses	-191,876.49	-168,742.05	-87,507.31	-97,696.77
Earnings before taxes	**3,285,724.61**	**-537,709.61**	**2,037,265.74**	**241,813.98**
Taxes on income	-1,310,977.38	-105,766.35	-763,845.57	-241,973.59
Consolidated net result	**1,974,747.23**	**-643,475.96**	**1,273,420.17**	**-159.61**
Differences from currency translation	13,014.63	6,230.20	19,822.12	19,488.75
Hedge Reserve	23,710.91	240,719.38	-18,372.82	832.44
Items subsequently reclassified to profit or loss	**36,725.54**	**246,949.58**	**1,449.30**	**20,321.19**
Overall result	**2,011,472.77**	**-396,526.38**	**1,274,869.47**	**20,161.58**
Consolidated earnings per share				
undiluted (EUR / share)	0.32	-0.11	0.21	0.00
diluted (EUR / share)	0.31	-0.11	0.20	0.00

Group cash flow statement from January 1 to June 30, 2014 in accordance with IFRS

in EUR	H1 / 2014	H1 / 2013
Cash flows from operating activities		
Earnings before taxes from operating activities	3,285,724.61	-537,709.61
Allowances for:		
Depreciation of fixed assets	338,622.63	345,740.41
Non-cash personnel expenses	492,988.21	386,053.90
Other non-cash business transactions or business transactions resulting in payment in a different period	13,762.10	1,606,230.20
Financial expenses	191,876.49	168,742.05
Financial income	-334.82	-2,654.61
Changes in:		
Inventories	-4,261,858.68	-4,962,850.23
Advance payments	-3,754,960.17	-1,980,713.40
Accounts receivable	-2,124,727.59	-2,050,992.08
Other current assets	2,652,132.03	3,188,480.48
Accounts payable	2,229,345.23	-3,716,556.82
Other liabilities	3,166,533.59	1,121,889.27
Provisions	643,394.63	105,494.55
Non-current liabilities	225,801.00	0.00
Deferred items	112,216.65	15,983.68
Taxes on income paid	-19,943.95	-22,579.12
Interest income	334.82	2,654.61
Cash flows from operating activities	**3,190,906.78**	**-6,332,786.72**
Cash flows from investing activities		
Payments from financial investments	0.00	27,708.71
Payments for property, plant and equipment / intangible assets	-2,219,739.52	-2,621,737.00
Cash flows from investing activities	**-2,219,739.52**	**-2,594,028.29**
Cash flows from financing activities		
Payment from capital increase	4,632,010.00	0.00
Cash-inflow from loans	0.00	11,000,000.00
Interest paid	-191,876.49	-168,742.05
Cash flows from financing activities	**4,440,133.51**	**10,831,257.95**
Influence from currency effects on cash and cash equivalents	-3,975.36	-27,327.08
Net change of cash and cash equivalents	**5,407,325.41**	**1,877,115.86**
Cash and cash equivalents at the beginning of the period	5,646,622.19	2,979,781.66
Cash and cash equivalents at the end of the period	11,053,947.60	4,856,897.52
Composition of funds balance at the end of the period		
Cash on hand, bank deposits, and checks	11,053,947.60	4,856,897.52
	11,053,947.60	**4,856,897.52**

Group statement of changes in equity as of June 30, 2014

in EUR	Subscribed capital	Capital reserves	Other reserves	Profit / loss for the period and losses carried forward	Total
As of January 1, 2014	**6,101,639.00**	**50,258,477.53**	**39,503.54**	**-19,686,820.01**	**36,712,800.06**
Additions from stock options	266,572.00	4,858,426.21	0.00	0.00	5,124,998.21
Currency adjustment items	0.00	0.00	13,014.63	0.00	13,014.63
Result H1 / 2014	0.00	0.00	0.00	1,974,747.23	1,974,747.23
Hedge Reserve	0.00	0.00	23,710.91	0.00	23,710.91
As of June 30, 2014	**6,368,211.00**	**55,116,903.74**	**76,229.08**	**-17,712,072.78**	**43,849,271.04**
As of January 1, 2013	**6,100,639.00**	**49,389,582.73**	**-127,444.67**	**-21,468,773.85**	**33,894,003.21**
Additions from stock options	0.00	386,053.90	0.00	0.00	386,053.90
Currency adjustment items	0.00	0.00	6,230.20	0.00	6,230.20
Result H1 / 2013	0.00	0.00	0.00	-643,475.96	-643,475.96
Hedge Reserve	0.00	0.00	240,719.38	0.00	240,719.38
As of June 30, 2013	**6,100,639.00**	**49,775,636.63**	**119,504.91**	**-22,112,249.81**	**33,883,530.73**

Notes

Notes

Explanatory notes on the interim consolidated financial statements

Accounting principles

This semi-annual report ending June 30, 2014 was drawn up in accordance with the International Financial Reporting Standards as they are to be applied in the European Union (EU). These consolidated financial statements conform with IAS 34 "Interim Financial Reporting".

The same accounting and measurement principles were applied as in the consolidated financial statements for the financial year ending December 31, 2013.

Equity

Subscribed capital
The subscribed capital corresponds to zooplus AG's share capital and totals EUR 6,368,211.00 (previous year: EUR 6,101,639.00). 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 the first half of 2014, zooplus AG's subscribed capital increased as a result of the subscribing of a total of 266,572 shares as part of a capital increase from conditional capital 2007 / I as well as 2010 / I, and therefore from EUR 6,101,639.00 by a total of EUR 266,572.00 to EUR 6,368,211.00.

Capital reserves
As of June 30, 2014, the capital reserves totaled EUR 55,116,903.74. The increase in the capital reserves mainly resulted from the premium from the capital increase from conditional capital totaling EUR 4,365,438.00. As of June 30, 2014, this was structured as follows:

in kEUR	30.06.2014	31.12.2013
Capital reserves paid during financing rounds	43,031	43,031
Converted shareholder loans	4,820	4,820
Capital increase from company resources	-2,809	-2,809
Capital reserves from increases out of conditional capital	6,413	2,048
Debentures / employee share options	3,662	3,168
Total	**55,117**	**50,258**

The stock options changed as follows:

	Stock option program (SOP)		
	2007 / I*	2010 / I**	2012 / I***
Outstanding at the beginning of the reporting period (01.01.2014)	200	182,000	97,500
Lapsed in the reporting period	0	2,000	6,500
Exercised in the reporting period	-200	132,286	0
Granted in the reporting period	0	0	0
Outstanding at the end of the reporting period (30.06.2014)	**0**	**47,714**	**91,000**

* One option authorizes the purchase of 10 shares
** One option authorizes the purchase of 2 shares
*** One option authorizes the purchase of one share

Disclosures on fair value measurement:

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 shows financial instruments which are measured at fair value, categorized according to the levels of the Fair Value hierarchy. The different levels are as follows:

- Level 1: Non-adjusted quoted prices on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable input factors which cannot be categorized as level 1
- Level 3: Non-observable input factors

The following table shows the assets and liabilities that are measured at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	0	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	44	0

The following table shows the assets and liabilities that are measured at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	0	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	79	0

No recategorizations were made between the respective levels during the reporting period. If circumstances occur which make a different categorization necessary, recategorizations are made on a quarterly basis.

The fair value of financial instruments which are traded on the active market is based on the market price trading on the balance sheet date. A market is regarded as active when listed market prices are easily and regularly available on the stock market, from a trader, broker, an industry group, a pricing service or a supervisory body and these market prices correspond to current and regular transactions between third parties. For assets held by the Group, the appropriate quoted market price corresponds with the buying price offered by the buyer. The fair value of the financial instruments that are not traded on an active market (e.g. over the counter derivatives) is determined using a valuation method. The fair value is therefore determined using the results of a valuation method which is based to the greatest extent possible on market data and as little as possible on company-specific data. If all data required for the fair value is observable, the instrument is allocated to level 2. If one or more of the important pieces of data is not based on observable market data, the instrument is assigned to level 3.

Specific measurement methods used for the measurement of financial instruments include present value models based on market data valid on the reporting date.

Additional information on financial instruments

The following table displays the carrying amount and fair value of all of the financial instruments contained in the consolidated financial statements and shows the allocation of the assets and liabilities as well as the parts of the balance sheet items to the measurement categories pursuant to IAS 39:

in kEUR	Measurement category	Carrying amount		Fair value	
		30.06.2014	31.12.2013	30.06.2014	31.12.2013
Financial assets					
Accounts receivable	LaR	12,910	10,786	12,910	10,786
Other financial assets	AfS	48	48	n / a	n / a
Other current assets of which financial instruments pursuant to IFRS 7	LaR	3,242	7,308	3,242	7,308
Derivative financial instruments	n / a	0	0	0	0
Cash and cash equivalents	LaR	11,054	5,647	11,054	5,647
Total		**27,254**	**23,789**	**27,206**	**23,741**
Financial liabilities					
Financial debt	FLaC	13,000	13,000	13,000	13,000
Accounts payable	FLaC	18,922	16,249	18,922	16,249
Other liabilities of which financial liabilities pursuant to IFRS 7	FLaC	3,528	2,914	3,528	2,914
Derivative financial instruments	n / a	44	79	44	79
Total		**35,494**	**32,242**	**35,494**	**32,242**

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

The market values of the cash and cash equivalents, accounts receivable, current assets, accounts payable and other current liabilities as of June 30, 2014 and December 31, 2013 correspond to their carrying amounts. This is primarily due to these instruments' short terms.

For the other financial assets (interests in non-consolidated Group companies), an active market or traded price cannot be used for measurement, and the fair value cannot be determined in another way, which is why a disclosure of the fair value is omitted. These instruments are not intended to be sold.

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

Grouped according to the measurement categories of IAS 39, the figures break down as follows:

in kEUR	Measurement category	Carrying amount		Fair value	
		30.06.2014	31.12.2013	30.06.2014	31.12.2013
Financial assets					
Loans and Receivable	LaR	27,206	23,741	27,206	23,741
Available for Sale	AfS	48	48	n / a	n / a
Financial liabilities					
Financial Liability at amortized Cost	FLaC	35,450	32,163	35,450	32,163

Scope of consolidation

As of June 30, 2014, the scope of fully consolidated members of the Group included zooplus AG, Munich, as well as the following subsidiaries:

	Equity share	
matina GmbH, Munich	100 %	(private label business)
bitiba GmbH, Munich	100 %	(second-brand business)
zooplus services Ltd., Oxford, UK	100 %	(service company for the UK)
zooplus italia s.r.l., Genoa, Italy	100 %	(service company for Italy)
zooplus polska Sp. z o.o., Cracow, Poland	100 %	(service company for Poland)
zooplus services ESP S.L., Madrid, Spain	100 %	(service company for Spain)
zooplus france S.A.R.L, Strasbourg, France	100 %	(service company for France)
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100 %	(sales company for Turkey)

The following subsidiaries have not been included in the consolidated financial statements:

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

These four companies did not conduct any business activities during the financial year and are therefore not included in the consolidated financial statements due to their lack of importance.

Segment reporting

The zooplus Group only operates in one business segment – the sale and distribution of pet supplies in EU and European states. The range of products distributed by the company is homogenous and cannot be sub-divided. As an Internet retailer, the company offers its products centrally from one location irrespective of the geographic location of the customers. No geographic segments therefore exist pursuant to IFRS. No segment reporting currently takes place internally either. Consequently, the Group does not provide or produce any segment-oriented reports.

Earnings per share

Undiluted earnings per share are calculated as a quotient from earnings for the period to be allocated to bearers of ordinary shares of the parent company and the weighted average of ordinary shares in circulation during the reporting period. The consolidated net result for the first six months of 2014 was EUR 2.0 m (previous year: EUR -0.6 m). The average number of shares in the first six months of 2014 stands at 6,106,057. This resulted in undiluted earnings per share of EUR 0.32 (previous year: EUR -0.11).

Diluted earnings per share are calculated by dividing the earnings for the period to be allocated to bearers of ordinary shares of the parent company by the weighted average quantity of ordinary shares in circulation during the reporting period plus the share equivalents leading to the dilution. This resulted in notional earnings of EUR 0.31 per share (previous year: EUR -0.11).

Disclosure pursuant to section 37w para. 5 of the German Securities Trading Act

These interim financial statements and the interim management report, like all regular company interim reports, have not been subjected to review by an auditor of annual accounts.

German Corporate Governance Code

zooplus AG's corporate governance declaration based upon section 161 of the German Stock Corporation 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, August 19, 2014

The Management Board

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, August 19, 2014

The Management Board

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

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

Forward-looking statements

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees for the realization of the future developments and results stated. The future developments and results are dependent on a wide range of factors. They encompass various risks and uncertainties, and are based upon assumptions as to future events that may not be accurate. Such factors include those discussed in the report on risks on page 13. We do not assume any obligation to update the forward-looking statements contained in this report.

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