zooplus Aktiengesellschaft

9-monthly Report 2008

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Content

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Highlights 9M 2008

- 50% increase in total sales (i.e. sales and other operating income) from EUR 39,1 mm to EUR 58,9 mm over 9M 2007
- EBIT improved to EUR 2,2 mm (9M 2007: EUR 0,4 mm) – before/excluding additional positive one-off effects
- EBIT-margin increased to 3,8% (9M 2007: 1,1 %) – before/excluding additional one-offs
- Consolidated net earnings increased to EUR 2,2 mm (9M 2007: EUR 0,3 mm) - before/excluding positive one-offs
- Total 9M 2008 positive one-off effects of EUR 2,8 mm due to mandatory post-ipo IFRS conversion effects
- Stock price increase from EUR 26,00 at listing to EUR 29,30 as of October 31st 2008
- Successful first 9 months reaffirm positive 2008 sales and earnings guidance

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The Share

zooplus' total registered capital as of September 30th 2008 comprised 2.406.020 no-par value bearer shares representing a pro rata amount of the registered share capital of EUR 1,00 each.

zooplus AG's shares were publicly listed on the Entry Standard segment of the Open Market of the Frankfurt Stock Exchange on May 9th 2008. First trading occurred at EUR 26,00 per share.

As of October 31st 2008, the zooplus share price had increased by approximately 12,7 % to EUR 29,30.

zooplus AG is identified as follows:

International Securities Identification Number (ISIN): DE0005111702

German securities identification (WKN): 511170

Common Code: 036001097

The company's total free float (according to the criteria of Deutsche Boerse AG) stands at 5 %.

zooplus AG's designated sponsor is JPMorgan Cazenove.

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Consolidated notes

zooplus AG

zooplus AG was set up in June 1999. The company is a leading online pet supplies retailer in Germany and other European countries. The company's core markets are Germany, Austria, France as well as the United Kingdom and the Netherlands. In total, zooplus operates 9 country-specific websites in Western and Central Europe. zooplus' most recent market entry has been the Spanish market via zooplus.es. Moreover, zooplus operates a second retail label "bitiba.de" as well as an international and multinational website "zooplus.com".

The majority of its sales (product sales and other operational income) is generated through pet supplies retail (food and non-food) through the company's websites. In total, zooplus offers approximately 7.000 different products. Most of its sales are generated through selling stocked products, thereby aiming to achieve a high degree of product availability across all European markets. In addition, certain products are shipped directly by zooplus' suppliers and manufacturers. In both cases, the product distribution is carried out by selected parcel distributors. zooplus' European distribution center is located in Staufenberg / Lower Saxony / Germany.

The company's operational headquarter is based in Unterfoehring / Germany (as of Q4 08: Munich). Fully consolidated and 100%-owned subsidiaries of the company are Matina GmbH (Rosenheim, Germany), Bitiba GmbH (Hannover, Germany) as well as zooplus services ltd (Oxford, UK; formerly zooplus retail ltd).

Market and Trading Environment

Key factors of zooplus' trading performance tend to be the sector-specific as well as generic influences on the German and European retail climate. These are, among others, the general consumer climate, the development of the German as well as European pet supplies markets as well as the development of online retail within the pets supplies market in particular.

In total, the overall retail market volume for pet supplies amounted to approximately EUR 17,0 bln within the European Union in 2007. This makes pet supplies a medium-sized niche market within the overall consumer retail sector. zooplus estimates that the overall market will remain stable for the near future. In addition, zooplus benefits from the general growth of online retail which leading research institutes expect to continue over the coming years.

In comparison with other retail segments, the present share of online retail out of total retail is relatively modest within the pets supplies sector. As a leading player, zooplus is well positioned to benefit from further growth in this area.

zooplus' product sales are only subject to minor seasonality effects due to relatively stable and constant underlying demand structures (in the areas of pet foods and other recurring demands).

On the backdrop of a weakening overall business and consumer climate in large areas of Western Europe zooplus considers itself well-prepared and positioned as an online-only retailer. As of November 2008, zooplus has not seen any major noticeable detrimental effects with respect to sales or profit dynamics. This so far confirms the company's previous experiences during economic downturns which were mostly limited in effect to the traditional offline retail sector within the pet supplies space. In addition, pet supplies as a product category historically tends to show relatively low degrees of price and demand sensitivities also within the context of a weaker overall economic climate. In addition, the management believes that times of weaker consumer sentiment generally tend to open up new business opportunities for online retailers as consumers tend to spend more time on looking for alternative and better ways of shopping. In total, the management believes that zooplus will emerge with a stronger and considerably improved overall competitive positioning out of any potential economic and demand downturn.

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Key financials

All percentage figures outlined below are approximate figures and might be subject to rounding differences with respect to the more detailed figures shown in the consolidated accounts.

Development of total sales and income

Overall, total sales increased by 50 % from EUR 39,1 mm to EUR 58,9 mm y-o-y. This reflects organic sales growth both domestically and internationally as well as a sustained increase in other operating income during the period on the backdrop of the company's overall growth.

Development of major expenditure items

Costs of goods sold (cost of materials) did only increase below the overall rate of sales growth y-o-y. During the first 9 months of 2008 COGS amounted to 59,3 % of total sales, which is down from 59,9 % of total sales y-o-y. In tune, the company's net product sales margin increased from 40,1 % in 9M 2007 to 40,7 % in 9M 2008.

Also to be remarked upon is the below-par (= less than overall sales growth) increase in personnel costs y-o-y. Total personnel costs increased from EUR 2,3 mm to EUR 3,0 mm. This corresponds to an improvement of zooplus' overall personnel cost quota from 6,0 % to 4,9 % (of total sales).

Other expenses increased from EUR 12,7 mm in 9M 2007 to EUR 18,6 mm in 9M 2008. This also reflects a positive below-par increase. As a result, other expenses decreased from 32,5 % to 31,5 % of total sales.

Total depreciation increased from EUR 0,2 mm to EUR 0,3 mm y-o-y.

It is important to note that the 9M 2008 results are subject to 2 major one-off effects which result in a net improvement of overall earnings to an amount of approximately EUR 2,8 mm.

The first effect (shown under the company's positive tax income) is due to the capitalization of the tax advantages of the company's tax losses carried forward. The validity of the company's claim to fiscally make use of these losses carried forward (emanating from the company's first years in business) was finally and legally acknowledged by the German tax authorities in early 2008. Under IFRS accounting standards this necessarily leads to a positive EUR 4,8 mm (non-cash) one-off effect.

The second effect is due to the company's listing at the Frankfurt Stock Exchange in May 2008. Whilst until q1 2008 all IPO-related costs were capitalized under IFRS rules, the successful listing means that with the end of the IPO project all related costs had to be shown through the company's profit & loss accounts. This amounts to EUR 2,0 mm overall.

In total, these one-off effects result in a positive effect of approximately EUR 2,8 mm. In the following, we have tried to separate out these one-off effects whenever sensibly possible for transparency reasons.

Earnings Development

Total operating income (excluding one-offs) improved form EUR 0,4 mm to EUR 2,2 mm y-o-y.

Including one-off IPO costs, total operating income stood at EUR 0,3 mm. It is to be noted, however, that a large proportion of these one-off effects were occurred and became cash-effective in 2006 and 2007 already.

EBIT and consolidated Earnings

Overall EBIT improved form EUR 0,4 mm to EUR 2,2 mm y-o-y (excluding one-offs).

Consolidated profits (after tax) improved from EUR 0,3 mm during 9M 2007 to EUR 4,8 mm during 9M 2008. This includes the one-off effects outlined above.

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On a pro forma comparable basis (excluding one-off effects), consolidated profits (after tax) improved form EUR 0,3 mm to EUR 2,0 mm y-o-y.

Assets and Financing

Total long-term assets were EUR 5,2 mm at the end of September 2008 and, therefore, up EUR 4,2 mm compared to year end 2007. This mainly reflects the one-off tax effect described above.

Total short-term assets increased from EUR 10,6 mm at the end of 2007 to EUR 12,5 mm at the end of the first 9 months of 2008. The main reason behind this development was a notable increase in inventory due to the expansion of the company's private label and direct sourcing business as well as a planned increase in SKUs and product availability. In addition, accounts receivable increased - albeit below the rate of the company's underlying sales growth. It should be noted that total write-offs regarding accounts receivable remain constantly low at approximately 1 % of total sales.

Total equity stood at EUR 8,9 mm at the end of 9M 2008 versus EUR 4,0 mm as of Dec 31st 2007. The current equity-to-debt ratio, therefore, stands at 50 %.

Accounts payable amounted to EUR 4,7 mm as of September 30th 2008 versus EUR 3,1 mm at the end of 2007.

The company has a flexible bank overdraft of up to EUR 2,5 mm at its disposal which it uses opportunistically for its working capital financing needs.

Other liabilities including financial debt remained relatively constant with a slight increase from EUR 4,0 mm to EUR 4,1 mm during the first nine months of the year. A major component of these financial debts are national and international VAT liabilities which the company settles at regular intervals.

All in all, the company's total balance sheet volume amounted to EUR 17,7 mm at the end of September 2008 versus EUR 11,6 mm at the end of 2007.

Cash flow from operations was EUR -1,4 mm in 9M 2008 versus EUR -0,6 mm in 9M 2007. This reflects, among others, VAT payments in various European countries as well as a deliberate one-off expansion of stocks and warehousing capacity. Considerably lower were cash flow from investing activities (EUR -0,3 mm in 9M 2008 vs. EUR -0,7 mm in 9M 2007). Cash flow from financing activities (EUR – 0,6 mm in 9M 2008 versus EUR 1,9 mm in 9M 2007) were influenced by the company's EUR 1,9 mm capital increase in June 2007 and the final repayment of the last remaining shareholder loan of EUR 0,5 mm in h1 2008.

As an online retail operation, zooplus is subject to considerable volatilities in key balance-sheet and cash-flow figures such as inventory, accounts payable or VAT liabilities. This results in markedly higher numeric swings and volatilities than the company's underlying earnings might suggest.

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Current Outlook

zooplus has had an excellent 9M 2008 by successfully combining both strong growth and earnings momentum. This is setting the benchmark for zooplus' short- and medium term future and causes the management to revise upwards its current outlook. For 2008 as a whole the company expects to generate an EBIT (excluding one-off effects with an additional positive overall effect) in a range of EUR 2,8 – 3,0 mm on sales of at least EUR 80 mm. This represents a y-o-y growth rate of around 45 % and an approximate tripling of EBIT.

The company aims to move its current listing at Frankfurt Stock Exchange's Open Market "Entry Standard" segment to the regulated "Prime Standard" market segment in the second half of 2009 and is also investigating a potential secondary listing on the London Stock Exchange in the course or after such a transaction has been completed.

Important events after the end of the third quarter did not occur apart from the successful completion of the move of the company's headquarters from Unterfoehring to downtown Munich. This also requires to adapt the company's legal and tax registration accordingly. To that effect, an extraordinary general meeting will take place on December 12th 2008.

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Consolidated Balance Sheet

Consolidated Balance Sheet as of September 30th 2008 (IFRS)			
		Sep 30th 2008 Euro	Dec 31st 2007 Euro
A. ASSETS			
I.	**LONG-TERM ASSETS**	**558.965,51**	**495.724,38**
II.	Intangible assets	318.189,16	440.530,54
III.	Financial assets	22.483,50	22.483,50
IV.	Deferred tax assets	4.289.302,41	48.870,22
	Total long-term assets	**5.188.940,58**	**1.007.608,64**
B.	**SHORT-TERM ASSETS**		
I.	Inventory	7.290.853,62	3.347.914,84
II.	Advance payments	288.028,07	369.983,34
III.	Accounts receivable	3.625.099,79	2.572.256,53
IV.	Other short-term assets	1.032.203,78	2.939.630,99
V.	Cash in hand and cash equivalents	294.397,56	1.408.758,81
	Total short-term assets	**12.530.582,82**	**10.638.544,51**
		17.719.523,40	**11.646.153,15**
LIABILITIES			
A.	EQUITY		
I.	Capital subscribed	2.406.020,00	2.386.150,00
II.	Capital reserves	20.511.350,21	20.458.480,93
III.	Other reserves	-199,83	-9,32
IV.	Profit and Loss carried forward	-14.025.167,68	-18.838.800,92
	Total equity	**8.892.002,70**	**4.005.820,69**
B.	LONG-TERM DEBT		
	Deferred tax liabilities	**0,00**	**384.939,37**
C.	SHORT-TERM DEBT		
I.	Accounts payable	4.672.788,25	3.134.639,42
II.	Financial debt	1.466.730,77	839.417,51
III.	Other short-term liabilities	2.597.751,68	3.237.888,83
IV.	Tax liabilities	31.850,00	47,33
V.	Provisions	58.400,00	43.400,00
	Total short-term debt	**8.827.520,70**	**7.255.393,09**
		17.719.523,40	**11.646.153,15**

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Consolidated Income Statement

Consolidated Income Statement as of September 30th 2008 (IFRS)			
		Jan-Sep 2008	**Jan-Sep 2007**
		Euro	**Euro**
Sales		55.693.609,05	37.183.836,01
Other operating income		3.161.302,10	1.935.233,02
Total sales		**58.854.911,15**	**39.119.069,03**
Cost of materials		-34.897.622,54	-23.420.740,52
Personnel costs		-2.891.205,57	-2.344.381,37
of which cash		(-2.847.078,99)	(-2.302.269,10)
of which non-cash		(-44.126,58)	(-42.112,27)
Depreciation		-275.639,34	-207.057,21
Other expenses		-18.557.983,79	-12.734.138,07
of which logistics / fulfillment		(-11.697.957,82)	(-9.018.165,20)
of which marketing		(-3.336.572,48)	(-2.098.891,48)
of which payment		(-578.744,75)	(-329.226,49)
Operating income (excluding IPO costs)		**2.232.459,91**	**412.751,86**
IPO costs		-1.981.354,51	0,00
Operating income after IPO costs		**251.105,40**	**412.751,86**
Financial income		11.757,51	10.705,82
Financial expense		-37.136,56	-35.137,32
Pre-tax profit		**225.726,35**	**388.320,36**
Taxes on income		4.587.906,89	-130.504,39
Consolidated net profit		**4.813.633,24**	**257.815,97**
Consolidated profit / loss per share			
undiluted	EUR/share	**2,02**	**0,19**
diluted	EUR/share	**2,01**	**0,18**

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Consolidated Cash Flow Statement

Consolidated Cash Flow Statement as of September 30th 2008 (IFRS)		
	31.06.2008	**31.06.2007**
	Euro	Euro
Cash-flow from operating activities		
Pre-tax operating profit	225.726,35	388.320,36
Allowances for:		
depreciation of fixed assets	275.639,34	207.057,21
non-cash personnel expenses	44.126,58	42.112,27
non-cash IPO expenses	1.371.110,83	0,00
other non-cash expenses	126.088,71	0,00
Financial expenses	37.136,56	35.137,32
Financial income	-11.757,51	-10.705,82
Changes in:		
Inventory	-3.942.938,78	18.386,21
Advance Payments	81.955,27	-155.075,77
Accounts receivable	-1.052.843,26	-1.005.740,45
Other short-term assets	536.316,38	-992.510,66
Accounts payable	1.538.148,83	-222.759,07
Other liabilities	-640.137,15	1.110.060,07
Provisions	15.000,00	10.600,00
Tax	-37.464,67	-8.589,97
Interest income	11.757,51	10.705,82
Cash-flow from operating activities	**-1.422.135,01**	**-573.002,48**
Cash-flow from investing activities		
Fixed Assets (net position)	-311.015,64	-703.057,64
Cash-flow from investing activities	**-311.015,64**	**-703.057,64**
Cash-flow from financing activities		
Capital increase	28.612,70	1.895.200,00
Loan repayments	-610.233,64	0,00
Interest paid	-37.136,56	-35.137,32
Cash-flow from financing activities	**-618.757,50**	**1.860.062,68**
Net change of cash and cash equivalents	**-2.351.908,15**	**584.002,56**
Cash and cash equivalents at the beginning of the period	1.179.574,94	596.632,78
Cash and cash equivalents at the end of the period	-1.172.333,21	1.180.635,34
Composition of funds balance at the end of the period		
Cash in hand, bank deposits, cheques	294.397,56	1.192.868,17
Overdraft balances	-1.466.730,77	-12.232,83
	-1.172.333,21	**1.180.635,34**

Consolidated changes in equity

Consolidated changes in equity as of September 30th 2008 (IFRS)					
	Capital subscribed	Capital reserves	Other reserves	Accumulated profit or loss	Total
	Euro	Euro		Euro	Euro
As of Jan 1st 2008	**2.386.150,00**	**20.458.480,93**	**-9,32**	**-18.838.800,92**	**4.005.820,69**
Additions from capital increase / stock options	19.870,00	52.869,28	0,00	0,00	72.739,28
Currency equalisation item	0,00	0,00	-190,51	0,00	-190,51
Net profit / loss 9 months 2008	0,00	0,00	0,00	4.813.633,24	4.813.633,24
As of Sep 30th 2008	**2.406.020,00**	**20.511.350,21**	**-199,83**	**-14.025.167,68**	**8.892.002,70**
As of Jan 1st 2007	**460.000,00**	**20.388.942,56**	**0,00**	**-19.464.815,97**	**1.384.126,59**
Additions from exercise of convertible debentures	13.800,00	0,00	0,00	0,00	13.800,00
Additions from capital increase / stock options	1.895.200,00	0,00	0,00	0,00	1.895.200,00
Currency equalisation item	0,00	42.112,27	0,00	0,00	42.112,27
Net profit / loss H1 2008	0,00	0,00	0,00	257.815,97	257.815,97
As of Sep 30th 2007	**2.369.000,00**	**20.431.054,83**	**0,00**	**-19.207.000,00**	**3.593.054,83**

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Consolidated Notes

Notes and comments regarding the 9M 2008 accounts

Accounting principles

The quarterly reports q3 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS) and are based on the same basic accounting principles as applied to the company's 2007 annual accounts.

Consolidation principles

The consolidated companies are: zooplus AG / Unterfoehring / Germany (registered under Amtsgericht Muenchen HRB 125080), Matina GmbH / Rosenheim / Germany (registered under Amtsgericht Traunstein HRB 16034) as well as Bitiba GmbH / Hannover / Germany (registered under Amtsgericht Hannover HRB 200699) and zooplus services ltd (formerly zooplus retail ltd) Oxford / UK (registered under company number 6118453, Companies House Cardiff). All subsidiaries are 100 % owned by zooplus AG.

Segmental reporting

zooplus AG is only active in one specific business segment; i.e. pet supplies retail within the European Union. All types of products sold are homogenous and indivisible into further specific segments. As an online retailer, the company distributes its products from one central location. Consequently, there are no further geographic segments to be identified. Moreover, the company does not internally divide along any other segments. As a consequence, the company does not report along separate business segments.

Earnings per share

Earnings per share (pre-dilution) are calculated on a weighted-average basis. During the period, the weighted average of shares was 2.391.626. Consequently, earnings per share (pre-dilution) were EUR 2,02 (previous year EUR 0,19).

Earnings per share (diluted) are calculated on a weighted-average basis of shares in circulation plus the total number of share equivalents resulting out of vested stock options which have not been exercised. As of September 31st 2008, 19.870 such share equivalents were in existence. The dilutory effect only marginally affects earnings per share at EUR 2,01 (previous year EUR 0,18).

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Financial calendar

Extraordinary General Meeting	December 12th 2008
Publication of annual report 2008	April 9th 2008
Annual General Shareholder Meeting 2009	Q2 2009

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