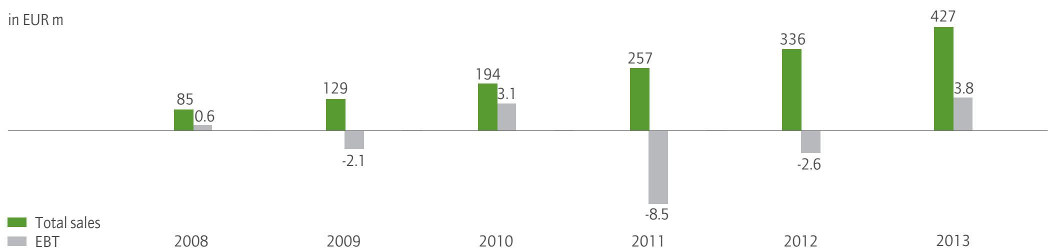
zooplus

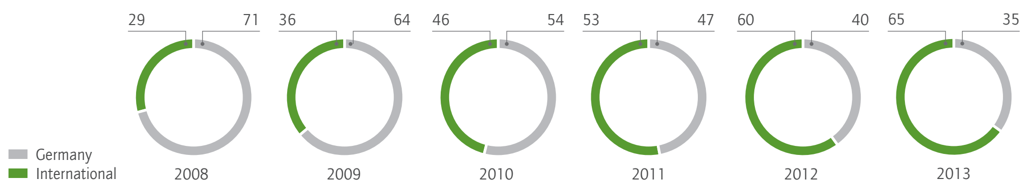
Annual report 2013

Key figures

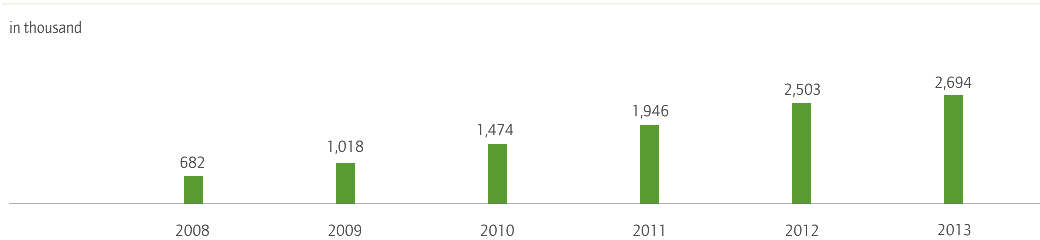
Total sales and EBT 2008-2013



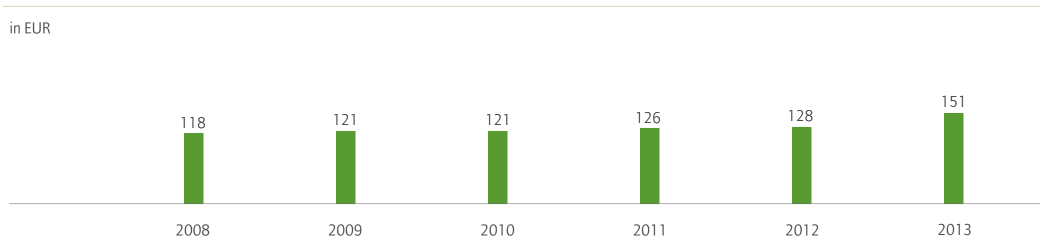
Sales origin in %



Active customers[1]



Sales per customer



[1] incl. first customers / one-off business

5 year performance overview

		2008	2009	2010	2011	2012	2013
Total sales	in EUR m	85.1	129.1	193.6	257.1	335.6	426.9
Active customers	in thousand	682	1,018	1,474	1,946	2,503	2,694
Sales	in EUR m	80.3	122.6	177.8	244.8	319.2	407.0
Other income	in EUR m	4.8	6.4	15.8	12.3	16.3	19.9
Gross profit	in EUR m	35.1	51.9	84.1	100.0	121.3	147.1
Gross margin	in %	41.2	40.2	43.4	38.9	36.2	34.5
EBITDA	in EUR m	1.1	-1.4	3.9	-6.8	-1.8	4.9
EBT	in EUR m	0.6	-2.1	3.1	-8.5	-2.6	3.8
EPS - Earnings per share[1]	in EUR / Share	2.41	-0.61	0.38	-1.07	-0.35	0.29
Employees	number	79	108	143	191	217	253
Balance sheet total	in EUR m	22.7	30.5	58.4	75.1	65.4	83.7
Inventories	in EUR m	9.0	12.5	20.6	25.5	32.3	43.7
Equity	in EUR m	9.9	9.5	21.2	35.5	33.9	36.7
Equity ratio	in %	43.6	31.1	36.3	47.3	51.9	43.9

[1] undiluted and starting in 2010 taking into account the capital increase from company funds carried out in 2011

Statement of comprehensive income Q1-Q4 / 2013

		Q1 / 2013	Q2 / 2013	Q3 / 2013	Q4 / 2013
Total sales	in EUR m	97.0	101.8	107.8	120.3
Sales	in EUR m	92.8	97.4	102.5	114.3
EBITDA	in EUR m	-0.5	0.5	2.0	2.9
EBT	in EUR m	-0.8	0.2	1.7	2.7

Highlights 2013

Total sales up 27 % to EUR 427 m

– Market leadership in online retailing expanded

New best marks in customer loyalty

– Value-for-money optimized

Cost efficiency substantially improved

– Third logistics center opened in Poland and marketing efficiency improved

Positive earnings before taxes (EBT) of EUR 3.8 m

– Up by EUR 6.4 m over the previous year

zooplus at a glance

Customers	• Present in 24 European countries • Strong USP from a customer perspective: Attractive pricing, selection and delivery quality • Continuous improvement in value-for-money
Company	• European online market leader with a significant edge over the competition • Outstanding international logistics for rapid delivery throughout Europe • Minimum of EUR 500 m in total sales by the end of 2014
Market	• Sales volume of European pet supply market currently around EUR 22 bn • Growing, stable overall market • Robust growth in online retailing in the pet supply sector

Company profile zooplus AG

zooplus AG was founded in 1999 and ranks as Europe's leading internet retailer for pet supplies. The company retails over 8,000 products for all major types of pets. Its product range most notably includes pet food (wet and dry food, food supplements), as well as accessories (such as scratching posts, dog baskets and toys) across all value ranges. In addition to a huge product range and the option of fast and free delivery, zooplus customers also benefit from a variety of interactive content and community features, such as veterinary advice and discussion forums. zooplus AG's business model has been successfully introduced in 24 European countries to date. This positions zooplus AG as the only genuinely pan-European online retailer for pet supplies. The company's total sales have risen since its IPO from EUR 85 m in 2008 to EUR 427 m in the financial year 2013.

Pet supplies are a key market segment within the European retail landscape. In 2012, sales of around EUR 22 bn were generated within the European pet supplies industry. Due to the ongoing "humanization" of pets in key industrialized countries, stable growth in the overall market is also anticipated for the coming years. In addition, continued significant growth is expected for internet retailing in Europe overall. zooplus AG is therefore anticipating continuously dynamic development on the back of these trends. In 2014, the company is targeting total sales of at least EUR 500 m.

Table of contents

To the shareholders

Letter of the Management Board

From left to right: Andreas Grandinger, Andrea Skersies and Dr. Cornelius Patt

Dear Sir or Madam, dear Shareholders,

2013 was a good year for zooplus, with continued high growth, as well as pleasing business development. Both of these factors led to positive earnings before taxes (EBT) of EUR 3.8 m. The last year has therefore demonstrated that zooplus is capable of achieving positive earnings and a high return on investment.

As in previous years, our primary focus again in 2013 was achieving sustainable growth as well as investing in the structural conditions required for this. We are optimistic that we will be able to continue to sustainably increase growth and earnings in the years ahead. We believe that zooplus is and remains the undisputed and fastest growing online market leader in the pet supplies sector within Europe. Based on its size and growth potential, zooplus is the only online company that is able to close the gap to the large bricks-and-mortar competitors.

The basis for our outstanding market position is our top-notch value for money, as well as our excellent customer service quality. We continued to work hard on both of these topics in 2013. Our efforts were confirmed by a study from ECC Cologne in January 2014, in which customers rated zooplus as the best online retailer in Germany, also ahead of Amazon. We were delighted at these findings and the fantastic recognition for the hard work of the entire zooplus team.

In 2014, we will continue to work tirelessly to further tap the market potential in Europe as well as sustain and expand our market-leading position in online retailing. At the same time, we also intend to maintain a clear gap to existing and new competitors, both bricks-and-mortar and online, as well as continue to reduce the sales gap to bricks-and-mortar competitors.

However, we would first like to take a look back over the financial year 2013. In our view, the most important developments over the past year were:

- Increasing total sales by 27 % from EUR 336 m to EUR 427 m
- Achieving new best marks in customer loyalty
- Opening a new logistics center in Poland and therefore further improving efficiency in logistics costs
- Substantially boosting marketing efficiency in new customer acquisition
- Achieving positive earnings before taxes (EBT) of EUR 3.8 m

We now want to build on this pleasing development and continue to systematically pursue our overall company strategy of sustainable growth while at the same time boosting profitability in future. From the current perspective, we are confident of being able to further improve on total sales and earnings before taxes in the year 2014 based on our chosen path.

We have set ourselves the following key financial targets for 2014:

- Total sales of at least EUR 500 m and
- EBT of around EUR 6 m

In order to be equipped for such constant and continued growth, as well as improving the value of the company in the long term, we will continue to adjust the organizational structures to the size of the company and invest in the corresponding infrastructure and employees. In addition, we aim to once again deliver on the high expectations when it comes to our customer's satisfaction in the coming year and offer them an impressive shopping experience in our online shop as well as best possible customer service in every respect.

The results of the past year as well as the numerous positive responses, particularly from our shareholders, customers and business partners, confirm our strategy and the hard work we have put in, as well as motivation to add further chapters to the success story of zooplus.

Finally, we would like to thank you for your continued support during the past year.

Dr. Cornelius Patt (Chairman)	Andreas Grandinger	Andrea Skersies

Report of the Supervisory Board

Dear Shareholders,

During the financial year 2013, the Supervisory Board performed its tasks according to the law, the articles of incorporation and the bylaws, and constantly monitored and regularly advised the Management Board in its work in leading the company and conducting company business.

Cooperation with the Management Board

Once again, the Supervisory Board looks back on good and close cooperation with the Management Board. 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 all decisions of fundamental importance for the company. The Chairman of the Supervisory Board maintained regular contact with the Management Board, particularly with the CEO, and consulted on business development, strategic considerations, major HR issues and risk management.

Focus of discussions

In the financial year 2013, the Supervisory Board held four face-to-face meetings on March 18, 2013, June 5, 2013, September 17, 2013 and November 25, 2013, in which it dealt in depth with the company's operating and strategic development, while informing itself about the business and financial development of the company and its operating environment in the past financial year based on written and verbal reports by the Management Board. There was constant contact between the Supervisory Board and Management Board, discussing issues relating to the company's strategic alignment, business development, risk management, various other subjects as well as key individual measures. The Supervisory Board received information on projects and affairs of particular importance or urgency outside of meetings.

The focus of the discussions, in addition to the ongoing business development of the company, included the annual and consolidated financial statements 2012, the preparations for the General Meeting together with the appointment of a member of the Supervisory Board, structural changes within the group, particularly in IT, as well as the extension of the Management Board mandate of Dr. Patt as well as the transition from Mr. Seubert to Mr. Andreas Grandinger as company CFO. In addition, the further international expansion of zooplus AG and organisational and human resources development topics were also key points of discussion, as was the launch of a further logistics hub in Poland. Moreover, the Supervisory Board assessed the annual planning for the financial year 2014 and approved it.

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 General Meeting, did not occur during the past financial year.

No member of the Supervisory Board attended less than half of the meetings of the Supervisory Board.

Supervisory Board committees

In order to efficiently execute its tasks, the Supervisory Board formed an audit committee in June 2013. Its members are Dr. Wentz, Mr. Rohowski and Dr. Lübcke. The acting chairman of the audit committee in the year under review Dr. Wentz fulfills the legal requirements for independence and expertise in the fields of accounting and auditing annual accounts.

The audit committee met for two meetings during the year under review. The audit committee used these meetings to take an in-depth look at the accounting process in the company, as well as the effectiveness of the internal Group-wide control and risk management system and its further development. Moreover, the audit committee adopted the audit focal points addressed by Internal Audit. The chairman of the audit committee reported to the Supervisory Board in full on the content and results of the committee meetings at the Supervisory Board meetings following the respective committee meeting.

Personnel changes within the Supervisory Board and Management Board

The composition of the Supervisory Board changed as follows during the year under review: Frank Seehaus stood down from his role in the Supervisory Board of zooplus AG effective as of the end of the General Meeting on June 5, 2013. Thomas Schmitt was elected as his successor in the Supervisory Board on the same day of the General Meeting. Frank Seehaus had been a member of the Supervisory Board since 2004 and contributed to the success and development of zooplus with his committed work.

The Supervisory Board confirmed Mr. Rohowski as Supervisory Board Chairman and selected Dr. Lübcke as Deputy Chairman.

The Supervisory Board approved the resignation from office of Mr. Seubert as a member of the Management Board as of October 1, 2013 and appointed Andreas Grandinger as his successor as CFO. The Supervisory Board looks back on the contribution of Mr. Seubert with the greatest of respect, as he helped to found the company in 1999 and had held the position of CFO ever since. The Supervisory Board would like to thank Mr. Seubert for his hard work.

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 market success.

Together with the Management Board, we issued a declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in November 2013 which was made permanently accessible on zooplus AG's website (http://investors.zooplus.com). A separate report is provided on the implementation of the Corporate Governance Code as part of this annual report.

Annual and consolidated financial statements as of December 31, 2013

During the Supervisory Board's meeting discussing the annual financial statements on March 19, 2014, the Supervisory Board dealt in depth with the documents for the annual financial statements and auditor's report, 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, 2013, and the company's management report and Group management report for the financial year 2013. The auditor's report, the financial statements prepared by the Management Board and the report on the situation of zooplus AG and the Group were presented to us in good time, which gave us sufficient opportunity to review these documents.

The auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch office, had previously examined 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 of operations, as well as of 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 that 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 on the single and consolidated financial statements 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 raised. The Supervisory Board therefore approved the annual financial statements and consolidated financial statements in its meeting on March 19, 2014. The annual financial statements of zooplus AG are therefore fully adopted. The Supervisory Board also approved the management report, the Group management report and the judgments made regarding the further development of the company.

Dependency report

The Management Board prepared a report on the relationships with associated companies in line with Section 312 AktG ("Dependency report") and presented it to us.

The auditor reviewed the dependency report and provided the following unqualified opinion: "After our mandatory review and opinion, we confirm that the actual information provided by the report is correct and that the performance rendered by the company in the transactions listed in the report was not unreasonably high."

The Supervisory Board also examined the report from the Management Board regarding relationships with associated companies and it concurs with the results of the review of the dependency report by the auditor. After the final results of the discussions and its own review of the dependency report, the Supervisory Board believes that the statements made by the Management Board are accurate and no objections therefore have to be raised against the Management Board's final declaration provided at the end of the report and adopted into the Management Report of zooplus AG.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all the employees of the zooplus Group for their outstanding personal contributions, as well as our shareholders for the trust they place in us.

Munich, March 2014

On behalf of the Supervisory Board

Chairman of the Supervisory Board

Corporate Governance Report

The Management Board and Supervisory Board report on the Corporate Governance of the company on an annual basis in the annual report in line with the guidelines of the German Corporate Governance Code.

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

The Management and Supervisory Boards of zooplus AG declare that they have corresponded and will continue to correspond with the recommendations of the Government Commission German Corporate Governance Code (in the version dated May 13, 2013) announced by the Federal Ministry of Justice in the official section of the electronic federal gazette since the last declaration of conformity from March 2013 and the additional declaration from September 2013, with the following exceptions:

Item 3.8 paragraph 3: The current D&O insurance does not include a deductible for members of the Supervisory Board. The Management and Supervisory Boards believe that a deductible does not change the sense of responsibility and loyalty with which the members of the boards perform their tasks and functions.

Item 4.2.3 paragraph 2 sentence 7: In the case of new appointments of Management Board members or extensions of existing Management Board contracts, a retroactive adjustment of the comparison parameters is possible in the organization of variable remuneration components under precisely defined conditions. In the future, the focus will be on granting a long-term incentive program in the form of a share price-based performance share plan in annual tranches. With every tranche, a number of virtual shares in the company are allocated to members of the Management Board of the company depending on EBT target achievement. These shares are subject to a waiting period of three years and can lead to a cash payout to Management Board members of the company after the waiting period expires. The program provides for the opportunity to adjust the EBT target figure of the respective current financial year and future financial years if considerable changes are to be expected due to transactions and the company and the entitled parties agree to such adjustments in writing during the financial year in question or before the start of the financial year. A change is considered considerable if the EBT target figure changes by more than 5 % compared to the existing EBT target figure for the financial year in question due to a transaction (purchase of companies or interests). An entitlement to an adjustment is excluded. The regulation serves to ensure the fair calculation of the EBT target figure for both sides given the case that companies or interests are acquired.

Item 4.2.3 paragraph 4 sentence 3: In the case of the premature termination of a contract in the Management Board, the calculation of the severance payment cap is not based on the total compensation of the previous year and the expected total compensation of the current financial year. New Management Board contracts provide for a limit to the severance payment cap at two annual remunerations for the case of premature termination of contract. Such an agreement, which calculates the severance payment cap on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year, is unable to sufficiently take into account the concrete conditions which may later lead to a premature termination of a Management Board contract and the other factors in the individual case at the time of the termination.

Item 4.2.5 paragraph 1 in connection with Item 4.2.4: The company does not provide individualized information on the remuneration of specific members of the Management Board as a result of the resolution by the General Meeting on May 22, 2012. In all other respects, a remuneration report is prepared according to the recommendations of Item 4.2.5.

Item 5.3.3: The Supervisory Board did not form a nomination committee. The entire Supervisory Board will continue to pay close attention in future to the selection of suitable candidates proposed to the General Meeting.

Item 5.4.3 sentence 2: Proposed candidates for Supervisory Board chairmanship are not announced to shareholders in accordance with Section 107 of the German Stock Corporation Act (AktG). The Supervisory Board selects a Chairman and Deputy Chairman from within its ranks at the first meeting after its election by the General Meeting.

Item 5.4.6: The deputy chairperson of the Supervisory Board is not taken into account in the remuneration structure of Supervisory Board members, similar to the membership and chairpersonship of committees. The workload of the deputy chairperson or the members of committees is not significantly different from that of the other Supervisory Board members. At the upcoming General Meeting, the company will propose an amendment to the articles of incorporation which would in future provide for a remuneration of EUR 5,000.00 for the chairperson of committees.

Members of the Supervisory Board do not receive any performance-related remuneration in addition to their fixed remuneration. The company believes that this would not provide any additional incentive for proper fulfillment of the Supervisory Board's monitoring and consulting tasks.

Item 6.3: In addition, zooplus AG publishes the interests of Management Board and Supervisory Board members in zooplus AG in line with legal requirements, if the legal reporting levels pursuant to Section 21 of the German Securities Trading Act are exceeded or undercut, as well as all "Directors' dealings" among this group of people in line with Section 15a of the German Securities Trading Act. The Management and Supervisory Boards believe that this information, which fulfills the legal obligations, is sufficient for investors and the general public.

Item 7.1.2 sentence 2: The semi-annual and quarterly reports are not discussed by the Supervisory Board or an audit committee with the Management Board before publication. This could lead to delays in capital market information for time-related and insider trading regulation-related reasons.

Item 7.1.2 sentence 3: The interim reports are each published at the latest two months after the end of the reporting period, and therefore within 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 sales are a key indicator of the company's success, the company will publish its preliminary sales as soon as possible after the end of the respective reporting period in the future.

Munich, November 25, 2013

On behalf of the Supervisory Board	On behalf of the Management Board
Michael Rohowski	Dr. Cornelius Patt
Chairman of the Supervisory Board	CEO

In line with Section 161 (2) of the German Stock Corporation Act (AktG), the declaration of compliance is permanently available for shareholders and all other interested parties on the company's website at http://investors.zooplus.com.

Corporate governance

The German Corporate Governance Code aims to create transparent general conditions for company management and control. zooplus considers good corporate governance to be an important measure to increase trust on the part of shareholders, employees and customers, and it is committed to checking this aspect of its business continuously.

Management and control structure

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. The tasks contained within this structure are performed by members of the Management and Supervisory Boards.

Management Board

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

The Management Board currently consists of three members – Dr. Cornelius Patt (CEO), Andrea Skersies and since October 1, 2013, Andreas Grandinger as the successor to Florian Seubert, who left the zooplus AG Management Board effective as of October 1, 2013.

The members of the Management Board have clearly defined and separate tasks. As set out in the respective applicable schedule of responsibilities for the Management Board and Management Board resolutions, each Management Board member is solely responsible for his or her own specific area. In the interests of the company, members of the Management Board, as the top management body, are also jointly responsible for the overall management of the company.

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 profit, as well as the consolidated financial statements, Group management report and dependency report by the Management Board. Taking the auditors' reports into account, it adopts zooplus AG's annual financial statements and approves the consolidated financial statements. The Supervisory Board's tasks also include appointing members of the Management Board.

The composition of the Supervisory Board changed as follows during the year under review: Frank Seehaus stood down from his role in the Supervisory Board of zooplus AG effective as of the end of the General Meeting on June 5, 2013. Thomas Schmitt was elected as his successor in the Supervisory Board on the same day of the General Meeting.

The Supervisory Board of zooplus AG now comprises Michael Rohowski (Chairman), Dr. Jörg Lübcke (Deputy Chairman), Thomas Schmitt, Dr. Norbert Stoeck, Dr. Rolf-Christian Wentz and Stefan Winners. The periods of office are the same for all members and end at the Ordinary General Meeting 2016. The Supervisory Board confirmed Mr. Rohowski as Supervisory Board Chairman and selected Dr. Lübcke as Deputy Chairman.

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. In an effort to make work as efficient as possible, communications are not limited to the Chairman of the Supervisory Board.

The Supervisory Board formed an audit committee in June 2013. The committee is made up of Dr. Wentz, Mr. Rohowski and Dr. Lübcke. The acting chairman of the audit committee in the year under review, Dr. Wentz, fulfills the legal requirements for independence and expertise in the fields of accounting and auditing annual accounts.

The members of the Supervisory Board do not have any board functions or advisory tasks at key competitors of the company, or have any professional or personal connection with zooplus AG or its Management Board.

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

The Supervisory Board reviewed the efficiency of its activities in 2013 without the Management Board being present. The efficiency review particularly focused on process flows within the Supervisory Board and the flow of information between members.

On March 19, 2014 the Supervisory Board set itself the following targets for its composition with regard to item 5.4.1 of the German Corporate Governance Code and thus modified last year's resolution slightly:

- **Professional qualifications:** Professional qualifications and personal skills are the most important prerequisites for operating as a member of the Supervisory Board. When examining the candidates proposed for election to the Supervisory Board, the focus is placed on their knowledge, abilities and professional experience, as well as their ability 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.
- **Internationality:** Moreover, in view of the company's international orientation, it should also be ensured that the Supervisory Board includes a sufficient number of members with long-standing experience in international business.
- **Diversity:** Overall, the aim of the composition of the Supervisory Board is to allow its members to optimally execute their monitoring and advisory functions through diversity. 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.
- **Avoiding potential conflicts of interest / number of independent members:** The Supervisory Board shall consist of an adequate number of independent members as defined by the German Corporate Governance Code. The Supervisory Board considers the appointment of at least two independent members as adequate. 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 carry out their duties, ensuring that they can perform these with the due care and regularity required.
- **Age limit:** The Supervisory Board has ruled that its members should generally be no older than 70 years.

The aims relating to "Professional qualifications", "Internationality" and "Avoiding potential conflicts of interest" have all been implemented, as has the aim relating to the "Age limit". In the Supervisory Board's opinion, three members of the Supervisory Board are considered to be independent within the meaning of the Corporate Governance Code, so the independency of the Supervisory Board is adequately ensured. The "Diversity" aim was also taken into account when searching for a suitable candidate for the Supervisory Board. Although female candidates were included in the selection process before the Board's proposal to the Annual General Meeting on June 5, 2013 for the election and appointment of new members, both skills and qualification have taken the precedence for the Board's proposal. The Supervisory Board has made it an objective to continue to search for suitable female candidates for a position on the Supervisory Board.

Cooperation between the Management and Supervisory Boards

Intensive dialogue between the Management Board and Supervisory Board forms the basis for responsible company management.

The Management Board informs the Supervisory Board in a regular, prompt and comprehensive manner about all relevant company issues relating to strategy, planning, business development, risk positions, risk management and compliance. The information provided by the Management Board investigates any business developments which deviate from the proposed plans and objectives, providing explanations for these deviations. In a monthly jour fixe between the Chairman of the Management Board and the Chairman of the Supervisory Board, important questions concerning business development and other current topics are discussed. 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 for 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 to any transactions of fundamental importance to the business.

Remuneration

The Supervisory Board is responsible for setting the remuneration system as well as the individual remuneration of members of the Management Board. It regularly reviews the remuneration structure to ensure its appropriateness. The company does not provide individualized information on the remuneration of specific members of the Management Board as a result of the resolution by the General Meeting on May 22, 2012. Moreover, a compensation report is produced as part of the Group management report.

In addition to compensation for their expenses for the past financial year, members of the Supervisory Board receive a fixed annual remuneration of EUR 20,000.00 in accordance with the articles of incorporation. The Chairman of the Supervisory Board receives one and a half times this amount. The fixed remuneration is paid out after the financial year is completed. Members of the Supervisory Board do not receive variable or share-based remuneration.

At the upcoming General Meeting, the company will propose an amendment to the articles of incorporation which would in future provide for a remuneration of EUR 5,000.00 for the chairperson of committees.

Shareholders and the General Meeting

The shareholders are able to exercise their rights and vote at the General Meeting. Each share grants one vote. No shares with multiple voting rights, preferential voting rights or maximum voting rights 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 from their responsibilities. Moreover, the General Meeting is empowered to make changes to the company's articles of incorporation, elect members of the Supervisory Board and select the auditors. During the year under review, the General Meeting also resolved upon the creation of new authorized capital and the authorization to set up a stock option program together with the creation of new conditional capital.

The General Meeting takes place annually. The Management and Supervisory Board give account of the preceding financial year. At the General Meeting, shareholders can 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.

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 legally required 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.

Transparency

The Management Board and public relations personnel ensure that shareholders, potential investors, the capital market and the interested general public receive open and prompt information on the company's situation and any major occurrences for the company. The aim is to further expand the trust in the value potential of zooplus AG among investors.

The company keeps stakeholders continually informed about relevant events in a timely and reliable manner. Insider information directly affecting the company is published immediately by zooplus, even outside the regular reporting schedule. The company enjoys regular discussions with private and institutional investors at its General Meeting as well as at capital market events, such as roadshows and conferences. In an effort to ensure that shareholders receive comprehensive information, zooplus also uses the internet. Interested parties can find information on the Group, the share and company releases on the company's investor relations page at http://investors.zooplus.com.

In accordance with the provisions of Section 15a of the German Securities Trading Act (WpHG), zooplus discloses securities transactions promptly upon receiving the corresponding information (Directors' Dealings). In addition, zooplus AG publishes the interests of Management Board and Supervisory Board members in zooplus AG in line with legal requirements, if the legal reporting levels pursuant to Section 21 of the German Securities Trading Act are exceeded or undercut. Transactions which have been reported in line with Section 15a of the German Securities Trading Act are listed on our website at http://investors.zooplus.com.

Accounting and Auditing

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

The Management Board prepares the consolidated financial statements and these are examined by the auditor and the Supervisory Board. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch office, was selected as auditor by the General Meeting 2013. On March 6, 2014, the auditor attended the audit committee meeting and on March 19, 2014 the Supervisory Board's discussion of the 2013 annual financial statements and consolidated financial statements. At these meetings, the auditor reported to the Supervisory Board on the results of the audit of the annual financial statements, the zooplus AG management report as of December 31, 2013 (German Commercial Code – HGB) as well as the consolidated financial statements and zooplus Group management report as of December 31, 2013 (IFRS).

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.

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.

Group’s business model

Business model

In terms of sales and total sales, zooplus AG is Europe’s largest online retailer for pet products and the clear market segment leader by a considerable margin over its competitors. Within a European market worth around EUR 22 bn in sales during 2012, the company operates as an exclusively Internet-based B2C retailer across currently 24 countries. Its product range, which features over 8,000 products, includes pet food and accessories across all major pet supplies segments.

Track record

Since its foundation in June 1999, the company has successfully been employing the Internet as a sales platform for products within the pet supplies segment. Its business activities have been continuously expanded in recent years. The extension of the product portfolio, the penetration of new European markets through a focused early international expansion, as well as the company’s IPO in 2008 and the subsequent uplisting to the SDAX are just some of the key milestones on zooplus’ continuing dynamic growth track.

International presence

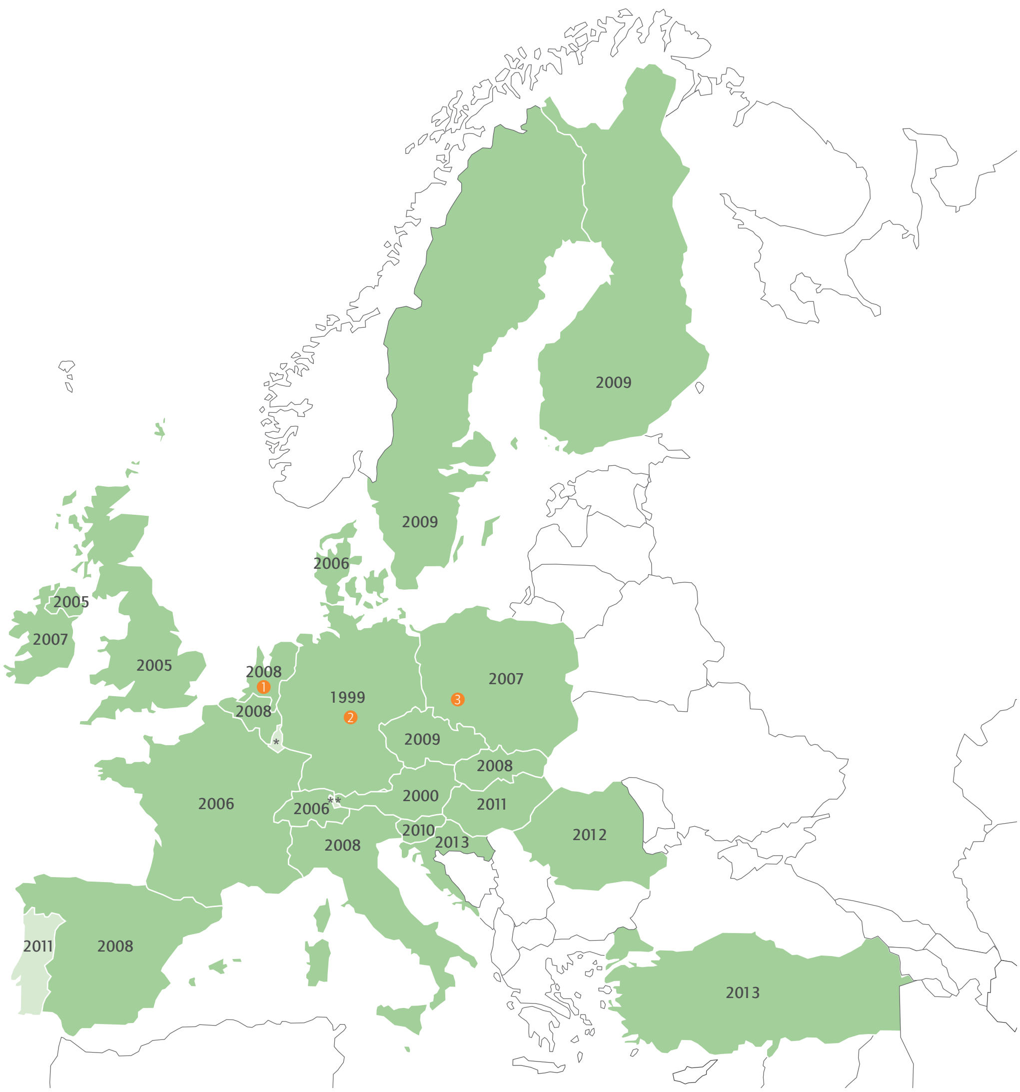
Since 2005, the company has been pursuing a strongly growth-oriented internationalization strategy. This approach allows the company to firmly establish itself and achieve critical size in the German-speaking domestic market as well as in France, Italy, Spain, the Netherlands, Great Britain and Poland. These countries are the seven largest European markets in terms of volume and are therefore of key importance to zooplus AG. The company has succeeded in positioning itself as online market leader in these markets, and as one of the market leaders in Great Britain and Poland. In addition, zooplus AG is active in 17 other European markets.

Shipments to customers are made by way of three central logistics hubs: Hörselgau in Thuringia, Tilburg in the Netherlands and Wroclaw in Poland since 2013. Together, these centers represent a total logistics capacity of around EUR 650 m in sales. Thanks to a state-of-the-art Europe-wide networked logistics and fulfillment structure, international markets can be served quickly and efficiently.

Past experience has shown us the importance of country-specific and localized offerings and sites – our customers clearly expect this. That is why zooplus AG already operates local language websites in 21 markets, through which the company strives to offer a large number of specific regional pet products.

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.

zooplus' European market presence



- International presence via www.zooplus.com
- Country-specific, established webshops
- ❶ Logistics facility Tilburg
- ❷ Logistics facitlity Hörselgau
- ❸ Logistics facility Wroclaw

Date describes market entry
*2005
**2008

zooplus' value chain

Country-specific websites

As of the end of 2013	
Germany	Czech Republic
Great Britain	Slovakia
The Netherlands	Switzerland
France	Austria
Italy	Hungary
Spain	Sweden
Poland	Romania
Belgium	Slovenia
Ireland	Croatia
Finland	Turkey
Denmark	

In Portugal, Liechtenstein and Luxembourg, zooplus is currently available via its English website zooplus.com. Customers in Austria are served via the German website zooplus.de.

While zooplus AG continues to post stable double-digit sales growth in the domestic German market, the international markets present substantially higher growth potential. This is not least due to a lower comparative market share versus Germany. As a result, the systematic penetration of existing international markets is a focus of the company's growth strategy.

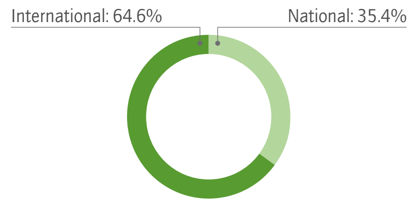
Our multi-lingual customer services, tailored to our customers' needs, together with a variety of international payment systems and a high-performance logistics infrastructure via designated parcel services, form a key factor in zooplus' internationalization strategy. In the past, this tried and tested structure has proven to be highly efficient, offering effective service while at the same time being highly scalable. At all of its locations, zooplus AG can rely on highly motivated, well-trained employees, ensuring the sustained success of our business model.

Creating flexible, high-performance and efficient operating structures adjusted in line with the strong company growth was and remains a key objective in developing the zooplus business model. These considerations are continuously taken into account by zooplus AG across all core business areas.

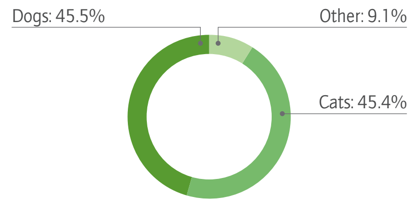
Purchasing and product range

The company pursues an international purchasing strategy resulting in a wide product selection. Overall, zooplus AG offers an extensive and unique product range spanning all pet types and product categories from a customer's perspective. The company also covers special local products across its European markets. Whether specialist foods or large-dimension aquariums, zooplus offers around 8,000 food and accessory products for dogs, cats, small animals, birds, fish and horses – resulting in a huge selection for customers to choose from. This broad range of brands and products includes everyday staples such as recognizable branded food ranges generally available in specialist stores, as well as own label and specialty articles such as care products, litter, toys and other accessories.

Sales share national / international



Sales share product portfolio



It is essential to maintain a continuously close relationship with our key suppliers and manufacturers in order to provide this type of product range at market-leading value. zooplus AG procures all of its products directly from the respective manufacturers. zooplus purchases its products from a range of more than 100 international suppliers. This strategy is supplemented by our continually developed private label strategy within key product areas. In this context, the company fields an exclusive brand range, which has been developed in house and has already established itself as an outstanding offering for our customers. This includes dry and premium wet foods for dogs and cats under the Rocco, Cosma and Smilla brands, as well as additional proprietary brands (Lukullus, Catessy, Tigerino, among others). In strategic terms, the company attaches particular importance to consistently differentiating products within its existing proprietary labels around a strong brand core, as well as to establishing the brand in a sustainable manner. The products and brands that have been launched so far generally enjoy a high level of acceptance among our customers and help to improve customer loyalty.

Private label brands play a prominent role in our overall strategy. In the financial year 2013, the respective share of total sales stood at around 8 %. Over the coming years, the company is planning to further increase the proportion of own brands as a percentage of sales.

Logistics and information technology

- National and international logistics

zooplus AG currently boasts three central logistics centers – in Hörselgau, Germany, and Tilburg, the Netherlands, as well as in Wroclaw, Poland since 2013. All three locations are operated together with international logistics partners, which are responsible for the operational handling of fulfillment. The investment costs for setting up the logistics centers is the responsibility of the logistics partners, which means that zooplus does not incur any investment costs (CAPEX). The remuneration of the logistics partners is largely variable and dependent on the volumes handled. In order to continue to drive the company's dynamic growth in future, the logistics centers closely synchronize their production.

Despite having outsourced its logistics operations, all core fulfillment processes are managed centrally and therefore represent the company's proprietary expertise. zooplus AG employs a designated in-house team 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 for improving cost efficiency and maximizing customer satisfaction, which in turn is a crucial factor for the company's business success. Both the inventory planning and supply chain management are processed through the company's proprietary systems. Deliveries to customers across Europe are dispatched via national and international parcel service providers.

In contrast to online retailers from other segments, returns are hardly an issue for zooplus AG. In particular, size demands or individual tastes of customers play a secondary role – the customers know what they want. As a result, the return rate stands at a very low level of less than 3 %, and therefore the costs from this area of business are also low.

- *Technology infrastructure*

zooplus AG's performance is based on the company's own operating back-end structures. These include the European central logistics and international supply chain management systems as well as the integrated pan-European technology platform, which in turn allows the individual control of all respective national 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. In addition, the existing international offices allow for separate, regional fine tuning. These structures make it possible to generate significant economies of scale based on continued dynamic company growth.

zooplus AG is a technology-driven online retailer. New and follow-on developments of core processes and other important systems within the business model are almost exclusively initiated in house and implemented either internally or in cooperation with external teams. This is intended to allow tailored and highly flexible solutions for a scalable business model. To complement the internal zooplus' know-how and implementation capacities, external partners are called on when internal know-how is not or insufficiently available. In the past few years, highly-specific software solutions within all key areas have proved decisive building blocks in zooplus AG's success, and will also remain mission critical for delivering on the company's future targets. Business areas in which these highly specialized systems play a 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
- International controlling

The smooth and reliable provision of national and international payment options is of considerable significance to zooplus AG as an online retailer. The company offers almost all leading European payment options within the order process. Highly advanced credit checks have allowed the company to limit default rates to a low level.

zooplus' private label brand Rocco

Marketing and customer acquisition

Marketing and the acquisition of new customers play a key role in the company's dynamic growth. One key factor in terms of marketing efficiency is to avoid any media breaks within our customers' search pattern: As a result, the company does not undertake any traditional marketing measures in print, radio or TV. Our focus is on online marketing in order to meet our customers right where they have direct and simple access to zooplus: online. This ranges from conventional online advertising, search engine advertising and search engine optimization to affiliate networking, the use of price comparison engines and other industry-specific online activities. In addition, the company uses a wide range of social media channels, such as Facebook, Twitter and YouTube. As a company active across most of Europe, zooplus AG adapts all of its activities to the different countries and regions in order to achieve the most efficient acquisition process possible.

On the back of these measures, the company was able to acquire over 1.4 million new customer accounts during 2013. The aim is to maintain a high level of new customer acquisition in future in order to realize our planned growth. Here, the total number of new customers is not solely relevant but in particular the proportion of new customers who become lasting repeat customers. As a result, retaining and optimally supporting existing customers is also decisive. Ultimately, zooplus AG's business success is based on converting new customers into repeat customers and establishing itself as their primary pet supplies provider. In particular, stable and attractive repeat purchasing frequencies among zooplus' loyal customer base – driven by a regular demand for food supplies – are the main source of the company's long-term business success. In 2013, zooplus AG was able to improve its customer loyalty further and achieve new best figures in this area in all countries. The activities outlined above serve to realize this, as do regular special offers, customer loyalty programs, reactivation programs for dormant customer accounts as well as first and foremost a constantly attractive pricing structure with an outstanding product and service range.

Outstanding customer satisfaction
The company aims to hold the position of the clear quality and service leader among its industry competitors in terms of customer satisfaction and achieved further improvements in this respect on the back of these efforts in 2013. According to a high-profile study by Cologne-based ECommerce-Center (ECC) from January 2014, zooplus ranked an outstanding first in customer ratings, ahead of online retailer Amazon. As part of the study, the assessment factors were website design, user friendliness, product range, customer service, payment options, shipping and delivery. zooplus AG received best marks in all seven areas.

Conclusion

Since its foundation, zooplus has established itself as the clear leader in European online pet supplies. Due to this position, customers benefit from a significant value added built into the business model – particularly in relation to attractive prices as well as rapid and generally free delivery. For zooplus AG, the business model pays off in view of high levels of customer loyalty and repurchasing rates. Our aim is to further expand our unique market positioning and reputation as part of a growth strategy and thereby continue our success story. By doing so, the company should also enjoy lasting benefits in the future from what we believe will be a significant growth of online retailing in the future.

As a first mover and market leader within the online field, zooplus AG enjoys substantial advantages versus its bricks-and-mortar competition:

- Leading online full-service provider within the pet supplies segment
- Pan-European positioning across all key consumer retail markets
- Highest-growth company within the segment
- Scalable technology and logistics platform
- Excellent track record in tapping and developing new markets

From the customer’s point of view, shopping at zooplus couldn't be easier – another reason why the company is successfully positioned: After making an online choice from over 8,000 products and having put their items into their virtual shopping baskets, 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 directly to one of the three zooplus distribution centers, where it is usually packed and dispatched within a few hours. Delivery by parcel service is usually effected within one working day. Time-consuming shopping at bricks-and-mortar retailers is no longer required, neither is the tiring transport of heavy bags of feed or litter after shopping. An increasing number of pet owners all across Europe are discovering the advantages of online shopping for themselves and their pets as a result – a trend that zooplus AG will continue to benefit from considerably over the coming years. From a customers’ perspective, zooplus above all stands for:

- Convenience due to simple ordering and rapid doorstep delivery
- Huge product selection with more than 8,000 products
- Highly attractive pricing across all food and accessories ranges
- Excellent customer service and after-sales support

Indeed, there is therefore (almost) no reason not to shop for pet supplies online at zooplus.

The zooplus AG share

Stock chart zooplus AG: January 2, 2013 to February 28, 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 publicity standards in Germany). After continuous positive development in market capitalization and trading volumes, the zooplus AG share ascended to the SDAX on June 29, 2011.

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.

The zooplus share began the first day of trading in 2013 at a price of EUR 32.00. Boosted by the positive developments of the market overall, the share price rose above the EUR 40.00 mark at the end of January and reached the EUR 50.00 mark in September. During October, the zooplus share recorded a significant rise in price after the preliminary nine-month figures on October 21 also forecast positive earnings before taxes for the full year. On November 1, the share was traded at EUR 64.50 and only just fell short of the company's best mark to date of EUR 66.00, recorded in 2011. In a subsequent consolidation movement, the share price fell back to a level between EUR 50.00 and 55.00 until the end of the year. On the final day of trading in 2013, December 30, the zooplus AG share closed at EUR 52.00. This represents a price increase of 54 % over the course of the year. It therefore significantly outperformed both relevant benchmark indices SDAX and DAX subsector All Retail Internet during the same period.

At the start of 2014, the zooplus share price dropped further to around EUR 50.00 before stabilizing at around this level from the start of February. zooplus AG's market capitalization amounted to almost EUR 305 m as of February 28, 2014. Around EUR 152 m of this amount was attributed to free float in accordance with Deutsche Börse AG's definition.

Investor relations

Maintaining and expanding a trust-based relationship with shareholders, analysts and other capital market participants is a top priority for zooplus AG and its management team. The aim of zooplus' investor relations work is to communicate regularly and promptly about important company-relevant information and therefore provide shareholders and other stakeholders with the best possible information about the development of the company.

Both the Investor Relations department and the Management Board are continually available as a point of contact for interested parties. In addition, the company offers telephone conferences and webcasts as an information service parallel to the publishing of the final annual and semi-annual results. Records of them are subsequently made accessible to the public on the publishing dates in the Investor Relations section of the zooplus website.

In 2013, the Management Board of zooplus AG took part in eleven roadshows, as well as four capital market conferences both in Germany and abroad. In addition, the Management Board and IR department was available for personal discussions with investors and analysts. zooplus AG is currently being followed regularly by eight analysts.

Analysts

Institution	Analyst	Date	Recommendation	Target price (EUR)
Hauck & Aufhäuser	Christian Schwenkenbecher	30.01.2014	Hold	56.00
Bankhaus Lampe	Christoph Schlienkamp	30.01.2014	Hold	44.00
Commerzbank	Dennis Schmitt	30.01.2014	Hold	55.00
Deutsche Bank	Benjamin Kohnke	29.11.2013	Hold	60.00
Close Brothers Seydler	Martin Decot	12.11.2013	Hold	55.00
Berenberg	Stanislaus Thurn und Taxis	12.09.2013	Sell	44.00
Citigroup	Dan Homan	07.05.2013	Neutral	n.a.
Numis Securities	Andrew Wade	05.11.2012	Add	32.00

General Meeting

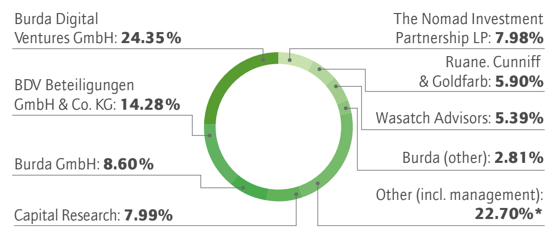
The Ordinary General Meeting of zooplus AG took place on June 5, 2013 in Munich, Germany. Numerous shareholders used the opportunity to participate in the General Meeting. A total of around 74.29 % of the capital and voting rights were represented. The CEO of zooplus AG, Dr. Cornelius Patt, outlined the business performance to the shareholders and offered an outlook for 2013 and 2014. All draft resolutions were adopted by the shareholders of zooplus AG with a large majority. In addition to a profit transfer agreement with the private label subsidiary BITIBA, a vote was also made on a successor for the former Supervisory Board member Frank Seehaus. The General Meeting selected Thomas Schmitt, CEO of Aqua Terra Corporation, as a new member of the Supervisory Board through to the General Meeting 2016.

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, 2012	6,100,639.00
Share capital in EUR as of December 31, 2013	6,101,639.00
Number of shares as of December 31, 2013	6,101,639
Initial listing	09.05.2008
Initial issuing price*	13.00 EUR
Share price as of January 2, 2013	33.80 EUR
Share price as of December 30, 2013	52.00 EUR
Percentage change	+53.85 %
Period high	64.50 EUR
Period low	32.80 EUR

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

Shareholder structure



As of: February 28, 2014
Share ownership corresponds with the published voting rights notifications
*The free float stands at 49.96 % according to the Deutsche Börse's definition

Financial calendar 2014

April 24, 2014	Preliminary sales figures for Q1 2014
May 20, 2014	Publication of the three quarterly Q1 report 2014
May 27, 2014	Ordinary General Meeting 2014
July 22, 2014	Preliminary sales figures for H1 2014
August 19, 2014	Publication of the H1 semi-annual report 2014
October 21, 2014	Preliminary sales figures for Q3 2014
November 18, 2014	Publication of the nine-monthly report 2014
November 24-26, 2014	German Equity Forum

Group management report

Group management report of zooplus AG

Financial year 2013

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 eCommerce 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 and prime focus of the business 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' 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 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 own goods from its central warehouses located in Germany, the Netherlands and Poland, where a new warehouse was opened in the second quarter 2013. 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 small portion of its sales with its so-called "direct line business", in which zooplus directly sells and ships products from selected suppliers from their respective warehouses to zooplus customers. Processing and sales in this area are always generated through a zooplus-operated Internet platform. Shipments and final mile deliveries are generally made by national and international parcel service providers.

Overall, zooplus' business model is based on a broad product range coupled with highly attractive prices and efficient supply and delivery processes, as well as clear cut and convenient user interfaces from a customer perspective.

ii. Markets

zooplus maintains a pan-European presence in 24 countries, which together represent a total annual pet supplies market volume of around EUR 22 bn. The company operates a range of country-specific and international online shops. 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 high-volume European markets (Germany, France, the Netherlands, Spain and Italy) and overall within the European Union. The company also assumes that it is clearly the fastest-growing company in its sector.

As of the end of December 2013, zooplus operated a total of 21 country-specific online shops: In addition to the five high-volume markets stated above, the company also runs online shops in Belgium, Denmark, Finland, Ireland, Croatia, Austria, Poland, Romania, Slovakia, Switzerland, Slovenia, Sweden, the Czech Republic, Hungary, Turkey and the United Kingdom.

zooplus also serves Liechtenstein, Luxembourg and Portugal via the multinational English language pages at zooplus.com. 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

The European pet supplies market within the countries of the European Union held an annual market volume for 2011 of approx. EUR 22 bn (according to www.zzf.de). The high-volume markets in Germany, France, the United Kingdom, Spain, the Netherlands and Italy alone make up around EUR 17 bn of this total.

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: 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 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 changes in the market are due to changes in the animal population, as well as a shift in sales towards higher value products and categories within the food and accessories sector ("premiumization").

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 new 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.

eCommerce is an increasingly important sales channel within most retail sectors. According to publications from the Handelsverband Deutschland (German Retail Association), eCommerce 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 show 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 regards 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 % 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

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. 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 regards to the brand awareness and financial strength of the Group.

At the same time, zooplus' base of active European customer accounts helps 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

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 existing 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 December 31, 2013, 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 service Ltd., Oxford, Great Britain	100%	(service company for Great Britain)
zooplus italia s.r.l., Genoa, Italy	100%	(service company for Italy)
zooplus polska sp. z.o.o., Cracow, Poland	100%	(service company for Poland)
zooplus services ESP S.L., Madrid, Spain	100%	(service company for Spain)
zooplus france s.a.r.l, Strasbourg, France	100%	(service company for France)
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100%	(sales company for Turkey)

The consolidated financial statements do not include:

- 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 scope of consolidation due to their lack of importance. logistik service center s.r.o., Mimon, Czech Republic, was deconsolidated during the financial year 2013 and is no longer part of the scope of consolidation. It was sold in Q3 2013 for a sale price of kEUR 33. This resulted in a deconsolidation loss of EUR 0.1 m. No further information is provided due to its lack of material importance.

zooplus AG was led by the following Management Board during the financial year 2013 and as of December 31, 2013:

- Dr. Cornelius Patt, CEO (strategy, IT & operations)
- Andrea Skersies (sales & marketing)
- Andreas Grandinger (finance, legal & controlling) from October 1, 2013
- Florian Seubert (finance, legal & controlling) until September 30, 2013

The Management Board is advised and controlled by the Supervisory Board. Up until the General Meeting on June 5, 2013, the Supervisory Board consisted of the following members:

- Michael Rohowski, Managing Director of Burda Direkt Services GmbH, Offenburg (Chairman)
- Frank Seehaus, Managing Director of Acton Capital Partners GmbH, Munich (Deputy Chairman)
- Dr. Norbert Stoeck, Freelance corporate consultant, Munich
- Dr. Jörg Lübcke, Managing Director of Burda Digital GmbH, Munich
- Dr. Rolf-Christian Wentz, Freelance corporate consultant, Bonn
- Stefan Winners, Management Board member of Hubert Burda Media Holding Kommanditgesellschaft, Munich.

Mr. Frank Seehaus left his post as a member of the Supervisory Board effective from the end of the General Meeting 2013. The General Meeting on June 5, 2013, elected Mr. Thomas Schmitt as a new member of the Supervisory Board. Mr. Thomas Schmitt is President and Chief Executive Officer of the AquaTerra Corporation, Mississauga, ON, Canada.

Dr. Jörg Lübcke has been Deputy Chairman of the Supervisory Board since June 5, 2013.

In the financial year 2013, zooplus employed an average of 253 people (previous year 217).

Employees are a key success factor for zooplus. We regularly conduct internal employee training sessions, while many employees participate in external further training events, which has helped to additionally increase the quality of our work and our workforce's potential for value creation.

b. Corporate strategy – sustainable and profitable pan-European growth
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, our activities focus on the following objectives:
- Defending and expanding our market leadership
- Expanding our 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 (incl. Eastern Europe and Scandinavia)
- Boosting revenues and contribution margin per customer / year

The top priority is realizing continued high growth in connection with the 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 a technology-driven Internet retailing group. New and further developments of core operational processes and the most important systems of our 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 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 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 stock procurement

B. Net assets, financial position and results of operations

a. Financial and non-financial performance indicators

i. Financial performance indicators

With a view to managing and monitoring the earnings situation, the zooplus Group analyzes total sales, sales, margin, costs of fulfillment, advertising costs and other costs.

The yardstick for the Group's growth and business success is total sales and sales. Key earnings figures which measure the success of the Group are earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before taxes (EBT).

The performance indicators of the asset situation are reflected in the equity ratio.

The key figures are determined on Group level according to IFRS.

ii. Non-financial performance indicators

In addition to the financial performance indicators, the Group also uses non-financial performance indicators for monitoring its development. In this area, the key performance indicators are the ranking with regard to market leadership in the online pet supplies segment in Europe.

b. Business development 2013

i. The economy and overall retailing 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. 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' business in the future. The management believes that a key influence on zooplus 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. Outlook 2013

At the start of the financial year 2013, zooplus anticipated an increase in total sales to at least EUR 400 m as part of its outlook. In the nine-month report, the forecast was increased to total sales of at least EUR 415 m.

In addition, positive earnings before interest, taxes, depreciation and amortization (EBITDA) in the lower single-digit million euro range were expected.

This development should have been driven by a rise in overall sales resulting from significantly increased numbers of active customers, both new and existing.

We also anticipated that the logistics costs will fall in relation to sales and total sales due to increased efficiency and economies of scale.

In addition, slightly reduced marketing costs in relation to total sales were also expected.

Economies of scale were expected to contribute to personnel and other expenses growing at a below average rate.

In terms of market share, the aim was to further cement and expand the leading position as market leader in Europe.

iii. Actual development in the financial year 2013 compared to the outlook

The zooplus Group recorded positive development during the financial year 2013. Total sales were increased to EUR 427 m in the financial year 2013. This represents an increase of 7 % compared to the original forecast of EUR 400 m. Compared to the increased forecast of EUR 415 m published in October 2013, total sales were still up by 3 %. This was largely due to the positive development in new and existing customer business in connection with further internationalization and penetration in existing markets.

With EBITDA of EUR 4.9 m, earnings in the mid-single-digit million range were achieved. As a result, the EBITDA forecast was also exceeded. The increased earnings resulted from reduced cost ratios in logistics / fulfillment and advertising costs in relation to total sales, which overall were substantially greater than the decline in the gross margin. The primary reasons for the reduction in these cost ratios were a substantial increase in logistics efficiency driven by the new fulfillment center in Wroclaw, Poland, as well as efficiency gains in marketing and customer acquisition.

In relation to total sales, the costs of logistics and fulfillment were 1 % lower than planned, while advertising costs were also down 1.1 % on the planned amount. Therefore, overall, the 0.8 % fall in the gross margin compared to planning was more than offset, which led to EBITDA coming in higher than forecasted.

In terms of the balance sheet structure, the equity ratio as of December 31, 2013 stood at 44 % and therefore higher than the planned corridor of between 30 % and 40 %.

c. Earnings position

i. Development of sales and total sales

zooplus, which considers itself the European online market leader, was able to significantly increase its sales and total sales during the past financial year. Total sales (consisting of sales and other income) were up by 27.2 % year-on-year from EUR 335.6 m to EUR 426.9 m.

This growth was largely driven by the significant expansion in the customer base in all of the Group's geographic markets, as well as the continued improvement in customer loyalty and repeat purchase rates among existing customers. Both of these trends underscore and prove the sustainability of our business model.

Broken down individually, sales increased from EUR 319.2 m in 2012 to EUR 407.0 m in 2013. At the same time, other income rose from EUR 16.3 m to EUR 19.9 m in the period under review. Sales solely reflect the sale of goods. Other operating income primarily contains standard industry advertising income and other payments.

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.

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 higher rate than in the previous year. The cost of materials to total sales ratio of 65.5 % achieved in 2013 was 1.7 percentage points up on the previous year's mark (63.8 %). In turn, this also caused the company's net product margin to drop from 36.2 % in 2012 to 34.5 % in 2013. This was due to direct investments in the price positioning compared to the competition, which contributed to a further expansion of the market leading position in Europe and continued strong sales growth. However, at the same time direct expenses in the main cost areas were substantially reduced year-on-year in relation to total sales, which meant that the price effects were more than offset. This operating progress led to a substantial improvement in the value-for-money in all core markets and to stronger appeal of the zooplus offerings for customers.

Personnel costs

Personnel costs rose from EUR 14.9 m in 2012 to EUR 19.3 m in 2013. This represents a personnel expense ratio of 4.5 % (in relation to total sales).

In the financial year 2013, zooplus employed an average of 253 people (217 employees during the financial year 2012).

Depreciation

Scheduled depreciation and amortization costs remained on a par with the previous year at EUR 0.7 m.

Other expenses

During the period under review, other expenses increased from EUR 108.2 m to EUR 123.0 m compared to the same period in the previous year. Other expenses are largely made up of costs of logistics & fulfillment, advertising costs and payment transaction costs. However, its percentage share in terms of the company's total sales was down substantially from 32.3 % to 28.8 %. This change is explained by efficiency increases achieved in the fields of logistics and marketing amongst other things, which more than offset the fall in the net product margin.

Logistics and fulfilment expenses

The zooplus business model requires the warehousing, stock picking and 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.

The total expenses for logistics and fulfilment are mostly attributable to distribution (e.g. package service providers), packaging as well as variable and fixed costs for the logistic centers, and are therefore mostly variable to the Group's sales. Expenses reached a level of 21.7 % in relation to total sales compared to 22.9 % in the same period in the previous year, therefore improving substantially despite the higher number of international shipments. The new fulfilment center in Wroclaw, Poland, launched in 2013, was the central driver of the logistics efficiency in 2013.

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 optimization and affiliate marketing, other online partnerships as well as online direct marketing. Moreover, additional activities are undertaken for conventional and offline-based marketing. zooplus attaches great importance to all of its core marketing competencies being kept in house, although the Group occasionally cooperates with third parties in implementing some of these projects.

On the back of the continued strong rise in sales by 27.5 %, expenses for customer acquisition and marketing were even reduced in absolute terms by EUR 4.6 m to EUR 10.7 m. Specific efficiency improvements coupled with a further optimized and growth-oriented pan-European pricing policy enabled a substantial reduction in these expenses of 30 %. Despite lower expenses for customer acquisition and marketing, the loyalty of existing customers and the quality of new customers was improved.

Payment transaction costs

Total payment transaction costs amounted to EUR 6.2 m compared to EUR 4.8 m in the previous year. With a proportionate ratio of 1.4 % of total sales, they were on a par with the previous year.

Other expenses

Other expenses, in addition to logistics and fulfillment, 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 during the year under review.

Financial expenses

In order to finance its working capital, zooplus has access to credit lines from two independent banks. This financing facility totals EUR 25.0 m, of which EUR 13.0 m was utilized at year-end. This also largely explains the company's financial expenses (interest expenses).

iii. Earnings development

In the financial year 2013, zooplus was able to generate earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 4.9 m and therefore substantially improved on the prior year figure (EUR -1.8 m) by EUR 6.7 m. Earnings before taxes (EBT) came in at EUR 3.8 m and improved on the previous year (EUR -2.6 m) by EUR 6.4 m. The excellent earnings development was largely achieved with efficiency improvements to operating business and further optimized use of marketing.

Moreover, the Group generated a consolidated net result of EUR 1.8 m (previous year EUR -2.1 m). The difference between comprehensive income and the consolidated net result was EUR 1.9 m (previous year EUR -2.3 m) and consisted of the hedge reserve of kEUR 92 and differences from currency conversion of kEUR 75.

d. Net assets

Non-current assets totaled EUR 12.5 m at the end of 2013, compared to EUR 11.1 m at the end of 2012. The rise is largely due to the EUR 2.8 m increase in intangible assets to EUR 4.9 m in connection with the implementation of a new transaction system for shop, order management and finance management as well as the corresponding expenses that can be capitalized. The positive earnings development in the financial year 2013 led to a fall in deferred tax assets from EUR 8.2 m at the end of 2012 to EUR 6.9 m at the end of the reporting period 2013.

Within current assets, inventories rose from EUR 32.3 m at the end of 2012 to EUR 43.7 m as of December 31, 2013. A major factor in this increase was the opening of the third fulfillment center in the past financial year in Wroclaw, Poland. In particular with regards to general product availability, direct import products and private label development, with the latter being subject to longer procurement cycles, sufficient inventory levels and therefore high product availability are key drivers of sales per individual customer account.

Accounts receivable totaled EUR 10.8 m at the end of 2013 (previous year EUR 9.3 m). In the financial year 2013, accounts receivable with a net value of EUR 1.4 m were written off (previous year EUR 1.6 m).

In addition, cash and cash equivalents recorded a rise of EUR 2.7 m as of the reporting date to EUR 5.6 m at the end of the financial year 2013 compared to the previous year figure.

Equity totaled EUR 36.7 m at the end of 2013 compared to EUR 33.9 m at the end of the financial year 2012. This resulted in an equity ratio as of December 31, 2013 of 43.9 % and was therefore higher than the planned corridor of between 30 % and 40 %.

Financial liabilities were up during the reporting period from EUR 2.0 m at the end of 2012 to EUR 13.0 m as of December 31, 2013. This was largely influenced by building up inventories as part of the launch of the new fulfilment center in Wroclaw, Poland, as well as the investments made in fixed assets.

Accounts payable totaled EUR 16.2 m on December 31, 2013 compared to EUR 16.8 m at the end of 2012. zooplus does not generally make use of the maximum payment periods available. This makes business sense in view of the company's readily available financing options. zooplus will continue to utilize possible discounts and early payment options as far as possible in the future in an effort to maximize margins and potential income.

Most of the company's liabilities are denominated in Euros. At times, there are also other liabilities in European foreign currencies as well as US dollars. The former is due to the company's VAT obligations and procurement in the United Kingdom and the latter is used for the purchase of products from Asia (primarily merchandise).

Since the financial year 2012, the company has been using derivative financial instruments in the form of forward exchange transactions for hedging the foreign currencies GBP and USD. No off-balance sheet financial instruments are used.

Other liabilities increased during the year under review, from EUR 9.1 m at the end of 2012 to EUR 12.7 m as of December 31, 2013, largely as a result of the higher VAT liabilities as part of the company's growth as well as the increased liabilities for employee bonus payments and discounts.

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

Current provisions and deferred items increased during the year under review from EUR 3.1 m as of the end of 2012 to EUR 3.7 m on December 31, 2013. One provision totaling EUR 0.5 m is non-current.

The company's total assets were therefore reported at EUR 83.7 m at the end of the year under review, compared to EUR 65.4 m on December 31, 2012.

e. Financial situation

The negative cash flow from operating activities totaled EUR -3.5 m in 2013 compared to EUR -5.7 m in 2012. This change was largely attributable to the substantially improved positive earnings before taxes for the financial year 2013 compared to the previous year, as well as the development of working capital.

The negative cash flow from investment activities (EUR -4.6 m in 2013 compared to EUR -0.6 m in 2012) was strongly impacted by the investments in the new transaction system for shop, order and finance management.

The cash flow from financing activities (EUR 10.7 m in 2013 compared to EUR -14.1 m in 2012) reflects the drawing of the credit line as part of a short-term money market loan.

To summarize, zooplus, as a retail group, 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. 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. The negative operating cash flow was largely impacted by the overall result as well as the overall growth of the company and the establishment of the third fulfilment center.

However, the liquidity available to the Group from its lines of credit was significantly higher than required to secure business operations. During the past financial year, zooplus was able to fulfill all of its payment commitments at all times.

The Group has flexible lines of credit totaling EUR 25 m. During the past financial year, the use of these lines of credit ranged between EUR 13.0 m at the end of the year and EUR 2.0 at the start of the year. Some of these lines of credit are secured with inventories and receivables, and are subject to standard industry equity and earnings 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 Management Board believes that it will also be possible to obey these covenants in the coming years.

The Group's lines of credit are all indexed to Euribor, and their overall interest levels including the index premium are currently in the lower single-digit percentage range. An increase in the current level of interest would, by its very nature, lead to a rise in the Group's financing costs, while, from the current perspective, this appears to be manageable. The Group's management does not anticipate a significant change in credit conditions.

Overall, given its strong equity base, its dynamic growth, the significant improvement in efficiency in the financial year 2013 and the existing stable financing facilities, the Group believes that it is well equipped to support strong future growth again in the coming year, as well as the related effects on the working capital (mostly inventories and receivables from customers).

f. Summary statement on zooplus' financial position

With growth in total sales of around 27 % to EUR 427 m as well as a substantial EUR 6.4 m improvement in EBT year-on-year to EUR 3.8 m, 2013 can be viewed as a highly positive financial year overall.

2. Report on events after the balance sheet date

Following the end of the financial year 2013, no affairs of material importance occurred which impact on the net assets, financing position and results of operations.

3. Outlook, opportunities and risks

A. Outlook

The underlying economic conditions are expected to improve slightly in 2014 according to the latest forecasts. We are therefore 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 (eCommerce) 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. .

Overall, we are anticipating the following results for zooplus on the back of these two trends for 2014:

- Growth in total sales to at least EUR 500 m
- 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 fall in the gross margin (in relation to total sales) for 2014.
- We also expect that expenses for logistics and fulfilment will fall 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 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, sustainable boosting earnings is also an important element of our strategy.

B. Report on risks

a. Risk management system

In line with Section 91 (2) of the German Stock Corporation Act (AktG), the Group operates the required risk early recognition system. The aim of the risk management system is to recognize the risks and opportunities in good time that occur from both the company's operating activities as well as the environment which the company is unable to influence.

The risks are identified and, if required, the necessary countermeasures are pinpointed in discussions between risk managers and management personnel. A summary of the risk reporting is presented to the Management Board on a monthly basis, with the exception of ad hoc risk releases.

b. Risks

i. 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 business model. However, from the current perspective, all of the indicators suggest that acceptance of the Internet as a sales channel will continue to rise, and this is underlined by current growth rates.

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

During a recession, existing and newly acquired customers' purchasing behavior could change to the company's detriment. If 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) and acquire significant customers in all of the key European markets is a testament to the attractiveness of the business model, even in challenging 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. If competition intensifies in connection with a general fall in the price level, this would have significant negative impacts on zooplus with regards to its sales and operating margin. From the current perspective, zooplus believes that the level of competition will increase over the medium term, as large bricks-and-mortar providers are increasingly expanding their online shops and selling their product range via the Internet. The large proportion of the sales growth of bricks-and-mortar competitors in the online sector should however be transferred from the existing bricks-and-mortar business. However, the growth will take place within an eCommerce market that is continuing to see strong expansion and this therefore only represents a limited risk.

ii. 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 jeopardized, for example by force majeure or other system problems, this would have a substantial negative impact on zooplus as a whole. This includes risks from application manipulation, data loss and data manipulation. zooplus has taken corresponding measures to avoid these risks as much as possible. However, zooplus believes that this risk is manageable in view of the fact that the business systems have proved stable for the past 10 years. The agreements for the three logistics centers have been concluded with two contractual partners. In addition, the risk of being dependent on specific suppliers is reduced through long-term agreements and sufficient controlling tools. zooplus usually relies on the cooperation with reliable partners of good business standing, which in turn should reduce risks significantly.

zooplus is currently conceiving a new transaction system (ERP and shop system). This could result in potential risks that the aims of the project may not be fully achieved, that the system cannot be used in operations following its development or that there are difficulties in implementing the system, which could in turn impact operating business. zooplus is aware of these risks and has taken suitable measures to ensure that these risks are controlled and kept to a minimum. The new system is not yet planned to be introduced in 2014.

The loss of key employees could jeopardize 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 negative impacts, at least in the short term, on the company's success.

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 overstocking in the warehouses. If it is difficult to sell these goods, or if they cannot be sold, this could result in significant damage. As a result of the low seasonality, and the relatively strong ability to predict customer-based sales structures, the Group believes that these risks can be controlled. This is coupled with the fact that the average shelf-life of typical zooplus food products is around 1 to 2 years, which would also make it significantly easier to sell slow-moving products if this was necessary.

iii. Financial risks

The main financial instruments the Group uses consist of lines of credit, accounts receivable, forward exchange transactions, 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. Since the financial year 2012, the Group has been using derivative financial instruments for hedging foreign currency risks.

a) Currency risk

The Group operates internationally and is therefore subject to currency risks based on changes in the exchange rate of various foreign currencies, mainly the US dollar, British pound, Czech koruna, Polish zloty and Swiss franc. Currency risks occur from expected future transactions, recognized assets and liabilities. As a result, the management has enacted a guideline defining how the currency risk should be effectively managed in relation to the functional currency. To hedge foreign currency risks from expected future transactions as well as recognized assets and liabilities, the Group uses forward exchange transactions which are concluded by the Group's finance department. The Group is increasingly attempting to limit these currency risks by buying products locally in foreign currency zones. Exchange-rate risks occur if future business activities or recognized assets or liabilities are recorded in a different currency than the Group's functional currency. The Group's risk management policy plans hedging of between 0 % and 70 % of the expected transactions within the next twelve months (mainly export sales and purchases of inventory) in the currency USD. The expected sales and purchases which are to be carried out using hedging instruments correspond with the hedge accounting criteria of the "highly probable" forecast transaction.

b) Credit risk

Credit risk is defined as the risk that a business partner will not be able to fulfill its obligations as part of a financial instrument or customer contract which in turn leads to a financial loss for the Group.

The extent of the credit risk of zooplus Group 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. In addition, receivables are sold after the collection procedure has been completed. 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 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.

This could result in sustained risks for zooplus' business model. In the past, total receivables defaults were around 1 % of overall sales. From the current perspective, we do not anticipate any deterioration in this regard, thanks to the company's strict credit check system and the growing proportion of business with existing customers.

c) Liquidity risk

Although zooplus is not currently subject to any borrowing restrictions, it 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. zooplus currently has access to credit of EUR 25 m at two reputable credit institutions. As of the balance sheet date December 31, 2013, the Group had used EUR 13.0 m of this credit line. The risk of being dependent on only one bank no longer exists after the implementation of a two-bank strategy in the financial year 2013.

d) Interest rate risk

The Group uses overdrafts and current money-market loans with variable interest rates for financing. The most important line of financing is indexed to the Euribor. A general increase in interest rates, including in inter-bank business, could lead to a significant rise in financing costs. In order to reduce interest rate risks, the central finance department constantly monitors the current interest rates. The Group does not currently use hedges against interest rate risk in the form of hedging instruments, as the impact is regarded as minor.

C. Report on opportunities

i. Market opportunities

Due to the leading positioning in the field of pet supplies in all key European markets, zooplus has achieved a head start in terms of competition and size compared to other industry-specific online retailers. zooplus believes that the Group can expand this position and generate long-term and sustained income. 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. The existing market shares, experience in tapping new markets and the steadily growing, effective infrastructure offer the opportunity to establish specific barriers to market entry in the face of increasing competition. In addition, the existing infrastructure allows the rapid entry into other new markets and therefore the opportunity for further growth. zooplus also believes that economies of scale can increasingly be realized in terms of processes and logistics.

The trend towards humanizing pets offers zooplus additional opportunities. This trend is boosted by developments such as the ongoing increase in single households and the decline in birth rates in general.

ii. Development of the eCommerce market

The trend towards eCommerce as opposed to bricks-and-mortar retailing seems to have remained intact. zooplus believes – similar to many industry studies – that the eCommerce network will continue to grow in the double digit percent range and zooplus should benefit from this development by a disproportionately large amount in the long term thanks to its leading European market positioning.

iii. Employees and know-how potential

zooplus assumes that the company's key employees are generally loyal to zooplus, and expects that in the event certain key employees are lost, it would be possible to find adequate replacements for these employees over the medium term. Employee loyalty is also promoted by creating a positive working environment, offering opportunities for training and advanced education, and providing an incentive-based remuneration system.

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

Overall statement on the risk and opportunity situation

In view of the opportunities presented and the Group'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 Group's perspective, there are no individual risks that could endanger its continued existence at present and in the foreseeable future. The individual risks, taken together, do not endanger the Group's continued existence either.

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

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

zooplus AG is characterized by its clear organizational, corporate control and monitoring structures. There are forecasting, reporting, controlling and early warning systems and processes in place throughout the Group. 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 areas of the (Group) accounting process (e.g. accounting, financial accounting and controlling) are clearly assigned. Due to its relatively small size and complexity, zooplus does not have a separate internal audit department. For audit purposes, internal employees and external service providers are occasionally to be used.

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 coordinated centrally from the Group head office in Munich. The validation processes and additional plausibility checks performed at the Group head office ensure the correctness and completeness of the annual financial statements of the subsidiaries 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 as well as 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 risk management system is constantly being adjusted in response to current developments and its functionality 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 included in the external accounting.

The order process is carried out on a standardized basis using a purchasing system. Payments are only executed if correctly entered invoices or documents are provided. Invoicing and the invoice checking process are carried out electronically, with all approvals documented and archived. Payment transactions are made electronically using control mechanisms (double-check principle among a selected group of individuals). Wage and salary accounting is carried out by external service provider.

Quantitative stock accounting is carried out by an external service provider. zooplus monitors and checks this continually via automatically set up interfaces. In addition, zooplus is granted sufficient control mechanisms as part of its agreements.

The sales process ensures through the recording of the sold products in the upstream shop system and automatic transfer into the accounts receivable accounting that the services provided are invoiced properly and recognized in the accounts in line with the guidelines for revenue recognition.

The clear organizational 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 departments and employees involved in the (Group) 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 departments 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 (Group) 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, as well as with internal guidelines. In particular, the uniform risk management system within the company, which adheres to the statutory requirements, is designed to recognize 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.

Between the balance sheet date and the time of the Group management report, no changes have been made to the accounting-related internal control system and risk management system.

5. Remuneration report

The Supervisory Board is responsible for setting the remuneration system as well as the individual remuneration of members of the Management Board. It regularly reviews the remuneration structure to ensure its appropriateness. The Management Board's remuneration comprises three components:

1. Non-performance related salary paid monthly

Fixed remuneration consists of a contractually agreed non-performance related annual salary which is paid in twelve installments of equal amount.

2. Performance-related salary components

The variable salary component remunerates the performance of the Management Board in line with company development for the past financial year and is linked to the sales and earnings achieved in the financial year.

3. Variable components with a long-term incentive

In line with company planning, the long-term performance of the Management Board is remunerated with the issuing of share options in zooplus AG and / or virtual shares.

The Management Board's total remuneration (all components) totaled kEUR 2,904 in the financial year 2013 (previous year: kEUR 1,225). Of this total, the non-performance related basic remuneration accounted for around 37 %. The performance-related components for all Management Board members are dependent upon the respective annual increases in the company's operating income, sales and / or total sales. In the financial year 2013, this accounted for 28 % of overall remuneration. Components with a long term incentive are stock option programs and cash-settled share-based remuneration. This remuneration component made up around 35 % of total expenses in 2013. The increase results from the fact that no bonus has been accrued in the previous year and the long-term incentive program for board members still did not exist.

In 2013, the members of the Management Board also received advance payments for travel expenses.

The following options for Management Board members are outstanding from the option plan for executives:

Stock option program (SOP)

	2010 / I*
Outstanding at the beginning of the reporting period	100,000
Former members of the Management Board**	-25,000
Exercised in the reporting period	0
Granted in the reporting period	0
Outstanding at the end of the reporting period	**75,000**

*One option authorizes the purchase of 2 shares
**The options have neither lapsed nor been forfeited

The fair value of the subscription rights is EUR 14.50 per option.

When appointing Management Board members or extending the contracts of existing members, the focus has been placed on granting a long-term incentive program in the form of a share price-based performance share plan in annual tranches with a view to creating performance incentives for the long term. As of the reporting date December 31, 2013, the members of the Management Board are entitled to a total of 10,094 subscription rights from the program based on a fair value of EUR 0.5 m.

The fair value of the virtual shares and share options granted was calculated using a valuation model recognized by IFRS 2.

The company does not provide individualized details of the Management Board's remuneration. The Management Board was exempted from the disclosures pursuant to Section 314 (1) no. 6a, sentences 5 - 8 of the German Commercial Code (HGB) by resolution of the General Meeting on May 22, 2012. Further details on the remuneration structures can be found in the notes to the financial statements.

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

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

As of December 31, 2013, the subscribed capital comprised 6,101,639 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, 2013, the following shareholders held more than 10 % of voting rights:

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

The equity participations 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, as well as Burda Gesellschaft mit beschränkter Haftung, Offenburg, respectively pursuant to Section 22 (1), sentence 1, no. 1 of the German Securities Trading Act (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 stipulates 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 amendments 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 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 authorized 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 General Meeting on May 22, 2012, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions during the period until May 21, 2017 against cash or non-cash capital contributions by up to a total of EUR 3,050,199.00 by issuing new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share (Authorized Capital 2012).

The number of shares has to increase at the same ratio as the share capital. The capital increases can be made against cash and / or non-cash contributions. As a rule, shareholders are entitled to subscription rights. The new shares can also be taken over by one or more credit institutions or one or more similar institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right).

Moreover, the Management Board is authorized, with the approval of the Supervisory Board, to remove shareholders' subscription rights in the following cases: (1) to the extent it is required to exclude fractional amounts from the shareholders' subscription right; (2) to the extent it is required in order to grant bearers of option rights and / or conversion rights, or option obligations and / or conversion obligations from bonds with option rights and / or conversion rights, or option obligations and / or conversion obligations issued by the company or a company in which the company holds a direct or indirect majority shareholding a subscription right or conversion option for new shares in the amount due to them after exercising option rights and / or conversion rights or fulfilling option obligations and / or conversion obligations as a shareholder; (3) to the extent that the new shares are issued against contributions in kind, particularly in the form of companies, parts of companies, shareholdings in companies or other assets; (4) to the extent that the new shares are issued against cash contributions, the issue price of the newly issued shares is not significantly below the market price of the already listed shares of the company of the same class at the time of the final determination of the issue price and the shares to be issued, under exclusion of the subscription right, in their proportionate amount attributable in total to the issued shares do not exceed 10 % of the share capital existing on the first exercise of the authorization and at the time when this authorization becomes effective. The proportionate amount of the share capital of the company which is attributable to shares issued or sold during the period of this authorization, excluding the subscription right in direct, corresponding or mutatis mutandis application of Section 186 (3) Sentence 4 AktG, is credited against this maximum amount, as is the proportionate amount of the share capital attributable to the shares which are issued or to be issued to serve the option rights and / or conversion rights or to fulfill the option obligations and / or conversion obligations from bonds, to the extent that the bonds were issued during the period of this authorization, excluding the subscription right in corresponding application of Section 186 (3) Sentence 4 AktG.

The proportionate amount of the share capital attributable to the new shares, for which the subscription right according to the previous items or based on other authorizations is excluded during the period of this authorization, may not exceed 20 % of the share capital either at the time it becomes effective or at the time that this authorization is exercised.

The Management Board is authorized to finalize further details regarding the capital increase and the conditions of the issuing of shares in conjunction with the Supervisory Board.

Authorization for the Management Board to buy back shares
zooplus AG's General Meeting on May 27, 2010 authorized 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 General Meeting resolution, subject to the condition that the shares acquired as a result of this authorization 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 authorization may be exercised for all purposes permissible by law. The company is not permitted to trade in its own shares. The authorization 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 authorization 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 5 % 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 10 % 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.

Material agreements of the company that are subject to a change of control upon a takeover bid
The Management Board contracts of employment partly 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.

7. Summarizing statement from the Management Board on the dependency report prepared in line with Section 312 AktG

“In the case of the legal transactions and measures listed in the report on relationships with affiliates, zooplus AG received appropriate compensation for every legal transaction and has not been disadvantaged due to measures that were implemented, according to the circumstances known to the Management Board at the time the legal transactions were made or the measures were implemented.”

8. Corporate governance declaration pursuant to Section 289a HGB

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.

9. Overall outlook

The European online pet market will continue to enjoy sustained growth and become more attractive overall. zooplus is excellently positioned to enjoy significant benefits from these developments. As a result, the Management Board is expecting continued favorable business development for 2014.

The Management Board

Dr. Cornelius Patt	Andreas Grandinger	Andrea Skersies

Munich, March 18, 2014

Consolidated financial statements

Consolidated balance sheet as of December 31, 2013 according to IFRS

Assets

in EUR		Notes no.	31.12.2013	31.12.2012
A.	NON-CURRENT ASSETS			
I.	Property, plant and equipment	5	530,615.65	680,352.01
II.	Intangible assets	6	4,924,346.34	2,138,421.69
III.	Financial assets	7	47,708.71	70,000.00
IV.	Deferred tax assets	8	6,949,481.16	8,200,532.38
	Total non-current assets		**12,452,151.86**	**11,089,306.08**
B.	CURRENT ASSETS			
I.	Inventories	9	43,658,315.05	32,285,324.82
II.	Advance payments	10	260,657.65	599,920.95
III.	Trade receivables	11	10,785,686.09	9,298,986.64
IV.	Other current assets	12	10,913,863.52	9,021,766.86
V.	Derivative financial instruments	13	0.00	77,791.23
VI.	Cash and cash equivalents	14	5,646,622.19	2,979,781.66
	Total current assets		**71,265,144.50**	**54,263,572.16**
			83,717,296.36	**65,352,878.24**

Equity and Liabilities

in EUR		Notes no.	31.12.2013	31.12.2012
A.	EQUITY			
I.	Capital subscribed	15	6,101,639.00	6,100,639.00
II.	Capital reserves	15, 16	50,258,477.53	49,389,582.73
III.	Other reserves	15, 13	39,503.54	-127,444.67
IV.	Profit and Loss carried forward	15	-19,686,820.01	-21,468,773.85
	Total equity		**36,712,800.06**	**33,894,003.21**
B.	**NON-CURRENT LIABILITIES**	**20**	**525,072.49**	**18,362.99**
C.	CURRENT LIABILITIES			
I.	Trade payables	17	16,249,048.76	16,847,306.43
II.	Financial liabilities	18	13,000,000.00	2,000,000.00
III.	Derivative financial instruments	13	79,341.01	293,674.05
IV.	Other current liabilities	19	12,678,391.23	9,089,735.97
V.	Tax liabilities		770,491.86	66,958.32
VI.	Provisions	20	2,712,781.09	2,229,619.78
VII.	Deferred income	21	989,369.86	913,217.49
	Total current liabilities		**46,479,423.81**	**31,440,512.04**
			83,717,296.36	**65,352,878.24**

Consolidated statement of comprehensive income January 1 to December 31, 2013 according to IFRS

in EUR	Notes no.	2013	2012
Sales	22	407,003,922.49	319,235,707.94
Other Income	23	19,918,170.02	16,316,212.52
Total sales		**426,922,092.51**	**335,551,920.46**
Cost of materials		-279,793,165.46	-214,208,611.76
Personnel costs	24	-19,250,688.70	-14,943,686.99
of which cash		(-18,381,793.9)	(-14,321,651.57)
of which non-cash	16	(-868,894.8)	(-622,035.42)
Depreciation	5, 6	-693,951.58	-718,770.02
Other expenses	25	-122,990,569.56	-108,241,944.64
of which logistics/fulfilment		(-92,686,771.15)	(-76,798,549.68)
of which marketing		(-10,688,692.36)	(-15,290,656.52)
of which payment		(-6,175,449.81)	(-4,820,291.82)
Earnings before interest and taxes (EBIT)		**4,193,717.21**	**-2,561,092.95**
Financial income	26	1,380.48	72,614.00
Financial expenses	26	-364,096.46	-67,974.77
Earnings before taxes (EBT)		**3,831,001.23**	**-2,556,453.72**
Taxes on income	8	-2,049,047.39	444,374.98
Consolidated net result		**1,781,953.84**	**-2,112,078.74**
Differences from currency translation	15	75,431.06	6,004.85
Hedge Reserve	15, 13	91,517.15	-144,695.46
Items that may be reclassified subsequently to profit or loss		**166,948.21**	**-138,690.61**
Comprehensive income		**1,948,902.05**	**-2,250,769.35**
Earnings per share			
basic	27	0.29	-0.35
diluted	27	0.28	-0.35

Group cash flow statement
January 1 to December 31, 2013 according to IFRS

in EUR	Notes no.	2013	2012
Cash flows from operating activities			
Earnings before taxes		3,831,001.23	-2,556,453.72
Allowances for:			
Depreciation	5, 6	693,951.58	718,770.02
Non-cash personnel costs	16	868,894.80	622,035.42
Other non-cash expenses / income	6	1,642,431.06	-1,593,995.15
Financial expenses	26	364,096.46	67,974.77
Financial income	26	-1,380.48	-72,614.00
Changes in:			
Inventories		-11,372,990.23	-6,750,743.64
Advance Payments	9	339,263.30	216,819.75
Trade receivables	11	-1,486,699.45	-2,941,022.34
Other current assets	12	-1,892,096.66	999,499.05
Trade payables	17	-1,002,419.83	5,461,020.27
Other liabilities	19	3,588,655.26	-343,914.65
Provisions	20	483,161.31	261,881.26
Non-current liabilities	20	525,072.49	0.00
Deferred income	21	76,152.37	402,582.49
Taxes on income		-124,542.39	-311,878.65
Interest received	16	1,380.48	72,614.00
Cash flows from operating activities		**-3,466,068.70**	**-5,747,425.12**
Cash flows from investing activities			
Cash-inflow from disposals of property, plant and equipment / intangible assets		0.00	121,512.59
Cash-inflow from financial investments	7	33,000.00	0.00
Cash-outflow from financial investments	7	-27,708.71	-63,000.00
Payments for property, plant and equipment / intangible assets	5, 6	-4,572,487.47	-692,866.44
Cash-flows from investing activities		**-4,567,196.18**	**-634,353.85**
Cash flows from financing activities			
Cash-inflow from capital increase		1,000.00	240.00
Cash-inflow from bank loans	18	11,000,000.00	2,000,000.00
Cash-outflow from bank loans	18	0.00	-16,000,000.00
Interest paid	27	-364,096.46	-67,974.77
Cash flows from financing activities		**10,636,903.54**	**-14,067,734.77**

(Continued on the next page)

in EUR	Notes no.	2013	2012
Influence from currency effects on cash and cash equivalents		63,201.87	-36,828.94
Net change of cash and cash equivalents		**2,666,840.53**	**-20,486,342.68**
Cash and cash equivalents at the beginning of the period	14	2,979,781.66	23,466,124.34
Cash and cash equivalents at the end of the period	14	5,646,622.19	2,979,781.66
Composition of funds balance at the end of the period			
Cash on hand, bank deposits, cheques		5,646,622.19	2,979,781.66
		5,646,622.19	**2,979,781.66**

Group statement of changes in equity as of December 31, 2013 according to IFRS

in EUR	Capital subscribed	Capital reserves	Contributions made for corporate actions	Other reserves	Profit or loss carried forward	Total
As of January 1, 2013	**6,100,639.00**	**49,389,582.73**	**0.00**	**-127,444.67**	**-21,468,773.85**	**33,894,003.21**
Additions from stock options	1,000.00	868,894.80	0.00	0.00	0.00	869,894.80
Currency translation differences	0.00	0.00	0.00	75,431.06	0.00	75,431.06
Net result 2013	0.00	0.00	0.00	0.00	1,781,953.84	1,781,953.84
Hedge Reserve	0.00	0.00	0.00	91,517.15	0.00	91,517.15
As of December 31, 2013	**6,101,639.00**	**50,258,477.53**	**0.00**	**39,503.54**	**-19,686,820.01**	**36,712,800.06**
As of January 1, 2012	**5,631,138.00**	**29,565,812.12**	**19,670,996.19**	**11,245.94**	**-19,356,695.11**	**35,522,497.14**
Additions from stock options	240.00	622,035.42	0.00	0.00	0.00	622,275.42
Currency translation differences	0.00	0.00	0.00	6,004.85	0.00	6,004.85
Net result 2012	0.00	0.00	0.00	0.00	-2,112,078.74	-2,112,078.74
Capital increase from authorized capital 2011	469,261.00	19,201,735.19	-19,670,996.19	0.00	0.00	0.00
Hedge Reserve	0.00	0.00	0.00	-144,695.46	0.00	-144,695.46
As of December 31, 2012	**6,100,639.00**	**49,389,582.73**	**0.00**	**-127,444.67**	**-21,468,773.85**	**33,894,003.21**

Notes

Notes to the consolidated financial statements

as of December 31, 2013 according to the International Financial Reporting Standards (IFRS)

1. General information

zooplus AG (henceforth referred to as the "company") is a stock corporation with limited liability as defined under German law, the shares of 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 website.

The consolidated financial statements and Group management report as of December 31, 2013 were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB) and are to be submitted to the electronic federal gazette (Bundesanzeiger) and published there.

The Management Board prepared the consolidated financial statements as of March 18, 2014 and therefore approved them for publication within the meaning of IAS 10. The company's General Meeting has the possibility of changing the consolidated financial statements.

2. Summary of key accounting and valuation methods

The key financial accounting and valuation methods applied for the preparation of these consolidated annual financial statements are described in the following. The methods described were always applied to the reporting periods described unless otherwise stated.

2.1 Basis of preparation

zooplus AG is a parent company within the meaning of Section 290 HGB. As a result of issuing equity securities on the capital market, in accordance with Section 315a (1) HGB in connection with Article 4 of the Regulation of the European Parliament from July 19, 2002, zooplus AG is obligated to prepare the consolidated financial statements of the company according to the International Financial Reporting Standards (EU-IFRS) adopted by the EU. These consolidated financial statements for the financial year 2013 have been prepared in accordance with these IFRS and interpretations of the IFRS IC.

The consolidated financial statements have been prepared on the basis of historical costs, with the restriction that the financial assets and financial liabilities (including derivative financial instruments) have been valued at fair value through profit or loss. The consolidated financial statements are prepared in euros (EUR), which is both the functional and reporting currency. Unless indicated otherwise, all values are expressed in whole amounts in thousands of euros figures after rounding off as per standard commercial practice. The financial year for all Group companies is the calendar year.

The balance sheet is structured according to the maturity of assets and liabilities. Assets which are to be sold, used in the normal course of business or settled within twelve months are classified as current. Liabilities are classified as current if they have to be settled within twelve months of the balance sheet date.

The statement of comprehensive income was prepared according to the total cost method.

The preparation of consolidated financial statements is in line with IFRS requires estimates.

In addition, the application of company-wide accounting and valuation methods requires the management to make valuations. Areas involving a higher degree of judgment or higher complexity or areas where assumptions and estimates are of decisive importance to the consolidated financial statements are disclosed in Note 4. "Significant estimates and discretionary decisions".

2.1.1 Amendments to the accounting and valuation methods and disclosures

Obligatory, newly applied and revised standards and interpretations for this financial year together with their effects on the Group:

Standard	Interpretation	Application date	Effects
IAS 1	Presentation of financial statements	01.07.2012	no material effects
IAS 19	Employee benefits - negative past service costs	01.01.2013	none
IFRS 1	First-time adoption - government loans	01.01.2013	none
IFRS 7	Financial instruments - offsetting financial assets	01.01.2013	none
IFRS 13	Fair value measurement	01.01.2013	The effects of the amendments are presented in section 3.3
IFRS 10, 11, 12	Changes in transitional requirements		none
Annual improvements 2011		01.01.2013	none

New standards and interpretations which will only come into force in later reporting periods were not applied by zooplus AG ahead of time. Published standards and interpretations only applicable for financial years commencing after January 1, 2013:

Standard	Interpretation	Application date	Foreseeable effects
IFRS 10	Consolidated financial statements	01.01.2013 or after 01.01.2013	none
IFRS 11	Joint arrangements	01.01.2013 or after 01.01.2013	none
IFRS 12	Disclosures of interests in other entities	01.01.2013 or after 01.01.2013	no material effects
IAS 27	Separate financial statements	01.01.2013 or after 01.01.2013	none
IAS 28	Investments in associates and joint ventures	01.01.2013 or after 01.01.2013	none
IFRIC 20	Stripping costs in the production phase of a surface mine	01.01.2013 or after 01.01.2013	none
IAS 32	Amendments to IAS 32 financial instruments: presentation - offsetting	01.01.2014 or after 01.01.2014	none
IFRS 10, 11, 12, IAS 27	Amendment: exception to consolidation for investment entities	01.01.2014 or after 01.01.2014	none
IAS 36	Recoverable amount disclosures	01.01.2014 or after 01.01.2014	none
IAS 39	Change; novation of derivatives	01.01.2014 or after 01.01.2014	no material effects
IFRIC 21	Levies	01.01.2014 or after 01.01.2014	none
IFRS 9	Financial instruments	01.01.2015	no material effects

2.2 Scope of consolidation

The scope of fully consolidated members of the Group included zooplus AG as well as the following subsidiaries:

	Equity share	Share of equity interest (IFRS) in kEUR	
matina GmbH, Munich	100 %	191	(private label business)
bitiba GmbH, Munich	100 %	209	(second-brand business)
zooplus service Ltd., Oxford, Great Britain	100 %	524	(service company for Great Britain)
zooplus italia s.r.l., Genoa, Italy	100 %	25	(service company for Italy)
zooplus polska sp. z.o.o., Cracow, Poland	100 %	46	(service company for Poland)
zooplus services ESP S.L., Madrid, Spain	100 %	23	(service company for Spain)
zooplus Pet Supplies Import and Trade ltd., Istanbul, Turkey	100 %	467	(sales company for Turkey)
zooplus france s.a.r.l, Strasbourg, France	100 %	100	(service company for France)

The consolidated financial statements do not include:

- 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, founded in February 2013 with equity of kEUR 3
- the wholly-owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013 with equity of kEUR 25

These four companies did not conduct any business activities during the financial year and are therefore not included in the scope of consolidation due to their lack of importance. logistik service center s.r.o., Mimon, Czech Republic, is no longer part of the scope of consolidation. It was sold in the third quarter 2013 for a sale price of kEUR 33. This resulted in a deconsolidation loss of EUR 0.1 m. No further information is provided due to its lack of material importance.

2.3 Consolidation

Subsidiaries are all companies over which the Group exercises control of financial and business policies. This usually corresponds with holding 50% or more of the voting rights in the company. The assessment of whether a controlling position exists takes into account the existence and impact of potential voting rights which are currently exercisable or convertible. The Group also checks if a controlling situation exists when the parent company holds less than 50% of the voting rights, but has the opportunity to control the business and financial policies due to a de-facto controlling position. A de-facto controlling position can for instance exist through voting rights agreements or increased minority rights. Subsidiaries are included in the consolidated financial statements (full consolidation) as of the point in time control has been transferred to the Group. They are then excluded from the scope of consolidation at the point in time when this control ends. The successful exclusion from the scope of consolidation is correspondingly disclosed in the consolidated statement of comprehensive income.

Purchased subsidiaries are reported on the balance sheet according to the purchase method. The compensation transferred for the purchase corresponds to the fair value of the assets transferred, the equity instruments issued and the liabilities transferred at the time of the transaction. In addition, the fair values also contain any recognized assets or liabilities which result from a contingent consideration agreement. As part of a business combination, the identifiable assets, liabilities and contingent liabilities are measured at their fair value at the time of purchase on initial consolidation. The Group decides on an individual basis for every company purchase whether the non-controllable portions of a purchased company are to be recorded at fair value or using the proportional interest in the net assets of the purchased company. Purchase-related costs are recognized as expense if any are incurred.

In a business combination achieved in stages, the previously purchased equity interest in the company is remeasured at its applicable fair value on its acquisition date. The resultant profit or loss is to be recorded in the income statement.

Any contingent consideration is valued at the fair value on the acquisition date. Subsequent changes to the fair value of a contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39, and the resultant profit or loss either recorded in profit or loss or in other income. A contingent consideration which is recognized in equity is not remeasured and its subsequent settlement shall be accounted for within equity.

As goodwill, the amount is carried that is calculated from the excess of the transferred consideration for the purchase, the amount from the non-controlling interests in the purchased company and the fair value of any previously held equity shares up to the date of purchase of the net assets measured at fair value. 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.

No subsidiaries were purchased in the financial year 2013. The company exclusively undertook founding procedures. In the financial year 2013, logistik service center s.r.o., Mimon, Czech Republic, was sold and deconsolidated (Note 2.2).

Internal transactions, balances as well as unrealized profits and losses from transactions between Group companies are eliminated. The accounting and valuation methods of subsidiaries were changed, wherever required, in order to ensure consistent accounting across the Group.

2.4 Segment reporting

As defined by IFRS 8, a segment is part of a company that engages in business activities from which it may earn income and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision-maker in making decisions about the allocation of resources to the segment and to measure its performance, and for which relevant financial information is available.

zooplus Group'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 3 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 sales by country and product group is discussed in Note 22. The Group's main non-current assets are all held by zooplus AG in Germany.

2.5 Foreign currency conversion

2.5.1 Functional currency and reporting currency
The items contained within the financial statements of every Group company are measured using the currency which represents the primary commercial currency in the environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, and this is also the reporting currency of zooplus AG.

2.5.2 Transactions and balances
Foreign currency transactions are converted using the exchange rates at the time of the transaction or at the time of valuation for revaluations in the functional currency. Profits and losses resulting from the execution of such transactions as well as from the translation of foreign currency denominated monetary assets and liabilities, are recorded in the income statement unless they are to be recorded in equity as qualified cash flow hedges and qualified net investment hedges. There were no net investment hedges in the financial year 2013.

Foreign currency gains and losses which result from the translation of cash and cash equivalents and financial liabilities as well as other foreign currency gains and losses, are recognized in the income statement under "Other income / expenses".

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

- Assets and liabilities are translated using the exchange rate on the reporting date for every balance sheet date.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognized as a separate item within other reserves in equity.
- Goodwill and adjustments to fair value arising from the acquisition of foreign companies are treated as assets and liabilities of the foreign company and translated at the exchange rate on the balance sheet date. All resulting exchange differences are recognized in equity.

2.6 Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation and / or cumulative impairment losses. The costs of property, plant and equipment comprise the costs directly attributable to the purchase that are incurred when the asset is put into an operational condition. Reductions in the purchase price such as rebates, volume and early payment discounts are deducted from the purchase price.

Subsequent cost is only recorded under part of the cost of the asset or, if relevant, as a separate asset when it appears likely that economic benefits will come to the Group from them in the future and the costs of the asset can be reliably determined. All repair and maintenance costs are entered in the period during which they are incurred and recognized in income.

Cost does not include any borrowing costs, as no borrowing costs that can be capitalized in line with IAS 23 were incurred. Advance payments made for property, plant and equipment not yet supplied or taken delivery of are recognized under property, plant and equipment.

Depreciation is calculated using the straight-line method, although acquisition costs are depreciated over the expected useful life to the residual value as follows:

- Operating and business equipment 3-5 years
- Hardware 3-5 years
- Leasehold improvements 5-8 years

Both residual carrying amounts and useful lives are reviewed on every balance sheet date and adjusted as necessary. In line with IAS 36, the carrying amount of an asset is written off as soon as it is above the recoverable amount of the asset.

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

2.7 Intangible assets

2.7.1 Goodwill
Goodwill is created from purchasing subsidiaries, associated companies and jointly controlled entities, and represents the excess from the compensation transferred for the acquisition of the company above and beyond the fair value of the Group's share in the acquired identifiable assets, the debts taken over, the contingent liabilities and all non-controlling interests of the acquired company on the acquisition date.

Goodwill is allocated to the cash-generating units (CGU) as part of the impairment test. It is allocated to the CGUs or groups of CGUs that are expected to benefit from the business combination which created the goodwill in line with the identified business segment. Every unit or group of units which has goodwill allocated represents the lowest level within the company at which the goodwill can be monitored for internal management purposes.

The goodwill is monitored on the level of the business segments.

Annual checks are made of whether an impairment in the goodwill has occurred. If there is an indication that an impairment may be possible, impairment tests are conducted more regularly. The carrying amount of the goodwill is compared with the recoverable amount, i.e. with the higher of the fair value less costs to sell and the value in use. An impairment is recognized as an expense immediately and not reversed in subsequent reporting periods.

2.7.2 Software licenses
Purchased software licenses are capitalized based on the costs incurred on purchase as well as for the preparation of the software for its intended use. These costs are amortized over the estimated useful life of 3 to 5 years.

2.7.3 Software developed in-house
Expenses for internally generated intangible assets are recognized in income in the period in which they are incurred, except in the case of development costs that can be capitalized. Development costs from individual projects are only capitalized as intangible assets if the following criteria are fulfilled:

- The completion of the software products is technically viable.
- The management has the intention of using or selling the software product.
- It can be proved that the software product will likely provide commercial benefits in future.
- Sufficient technical, financial and other resources are available to complete the development and use or sell the software product.
- The expenses attributable to the software product during its development can be reliably valued.

The costs directly attributable to the software product include the personnel costs for the employees involved in the development as well as an appropriate part of the corresponding overheads.

Expenses for development that do not fulfill these criteria are recorded as expense in the period in which they are incurred. Development costs already recorded as expenses are not capitalized in a subsequent period.

Capitalized development costs for software are amortized over their estimated useful life (maximum of three years).

2.8 Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not subject to regular depreciation or amortization; they are tested for impairment on an annual basis. Assets subject to scheduled depreciation or amortization are tested for impairment if relevant events or changes to circumstances indicate that the carrying amount might no longer be recoverable. An impairment loss is recorded in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use. For the purpose of assessing impairment, assets are pooled at the lowest level for which separate cash flows can be identified (CGUs). With the exception of goodwill, non-monetary assets, for which impairment losses were recognized in the past, are to be checked as of each balance sheet date to determine whether a reversal of the impairments up to the amortized cost is required.

2.9 Financial assets

2.9.1 Classification
Financial assets are divided into the following categories: (a) financial assets valued at fair value through profit or loss, (b) loans and receivables and (c) financial assets available for sale. The classification depends on the respective purpose which the financial asset was purchased for. The management determines the classification of the financial asset on initial recognition.

Assets valued at fair value through profit or loss

Assets valued at fair value through profit or loss are financial assets held for trading purposes. A financial asset is allocated to this category if it was primarily purchased with the purpose of selling it in the short term. Derivatives are also classified in this category, unless they qualify as hedges. Assets in this category are reported as current assets if the realization of the asset is expected within twelve months. All other assets are classified as non-current. In the financial years 2012 and 2013, there were no financial assets of the category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments that are not traded in an active market. They are classified as current assets if their maturity does not exceed twelve months after the balance sheet date. If the latter is the case, they are recognized as non-current assets. The loans and receivables of the Group are reported in the balance sheet under "Accounts receivable and other receivables" (Notes 2.14 and 2.15).

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which are allocated to this category or none of the other categories presented. They are classified as non-current assets if the management does not have the intention of selling them within twelve months of the balance sheet date and the asset does not mature within this period. In the financial years 2012 and 2013, other non-current financial assets were allocated to this category.

2.9.2 Recognition and measurement
Regular purchases or sales of financial assets are recognized on the day of trading on which the Group commits to the purchase or sale of the asset. Financial assets that do not belong to the category "valued at fair value through profit or loss" are initially carried at their fair value plus transaction costs. Financial assets that belong to this category are initially carried at their fair value; corresponding transaction costs are recognized in income. Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred and the Group has largely transferred all risks and opportunities connected with the ownership. Financial assets available for sale and assets "valued at fair value through profit or loss" are measured at fair value after their initial recognition. Loans and receivables are recognized at amortized cost by applying the effective interest method.

Profits or losses from financial assets "valued at fair value through profit or loss" are recognized in income during the period of their occurrence. Dividend income from financial assets "valued at fair value through profit or loss" is recorded in profit or loss when the rights of the Group become valid.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as being available for sale are broken down into exchange differences from changes in amortized cost (recognized through profit or loss) and other changes to the carrying amount (not recognized through profit or loss). The exchange differences from monetary securities are recognized through profit or loss, while the exchange differences from non-monetary securities are recorded in other earnings. Changes in the fair value of the monetary and non-monetary securities which are classified as available for sale are recognized in other earnings.

If securities which are classified as available for sale are sold or subject to an impairment, the accumulated value changes of the fair value previously recognized in equity are recognized through profit or loss in the income statement as "Gains / losses from securities".

Interest received from the application of the effective interest method for securities in the category "Available for sale" is recorded in the income statement under "Other income". Dividends on equity instruments available for sale are recognized through profit or loss in the income statement under "Other income" when the rights of the Group become valid on payment.

2.10 Offsetting of financial instruments

Financial assets and liabilities are only offset and recognized as a net amount on the balance sheet if there is a legal claim to offset and the intention is to either settle on a net basis or settle the liability with the utilization of the asset in question.

2.11 Impairment of financial instruments

2.11.1 Assets which are classified as available for sale

On every balance sheet date, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment only exists for a financial asset or a group of financial assets if, on the back of one or more occurrences which have taken place after the initial recognition of the asset (a "loss-entailing event"), there is an objective indication of an impairment and that this loss-entailing event (or events) has a reliably assessable effect on the expected future cash flows of the financial asset or the group of financial assets.

Objective indications of an impairment could be the following: Indications of financial difficulties of a customer or a group customers, the non-adherence or non-payment of interest or capital amounts, the probability of being declared bankrupt or being subject to a different type of financial restructuring, and identifiable facts which indicate a measurable reduction in the estimated future capital flows, such as unfavorable changes in the payment situation of the borrower or the economic situation which would indicate delay in performance.

In the category loans and receivables, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of future, not yet suffered defaults) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the impairment loss is recognized in profit or loss. If a loan, a receivable or financial investment to be held to maturity has a variable interest rate, the discount rate used for measuring the impairment loss corresponds with the current effective interest rate determined in the contract. For practical reasons, the Group measures the impairment of a financial asset recognized at amortized cost based on the financial instrument's fair value using an observable market price.

When the amount of the impairment decreases in a subsequent period and this reduction results from circumstances which have occurred after the initial recognition of the impairment (for instance an improved rating), the write-up is recognized in profit or loss.

2.11.2 Assets which are classified as available for sale

On every balance sheet date, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of debt instruments, criteria from "(2.11.1)" are used. In the case of equity instruments which are classified as financial assets available for sale, a substantial or continuous fall in the fair value below the acquisition cost of these equity instruments is seen as an indicator that the equity instruments are impaired. If an indication of this type exists for assets available for sale, the accumulated loss - measured as the difference between the acquisition costs and the current fair value less impairment losses previously recorded for the financial asset in question - is derecognized from equity and recognized in the income statement. Impairment losses on equity instruments once recognized in the income statement are not reversed in profit or loss. If in a subsequent period, the fair value of a debt instrument, which was classified as a financial asset available for sale, increases and this increase results from circumstances which have occurred after the initial recognition of the impairment, the write-up is recognized in profit or loss.

2.12 Derivative financial instruments and hedging

Derivative financial instruments are measured at their fair value as part of the initial measurement, which is to be attached to them on the date of conclusion of contract. Subsequent measurement is also made based on the fair value applicable on the respective balance sheet date. The method of recording profits and losses depends on whether the derivative financial instrument was designated as a hedging instrument and, if so, depending on the type of item hedged. The Group designates certain derivative financial instruments either as

- Hedging the fair value of a recognized asset, liability or fixed off-balance-sheet obligation (fair value hedge),
- Hedging against specific risks of fluctuating cash flows (cash flow hedge), which are connected with a recognized asset or recognized liability or an expected and highly probable future transaction, or
- Hedging a net investment in a foreign business (net investment hedge).

When concluding the transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the target of its risk management and the underlying strategy when concluding hedging activities. In addition, at the start of the hedging relationship and continuing subsequently, documentation of estimates is made about whether the derivatives used in the hedging relationship highly effectively offset the changes in the fair value or the cash flows of the underlying transaction.

The fair values of the various derivative financial instruments, which are used for hedging purposes as well as the movements of reserves for cash flow hedges, are outlined in the information on derivative financial instruments in Note 13.

The fair value of derivative financial instruments designated as hedging instruments is disclosed as a non-current asset or non-current liability, to the extent that the remaining term of the hedged underlying transaction exceeds twelve months after the balance sheet date, or as current asset or liability if the remaining term is shorter. Derivative financial instruments held for trading purposes are disclosed as current assets or liabilities.

Cash flow hedges
The effective portion of changes to the fair value of derivatives, which are intended for hedging the cash flow and which can qualify as cash flow hedges, is recognized in other comprehensive income. In contrast, the ineffective portion of such changes in value is directly reported in the income statement under “Other income / expenses”.

Amounts entered in equity are reclassified to the income statement and reported as income or expense in the period in which the hedged underlying transaction is reported in profit or loss (e.g. at the point at which a hedged future sale occurs). However, if a hedged future transaction results in the recognition of a non-financial asset (e.g. inventories or property, plant and equipment) or a non-financial liability, the profits and losses that were previously recognized in equity are included in the initial measurement of the cost of the asset or liability. The deferred amounts in the case of the inventories are finally recognized in cost of materials and in depreciation / amortization in the case of property, plant and equipment.

When a hedging agreement expires, is sold or no longer fulfills the criteria for recognition as a hedging transaction, the profit or loss accumulated in equity up to this point remains in equity and is only recognized through profit or loss in the income statement if the originally hedged future transaction occurs. If the occurrence of the future transaction is no longer expected, the profits or losses accumulated in equity are to be immediately reclassified in the income statement.

2.13 Inventories

Raw materials, consumables and operational supplies as well as items for resale are measured at the lower of costs of purchase and net realizable value. Costs of purchase are the purchase price plus incidental acquisition costs less reductions to the acquisition price, and do not contain any borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business less the variable costs necessary to make the sale. The cost for inventories also contains profits or losses from qualified cash flow hedges transferred from equity and relating to the purchase of raw materials. In 2013, the company made the transition from the FIFO method (first in first out) for measuring inventories to the average cost method. Following a change in the technical storage space administration and the corresponding adjustments, the determination of cost with the FIFO method would no longer be feasible after depositing the products in the warehouse. The effects of the method adjustment have not been retroactively taken into account as determining period-related adjusted amounts is not feasible with the available technical means after the system change. As a result, a prospective adjustment has been made. In addition, the current market price development is better represented and presentation improved.

2.14 Accounts receivable

Accounts receivable are due amounts from goods sold and services provided during the course of normal business activities. If the prospective collection is expected in one year or less than one year, the receivables are classified as current. Otherwise they are recognized as non-current receivables.

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method and deducting impairments. An impairment on accounts receivable is recognized if there are objective indications that the due amounts receivable are not completely collectable (e.g. for payment delays, insolvency of customers).

The carrying amounts of the accounts receivable generally correspond with their market values, taking into account impairments, due to their short-term nature.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, other current highly liquid financial assets with an original maximum term of three months and overdrafts. On the balance sheet, overdrafts are shown as “Liabilities to banks” under current financial liabilities.

2.16 Equity

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

If the Group acquires its own shares, these are recorded at cost of purchase and deducted from equity. The purchase, sale, issue or withdrawal of own shares are not recognized in income. Any differences between the carrying amount and compensation are recorded under other capital reserves.

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 amortized cost (less transaction costs) until it is derecognized 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.

2.17 Accounts payable and other liabilities

Financial liabilities are divided into the following categories:

Financial liabilities valued at fair value through profit or loss
- Liabilities valued at fair value through profit or loss are financial liabilities held for trading purposes. A financial asset is allocated to this category if it was primarily purchased with the purpose of selling it in the short term. Derivatives are also classified in this category, unless they qualify as hedges. Liabilities in this category are reported as current liabilities if the fulfillment of the liability is expected within twelve months. All other liabilities are classified as non-current. In the financial years 2012 and 2013, there were no financial assets of the category.

Liabilities valued at amortized cost (FLAC); this includes accounts payable and other liabilities
- Accounts payable are payment obligations for goods and services purchased as part of the normal course of business. The liabilities are classified as current liabilities if the payment obligation is due within one year or less. Otherwise they are recognized as non-current liabilities. Accounts payable and other liabilities are measured at fair value on initial recognition. Subsequent measurement is made at amortized cost by applying the effective interest method.

“Derivatives designated as hedge transactions and effective as such” are not assigned to a category in line with IAS 39.

2.18 Financial debt

Loan liabilities are classified as current liabilities if the Group does not have the unconditional right to settle the liability at a time at least twelve months after the balance sheet date. The initial recognition is made at fair value less transaction costs, while in subsequent periods they are measured at amortized cost using the effective interest method.

2.19 Borrowing costs

Borrowing costs that can be allocated directly to the purchase, construction or production of a qualified asset, are capitalized as part of the cost of this asset until all work is generally completed in order to prepare the asset for its intended use or sale. A qualified asset is an asset which requires a substantial amount of time to render it usable or saleable.

In determining the amount of borrowing costs eligible for capitalization during a period, any investment income earned from investments and temporarily invested until the use for the qualified asset, is deducted from the borrowing costs incurred. Other borrowing costs are recognized as expenses in the period in which they are incurred.

No capitalized borrowing costs currently exist. Other borrowing costs are recognized as expenses in the period in which they are incurred.

2.20 Current and deferred taxes

The tax expenses for the period are made up of current and deferred taxes. Taxes are recognized in the income statement unless they relate to items which are directly recorded in equity or in other earnings. If this is the case, the taxes are also recognized in equity and in other earnings.

Current tax expenses are calculated using the tax laws of the countries in which the subsidiaries and associated companies operate and generate the taxable income applicable on the balance sheet date (or due to come into force). The management regularly checks tax declarations, primarily in relation to matters which leave scope for interpretation, and forms, if appropriate, provisions based on the amounts that are expected to be paid to the financial authorities.

Deferred taxes are to be taken into account for all temporary differences between the tax base of the assets / liabilities and their carrying amounts in the IFRS consolidated financial statements as well as for losses carried forward (so-called liabilities method). However, if in the course of a transaction which is not a business combination a deferred tax asset from the initial recognition of an asset or a liability arises which at the time of the transaction affects neither the accounting nor the taxable profit or loss, the deferred tax asset or liability is neither recognized at the date of initial recognition nor afterwards.

Deferred tax assets are only recognized to the extent that taxable profits are likely against which the temporary difference can be offset. Deferred tax liabilities arising from taxable temporary differences connected with shareholdings in subsidiaries and associated companies are carried unless the timing for reversing the temporary differences can be controlled by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future due to this influence.

Deferred taxes are measured using the tax rates (and regulations) that are already in effect on the reporting date, or that have been substantially adopted into law as of that date and are expected to become effective by the time the deferred tax credits are realized or deferred tax liabilities are settled.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset and if the deferred tax assets and liabilities relate to income taxes which are to be collected by the same tax authority for either the same taxable entity or different taxable entities which intend to settle on a net basis.

2.21 Employee benefits

2.21.1 Termination benefits
Benefits coming about from the termination of the employment relationship are paid if the employment contract is terminated before an employee reaches the normal pension age or if an employee volunteers to terminate the employment contract in exchange for compensation. The Group records compensation when it can be proven that it is obligated to terminate the employment relationship with the current employee in accordance with a detailed formal plan which cannot be reversed, or if it can be proven that it is obligated to pay compensation to an employee who voluntarily terminates the employment relationship. Benefits that are due more than twelve months after the balance sheet date are discounted to their present values.

2.21.2 Bonus plans
For bonus payments, a liability and an expense are recognized based on a measurement method. A provision is recognized under liabilities in the consolidated financial statements in cases involving a contractual obligation or when a factual obligation is created due to past business activities.

2.21.3 Share-based remuneration
A portion of Group employees and the Management Board receive a share-based remuneration in the form of equity instruments or cash.

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"), other performance-related conditions for exercising the option are also 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 of 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.

For cash-settled transactions, Group liabilities resulting from service provision are recognized as expense at fair value on the date of service provision by the beneficiary. 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"), other performance-related conditions for exercising the option are also considered. Until the liability has been settled, the fair value of the liability is remeasured on every reporting date and all changes to the fair value recorded through profit or loss.

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.

2.22 Provisions

Provisions are formed if the Group (a) has a current legal or factual obligation resulting from a past event, (b) it is more likely than not that the settlement of the obligation will lead to an impact on assets, and (c) the size of the provision can be reliably determined. No provisions are recorded for future operating losses.

If a number of similar obligations exist, such as in the case of the legal warranty, the probability of an impact on assets is determined on the basis of the group of these obligations. A provision is recognized under liabilities if the probability of an impact on assets in relation to an individual obligation contained within this group is low.

Provisions are measured at the present value of the expected expenses, with a pre-tax interest rate, which takes into account the current market expectations with regards to the interest rate effect as well as the risks specific to the liability, forming the basis. Increases in provisions resulting exclusively from the compounding of interest are recorded in profit or loss in the income statement as interest expenses.

2.23 Sales recognition

Sales are measured at the fair value of the consideration received or receivable. 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 recognized if the delivery was performed and the risks have been transferred to the purchaser. Sales arising from the sale of goods are recognized 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 based on historical return rates.

The Group runs its own loyalty program, allowing customers to collect bonus points with every purchase. Once a certain minimum number of points have been collected, the customer can 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 recognized as sales only when the bonus points are redeemed.

The Group offers its customers the opportunity to receive discounts over a contractually agreed period by purchasing a "zooplus saving plan". The income generated from sales of the saving plan is deferred over the validity period of the individual saving plans.

For the provision of services, sales are recognized at the point in 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. The Group determined that it acts as the principal in all its sales transactions.

2.24 Financial income

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

2.25 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 fulfillment 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 2013.

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 term of the lease.

2.26 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.

3. Financial risk management

3.1 Financial risk factors

Due to its business activities, the Group is exposed to various financial risks, market risk, credit risk and liquidity risk. The Group and its product range are in competition with other providers.

The risk management of the Group is focused on unforeseeable developments on the financial markets and aims to minimize the potential negative impacts on the financial situation of the Group. The Group uses derivative financial instruments in order to hedge against specific risks.

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

3.1.1 Market risk

3.1.1.1 Currency risk

The Group operates internationally and as a result it is subject to currency risks based on changes in the exchange rate of various foreign currencies, mainly the US dollar, British pound, Czech koruna, Polish zloty, Swiss franc, Swedish krona and Danish krone. The risks in USD stem from purchases made in Asia. Currency risks occur from expected future transactions, recognized assets and liabilities. The management has enacted a guideline which stipulates how the currency risk should be managed in relation to the functional currency. To hedge foreign currency risks from expected future transactions as well as recognized assets and liabilities, the Group uses forward exchange transactions which are concluded by the Group's finance department. The Group is increasingly attempting to limit these currency risks by buying products locally in foreign currency zones. Exchange-rate risks occur if future business activities or recognized assets or liabilities are recorded in a different currency than the company's functional currency. The Group's risk management policy plans hedging of between 0 % and 70 % of the expected transactions within the next twelve months (mainly export sales and purchases of inventory) in the currencies GBP and USD. The expected sales and purchases which are to be carried out using hedging instruments correspond with the hedge accounting criteria of the "highly probable" forecast transaction.

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. The following representation is one-dimensional and does not take into account the feedback effects in international purchasing as well as on the manufacturer's side. In addition, effects of taxation are not taken into account. The table shows the positive and negative effects if the Euro was to gain or lose 10 % of its value compared to the other currencies presented, to the extent that all other variables remain constant. The effects break down as follows: Gains ⁄ losses from currency conversion resulting from accounts payable and receivable based on a foreign currency impact the consolidated net result, while changes to the fair value of forward exchange transactions from effective cash flow hedges impact other reserves.

Currency in kEUR	1 Euro = 1 mU FC Exchange rate as of December 31, 2013	Effect on consolidated net result for +10 %	Effect on consolidated net result for -10 %	Effect on other reserves for +10 %	Effect on other reserves for -10 %
USD	1.3791	5	-7	-465	568
GBP	0.8331	30	-37	0	0
PLN	4.1543	34	-42	0	0
CZK	27.4270	-9	11	0	0
DKK	7.4593	-28	34	0	0
CHF	1.2276	-9	11	0	0
SEK	8.8591	-9	11	0	0
TRY	2.9605	1	-1	0	0

3.1.1.2 Interest rate risks

The Group currently only uses overdrafts and current money-market loans with variable interest rates. 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 additional expenses of kEUR 141 (previous year: kEUR 53), while a fall in interest rates by 100 basis points would result in additional income of kEUR 141 (previous year: kEUR 53).

3.1.1.3 Credit risk

Credit risk is defined as the risk that a business partner will not be able to fulfill its obligations as part of a financial instrument or customer contract which in turn leads to a financial loss for the Group. The extent of the credit risk of zooplus Group 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 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.

3.1.1.4 Liquidity risk

The Group constantly monitors the risk of liquidity bottlenecks via liquidity planning. The latter takes into account cash inflows and outflows from financial assets as well as anticipated payments from operating business. The cash flow forecasts are produced on individual company level and compiled at Group level.

The Group aims to preserve a balance between constantly covering its liquidity requirements and ensuring flexibility through the use of overdrafts and loans. In some cases, zooplus employs cross-national cash pooling techniques for effective liquidity management within the Group. Where appropriate, remaining short-term liquidity peaks are balanced by the use of overdrafts. On the date that these consolidated financial statements were prepared, unused lines of credit worth EUR 12 m were available at two banks operating independently of one another. As a result, the Group does not currently have any liquidity risks.

The following table shows the financial liabilities and derivative financial liabilities of the Group in maturity groupings, based on the remaining maturity on the balance sheet date and relating to the contractually agreed undiscounted cash flows.

in kEUR	Up to 3 months	3 months up to 1 year	Over 1 year
As of December 31, 2013			
Financial liabilities	13,000	0	0
Accounts payable	16,249	0	0
Other liabilities	2,914	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	5,202	0	0
Cash inflow	5,112	0	0
As of December 31, 2012			
Financial liabilities	2,000	0	0
Accounts payable	16,847	0	0
Other liabilities	2,643	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	5,074	7,974	0
Cash inflow	4,969	7,851	0

3.2 Capital management

The objectives of the Group with respect to capital management are mainly on maintaining and ensuring an optimal capital structure for reducing capital costs, in generating liquid funds and in actively managing working capital as well as adhering to financial covenants.

The company is not subject to any statutory capital requirements. External minimum capital requirements exist in line with Section 92 AktG, adherence to which is checked as part of the preparation of the annual and interim financial statements and which were fulfilled in the financial year 2013.

The Group controls its capital structure based on the equity ratio and undertakes the relevant adjustments if deemed necessary, taking the change in the underlying economic conditions into account. Unchanged from 2012, the Group's strategy in 2013 was to maintain equity ratio of at least 25 %. At the end of the financial year 2013, the Group's equity ratio totaled 44 % compared to 52 % in the previous year.

in kEUR	2013	2012
Equity	36,713	33,894
Total capital	83,717	65,353
Equity ratio in %	**44**	**52**

3.3 Determining fair value

The following table shows financial instruments which are measured at fair value, analyzed 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 December 31, 2013.

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

The following table shows the assets and liabilities that are measured at fair value as of December 31, 2012.

in kEUR	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments as hedging instruments	0	78	0
Liabilities			
Derivative financial instruments as hedging instruments	0	294	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 estimated based on 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 balance sheet date.

4. 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. Compared to the previous year, no changes were made to the assumptions or estimates.

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 financial year are discussed below.

Accounts receivable

The company applies age structure time bands to determine specific valuation allowances on Accounts receivable. The overdue time bands are impaired by a percentage between 10 % and 100 % based on past empirical data. The upper limit of the time bands has been increased from 95 % in the previous year to 100 % based on new information. This has not resulted in any material effects.

As of December 31, 2013 and 2012, the impairment for accounts receivable totaled EUR 4.1 m and EUR 3.7 m respectively.

Loyalty program

The measurement of obligations from the loyalty program is based on various estimates. In accordance with IFRIC 13 “Customer Loyalty Programs”, 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 program. Assumptions and related methods for estimating the measurement of the loyalty program are presented in Note 20.

Share-based remuneration

The costs that arise as a result of granting equity instruments and from cash-settled share-based payment 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 16.

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 utilized. When identifying the amount of deferred tax assets that can be capitalized, 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 corporation tax losses carried forward totaling EUR 20.4 m (2012: EUR 24.7 m) as well as trade tax losses carried forward totaling EUR 19.7 m (2012: EUR 24.1 m). As a result of the consolidated net profit in 2013 as well as the positive earnings development based on 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 8.

5. Property, plant and equipment

	in kEUR
Cost as of January 1, 2012	2,576
Additions	348
Foreign currency valuation	0
Disposals	-98
As of December 31, 2012	**2,826**
Accumulated depreciation as of January 1, 2012	1,763
Additions	399
Foreign currency valuation	0
Disposals	-16
As of December 31, 2012	**2,146**
Carrying amounts as of December 31, 2012	**680**

	in kEUR
Cost as of January 1, 2013	2,826
Additions	289
Foreign currency valuation	-3
Disposals	-117
As of December 31, 2013	**2,995**
Accumulated depreciation as of January 1, 2013	2,146
Additions	391
Foreign currency valuation	-1
Disposals	-72
As of December 31, 2013	**2,464**
Carrying amounts as of December 31, 2013	**531**

Property, plant and equipment consists 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 in line with IAS 36 on the reporting date as in previous years.

6. Intangible assets

in kEUR	Software developed in-house	Software / licenses	Goodwill	Advance payments	Total
Cost as of January 1, 2012	535	1,056	21	0	1,612
Additions	0	1,695	0	250	1,945
Foreign currency valuation	0	0	0	0	0
Disposals	0	0	0	0	0
As of December 31, 2012	**535**	**2,751**	**21**	**250**	**3,557**
Accumulated depreciation as of January 1, 2012	353	746	0	0	1,099
Additions	126	172	0	0	298
Foreign currency valuation	0	1	0	0	1
Goodwill impairment	0	0	21	0	21
Disposals	0	0	0	0	0
As of December 31, 2012	**479**	**919**	**21**	**0**	**1,419**
Carrying amounts as of December 31, 2012	**56**	**1,832**	**0**	**250**	**2,138**

in kEUR	Software developed in-house	Software / licenses	Goodwill	Advance payments	Total
Cost As of January 1, 2013	535	2,751	21	250	3,557
Additions	0	2,592	0	518	3,110
Foreign currency valuation	0	-2	0	0	-2
Reclassification	0	452	0	-452	0
Disposals	0	-35	-21	0	-56
As of December 31, 2013	**535**	**5,758**	**0**	**316**	**6,609**
Accumulated depreciation As of January 1, 2013	479	919	21	0	1,419
Additions	56	247	0	0	303
Foreign currency valuation	0	-1	0	0	-1
Goodwill impairment	0	0	0	0	0
Disposals	0	-15	-21	0	-36
As of December 31, 2013	**535**	**1,150**	**0**	**0**	**1,685**
Carrying amounts as of December 31, 2013	**0**	**4,608**	**0**	**316**	**4,924**

Intangible assets solely comprise goodwill, concessions, industrial property rights and similar rights and licenses to such rights of which the remaining useful life is up to three years. Amortization on development costs recorded as expenses in the income statement during the financial year totaled kEUR 56 (2012: kEUR 126). No development costs that can be capitalized were incurred during the financial year 2013. No research costs were incurred.

The significant rise in software ⁄ licenses resulted from the implementation of a new transaction system for shop, order management and finance management as well as the corresponding expenses and internal labor that can be capitalized. 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.

There were no further signs of impairment on the reporting date.

7. Other financial assets

in kEUR	2013	2012
Interests in associated companies	48	70
Total	**48**	**70**

The interests in associated companies encompass

- 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 scope of consolidation due to their lack of importance. In accordance with IAS 39, the interests are classed as financial assets available for sale and recognized on the balance sheet at the cost of purchase, as no market prices exist for a publicly accessible market in this case and the fair value cannot be determined in another way. There is no intention of selling the interests.

8. Taxes on income

The significant components of income tax expense for the financial years 2013 and 2012 are as follows:

in kEUR	2013	2012
Actual taxes on income		
Current taxes on income	-861	-176
Deferred taxes on income		
from temporary differences	255	39
from losses carried forward	-1,443	581
Total	**-2,049**	**444**

In order to identify current taxes in Germany, a uniform corporation tax rate of 15 % (previous year: 15 %) is applied with a solidarity surcharge of 5.5 % (previous year: 5.5 %) to 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 realized 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 financial years 2013 and 2012 is as follows:

in kEUR	2013	2012
Pre-tax profit	**3,831**	**-2,556**
Anticipated income tax expenses (32.98 %)	-1,263	843
Deviation owing to the tax base used for trade tax	-55	-46
Deviation from the expected tax rate	11	20
Losses carried forward without applying capitalized deferred taxes and impairments	-321	-139
Non-deductible expenses from stock options	-287	-205
Other non-deductible operating expenses	-107	-150
Permanent differences	0	129
Income taxes relating to other periods	-21	-4
Other deviations	-6	-4
Effective income tax expenses	**-2,049**	**444**

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

in kEUR	2013	2012
Deferred tax assets		
Intangible assets	0	0
Derivative financial instruments	26	71
Long-term incentive	142	0
Inventories	175	80
Losses carried forward	6,606	8,049
	6,949	**8,200**
Deferred tax liabilities		
Intangible assets developed in-house	0	18

For 2013, deferred taxes as assets on losses carried forward and temporary differences were formed totaling EUR 6.9 m (previous year: EUR 8.2 m), as the Group anticipates tax gains in future. Overall within the Group, domestic corporation tax losses carried forward totaled EUR 20.4 m (previous year: EUR 24.7 m), domestic trade tax losses carried forward came in at EUR 19.7 m (previous year: EUR 24.1 m) while foreign trade tax losses carried forward totaled EUR 1.1 m (previous year: EUR 0.7 m). No deferred tax assets were formed on foreign losses carried forward totaling EUR 1.1 m (previous year: EUR 0.7 m).

No deferred tax liabilities were formed for temporary differences in connection with interests in subsidiaries.

During the financial year 2013, a profit and loss transfer agreement was concluded between zooplus AG, Munich, (controlling company) and bitiba GmbH, Munich, (controlled entity).

9. Inventories

in kEUR	2013	2012
Raw materials, consumables and supplies	938	755
Merchandise	42,720	31,530
Total	**43,658**	**32,285**

Raw materials, consumables and supplies generally consist of packaging for the mail order trade. As of the balance sheet date, merchandise was impaired by kEUR 467 (previous year: kEUR 225). The company's inventories are used as security for securing the loans received. At the beginning of October 2013, the company made the transition from the FIFO method (first in first out) for measuring inventories to the average cost method, as this better represents the latest market price development and therefore improves presentation. The impacts of the change in method were not, as mentioned in 2.1.3, retroactively taken into account.

10. Advance payments

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

11. 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 company's accounts receivable are used as security for securing the loans received.

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

in kEUR	Acquisition cost	Not due and not impaired	Overdue and not impaired			Overdue and impaired
			< 30 days	30-90 days	> 90 days	
2013	14,855	8,098	1,700	387	58	4,612
2012	12,953	6,832	1,421	362	197	4,141

As of December 31, 2013, impairments totaling kEUR 4,070 (previous year: kEUR 3,655) were made. The company applies age structure time bands to determine impairments on accounts receivable. The overdue time bands are impaired by a percentage based on past empirical data. With regard to overdue but non-impaired receivables, there are no indications that the debtors will not fulfill their payment obligations.

The impairment account changed as follows:

in kEUR	2013	2012
As of January 1	3,655	3,868
Additions	1,846	1,423
Utilization	-1,431	-1,636
As of December 31	**4,070**	**3,655**

12. Other current assets

in kEUR	2013	2012
Creditors with net debit balance	6,855	6,301
VAT receivable	3,125	1,936
Others	934	784
Total	**10,914**	**9,021**

Creditors with net debit balance refers to claims against suppliers due to advertising and marketing campaigns as well as volume discounts carried out in the financial year. All other current assets have a term of up to one year.

13. Derivative financial instruments

in kEUR	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Forward exchange transactions – cash flow hedges	0	79	78	294

The derivative financial instruments held in hedge accounting are classified as current assets or liabilities, as the hedging horizon is less than one year. The derivative financial instruments refer to cash flow hedges for hedging the risk of foreign currency fluctuations from the USD area. The hedges use forward exchange transactions. No inefficiencies were detected in the hedging as of December 31, 2013.

The nominal amounts of outstanding forward exchange contracts totaled EUR 5.2 m as of December 31, 2013 (previous year EUR 13.1 m). The transactions hedged by the hedging activities in foreign currencies with a high probability of occurrence are expected to be realized at various points during the next three months after the balance sheet date. Profits and losses of future agreements in foreign currencies as of December 31, 2013, which are reported in the hedging reserve in equity, are recorded in the income statement in the period in which the hedged, planned transaction becomes effective in the income statement. In general, this will occur in the next nine months.

As of December 31, 2013, the hedging reserve includes the change of the fair value totaling kEUR -79 plus deferred tax effects totaling kEUR 26, which corresponds to a total of kEUR -53. The hedging reserve as of December 31, 2012 totaling kEUR -145 (kEUR -216 plus the deferred tax effects kEUR 71) has been completely recognized in the income statement in the financial year 2013 due to transactions occurring.

14. Cash and cash equivalents

in kEUR	2013	2012
Bank balances	5,646	2,977
Cash on hand	1	3
Total	**5,647**	**2,980**

Bank balances are subject to variable interest for demand deposits.

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.

15. Equity

Subscribed capital

The subscribed capital corresponds with zooplus AG's share capital and totals EUR 6,101,639.00 (previous year: EUR 6,100,639.00). 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 financial year 2013, zooplus AG's subscribed capital increased as a result of the allocation of a total of 1,000 shares from the conditional capital 2007 ⁄ I from EUR 6,100,639.00 by a total of EUR 1,000.00 to EUR 6,101,639.00.

Authorized capital

As a result of the resolution by the General Meeting on May 22, 2012, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions during the period until May 21, 2017 against cash or non-cash capital contributions by up to a total of EUR 3,050,199.00 by issuing new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share (Authorized Capital 2012).

The number of shares has to increase at the same ratio as the share capital. The capital increases can be made against cash and ⁄ or non-cash contributions. As a rule, shareholders are entitled to subscription rights. The new shares can also be taken over by one or more credit institutions or one or more similar institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right).

Moreover, the Management Board is authorized, with the approval of the Supervisory Board, to remove shareholders' subscription rights in the following cases: (1) to the extent it is required to exclude fractional amounts from the shareholders' subscription right; (2) to the extent it is required in order to grant bearers of option rights and ⁄ or conversion rights, or option obligations and ⁄ or conversion obligations from bonds with option rights and ⁄ or conversion rights, or option obligations and ⁄ or conversion obligations issued by the company or a company in which the company holds a direct or indirect majority shareholding a subscription right or conversion option for new shares in the amount due to them after exercising option rights and ⁄ or conversion rights or fulfilling option obligations and ⁄ or conversion obligations as a shareholder; (3) to the extent that the new shares are issued against contributions in kind, particularly in the form of companies, parts of companies, shareholdings in companies or other assets; (4) to the extent that the new shares are issued against cash contributions, the issue price of the newly issued shares is not significantly below the market price of the already listed shares of the company of the same class at the time of the final determination of the issue price and the shares to be issued, under exclusion of the subscription right, in their proportionate amount attributable in total to the issued shares do not exceed 10 % of the share capital existing on the first exercise of the authorization and at the time when this authorization becomes effective. The proportionate amount of the share capital of the company which is attributable to shares issued or sold during the period of this authorization, excluding the subscription right in direct, corresponding or mutatis mutandis application of Section 186 (3) Sentence 4 AktG, is credited against this maximum amount, as is the proportionate amount of the share capital attributable to the shares which are issued or to be issued to serve the option rights and / or conversion rights or to fulfill the option obligations and / or conversion obligations from bonds, to the extent that the bonds were issued during the period of this authorization, excluding the subscription right in corresponding application of Section 186 (3) Sentence 4 AktG.

The proportionate amount of the share capital attributable to the new shares, for which the subscription right according to the previous items or based on other authorizations is excluded during the period of this authorization, May not exceed 20 % of the share capital either at the time it becomes effective or at the time that this authorization is exercised.

The Management Board is authorized to finalize further details regarding the capital increase and the conditions of the issuing of shares in conjunction with the Supervisory Board.

Conditional capital

The company's share capital was conditionally increased by EUR 8,700.00 (Conditional Capital 2007 / I) on the balance sheet date. Conditional Capital 2007 / I currently backs rights for the subscription of up to 8,700 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 authorization 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 program 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 420,000.00 (Conditional Capital 2010 / I) on the balance sheet date. Conditional Capital 2010 / I currently backs rights for the subscription of up to 420,000 no-par value bearer shares. Conditional Capital 2010 / I serves to secure subscription rights from stock options for employees and members of the company's Management Board. 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 authorization resolution by the Annual General Meeting on May 27, 2010 as part of the 2010 / I stock option program 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 100,000.00 (Conditional Capital 2012 / I) on the balance sheet date. Conditional Capital 2012 / I currently backs rights for the subscription of up to 100,000 no-par value bearer shares. Conditional Capital 2012 / I serves to secure subscription rights from stock options for employees of the company. 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 authorization resolution by the Annual General Meeting on May 22, 2012 as part of the 2012 / I stock option program 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	2013	2012
Conditional Capital 2007 ⁄ I*	8,700.00	9,700.00
Conditional Capital 2010 ⁄ I*	420,000.00	420,000.00
Conditional Capital 2012 ⁄ I	100,000.00	100,000.00
Total	**528,700.00**	**529,700.00**

* After adjustment to the capital increase from company resources

Capital reserves

As of December 31, 2013, the capital reserves totaled EUR 50,258,477.53. 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 16). On the balance sheet date these were structured as follows:

in kEUR	2013	2012
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	2,048	2,048
Debentures ⁄ employee share options	3,168	2,300
Total	**50,258**	**49,390**

Other reserves

Other reserves contain hedge reserves consisting of changes to the fair value due to derivative hedging instruments existing on the balance sheet date in hedge accounting as well as the currency adjustment items resulting from currency differences from the translation of the financial statements of foreign subsidiaries in a foreign currency.

in kEUR	2013	2012
Hedge reserve	-53	-145
Currency adjustment items	93	18
Total	**40**	**-127**

Profit ⁄ loss for the period and losses carried forward

in kEUR	2013	2012
Losses carried forward as of January 1	-21,469	-19,357
Profit ⁄ loss for the period	1,782	-2,112
Losses carried forward as of December 31	**-19,687**	**-21,469**

16. Share-based remuneration

Share-based remuneration from the issuing of equity instruments

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

in kEUR	2013	2012
Expenses for executives	479	409
Expenses for employees	390	213
Total costs	**869**	**622**

Employee share option program

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 Program 2007 / I and the corresponding granting of share options with a right to subscribe for shares of the company. Each option entitles the bearer to subscribe for 10 zooplus AG bearer shares at a nominal value of EUR 1.00 per share. The subscription price is EUR 1.00 per share. According to the Share Option Program 2007 / I, certain employees of zooplus AG are authorized to purchase a total of up to 2,000 individual shares in the company. 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 of 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 Program 2010 / I and the corresponding granting of share options with a right to subscribe for shares of the company. According to the Share Option Program 2010 / I, the Management Board and Supervisory Board can authorize certain employees of zooplus AG to purchase a total of up to 170,000 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. Each option entitles the bearer to subscribe for two zooplus AG no-par value bearer shares at a nominal value of EUR 1.00 per share. The subscription price for options already issued in 2010 is EUR 17.50 per share. The subscription price for the options issued in 2012 is EUR 25.02 per share. The option rights can only be exercised 4 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.

On the basis of the resolution of the Annual General Meeting of May 22, 2012, the Management Board passed a resolution with the agreement of the Supervisory Board with regard to the employee Share Option Program 2012 / I and the corresponding granting of share options with a right to subscribe for shares of the company. According to the Share Option Program 2012 / I, the Management Board and Supervisory Board can authorize certain employees of zooplus AG to purchase a total of up to 100,000 individual shares in the company. The share options are issued in two tranches (50,000 ⁄ 50,000), with each linked to a different performance goal. Each option entitles the bearer to subscribe for one zooplus AG no-par value bearer share at a nominal value of EUR 1.00 per share. The subscription price for a share corresponds to the volume-weighted 1-month average price of the company share in Xetra trading on the Frankfurt Stock Exchange before the issuing date of the share options less a reduction of 5 %, however at least the highest exercise price of all share options already issued as part of the Share Option Program 2012 ⁄ I. In the financial year 2013, a total of 100,000 share options were issued to employees of zooplus AG, 69,000 of which were issued in April 2013 and 31,000 of which in September. The subscription price for the options issued in 2013 is EUR 39.55 or EUR 46.67 per share. The option rights can only be exercised 4 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 General Meeting on May 27, 2010, the Supervisory Board passed the regulations of the Share Option Program 2010 ⁄ I on June 15, 2010 for issuing share options to members of the Management Board with the right to subscribe for zooplus AG shares. According to the Share Option Program 2010 ⁄ I, members of the Management Board can subscribe for up to 250,000 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 two zooplus AG no-par value bearer shares at a nominal value of EUR 1.00 per share. The subscription price is EUR 17.50 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.

The fair value of the granted share 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 program (SOP)	
	2012 ⁄ I[1]	2012 ⁄ I[2]
Average share price (EUR)	41.66	52.84
Anticipated volatility (%)	46	46
Risk-free interest rate (%)	1.0	1.0
Dividend yield (%)	0.0	0.0
Anticipated maturity of the options (years)	5.5	5.5

[1] Issue in April 2013
[2] Issue in September 2013

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 options 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 program (SOP)		
	2007 / I*	2010 / I**	2012 / I***
Outstanding at the beginning of the reporting period	300	188,000	0
Lapsed in the reporting period	0	-6,000	-2,500
Exercised in the reporting period	-100	0	0
Granted in the reporting period	0	0	100,000
Outstanding at the end of the reporting period	**200**	**182,000**	**97,500**

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

The prices for exercising the options for the shares outstanding on December 31, 2013 were between EUR 1.00 and EUR 46.67 per share. The weighted average share price on the date the options were exercised was EUR 46.36 (previous year: EUR 30.00).

At the end of the reporting period, 200 (previous year: 300) options can be exercised. The weighted average remaining contractual term for the stock options outstanding on December 31, 2013 was 1.54 years (previous year: 1.68 years).

The following options for Management Board members are outstanding from the option plan for executives:

	Stock option program (SOP)
	2010 / I*
Outstanding at the beginning of the reporting period	100,000
Former members of the Management Board**	-25,000
Exercised in the reporting period	0
Granted in the reporting period	0
Outstanding at the end of the reporting period	**75,000**

* One option authorizes the purchase of 2 shares
** The options have neither lapsed nor been forfeited

The fair value of the subscription rights is EUR 14.50 per option.

Cash-settled share-based remuneration

Long term incentive program for Management Board members
When appointing Management Board members or extending the contracts of existing members, the focus has been placed on granting a long-term incentive program in the form of a share price-based performance share plan in annual tranches with a view to creating performance incentives for the long term. With every tranche, a number of virtual shares in the company are allocated depending on EBT target achievement. These shares are subject to a waiting period of three years and can lead to a cash payout to Management Board members of the Company after the waiting period expires.

The number of virtual shares corresponds with the ratio from the EBT-dependent base amount and the average issued reference price for the company share. The basis for calculating the EBT base amount is EBT according to the consolidated financial statements of the company from the past financial year 2013 approved by the Supervisory Board. Achieving targets means reaching specific EBT target amounts from the corporate forecast. As of the reporting date December 31, 2013, the members of the Management Board are entitled to a total of 10,094 subscription rights from the program based on a fair value of EUR 0.5 m.

The fair value of the virtual shares granted was calculated using a valuation model recognized by IFRS 2 and breaks down as follows:

in kEUR	2013	2012
Obligations from cash-settled share-based remuneration	525	0
Total	**525**	**0**

The obligation is recognized on the balance sheet under non-current liabilities.

The personnel costs recorded for the financial year 2013 were as follows:

in kEUR	2013	2012
Obligations from cash-settled share-based remuneration	525	0
Total	**525**	**0**

The total expenses from share-based remuneration incurred in the financial year 2013 from issuing equity instruments (kEUR 869) and settling in cash (kEUR 525) came in at kEUR 1,394 (previous year: kEUR 622).

17. Accounts payable

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

18. Financial liabilities

in kEUR	2013	2012
Short-term bank loans	13,000	2,000
Total	**13,000**	**2,000**

The company has lines of credit totaling EUR 25.0 m maturing on September 30, 2015. As of the balance sheet date December 31, 2013, EUR 13.0 m of this total was drawn on (previous year: EUR 2.0 m). As part of this line of credit, the company was utilizing a one-month money market loan of EUR 13.0 m with an interest rate based on Euribor plus 240 basis points. The loans are collateralized according to standard banking practice using the overall transfer of inventories, global cessions for customer receivables and assignment of insurance claims for merchandise as well as several intangible assets. In addition, there is a covenant which includes a minimum equity ratio of 25 % as well as a covenant which plans for a positive EBITDA figure for the financial year.

19. Other current liabilities

in kEUR	2013	2012
Tax liabilities		
VAT	6,129	4,119
Salary and church taxes	306	237
Subtotal	**6,435**	**4,356**
Further other liabilities		
Debtors with net credit balance	2,731	2,545
Bonus payments, discounts	1,789	707
Outstanding invoices	735	735
Employee vacation obligations	406	319
Costs of preparing the annual financial statements and audit costs	43	55
Others	539	373
Subtotal	**6,243**	**4,734**
Total	**12,678**	**9,090**

The other current 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 advance / excess payment or returns.

A bank guarantee for VAT liabilities totaling kEUR 400 exists at a bank.

20. Provisions

in kEUR	Current				Non-current	
	Loyalty rewards	International duties	Returns	Others	Share-based cash remuneration	Total
as of January 1, 2012	987	777	201	2	0	1,967
Additions	1,722	0	369	138	0	2,229
Reversals	0	24	0	0	0	24
Utilization	987	753	201	2	0	1,943
As of December 31, 2012	**1,722**	**0**	**369**	**138**	**0**	**2,229**
As of January 1, 2013	1,722	0	369	138	0	2,229
Additions	2,248	0	280	80	525	3,133
Reversals	0	0	0	33	0	33
Utilization	1,722	0	369	0	0	2,091
As of December 31, 2013	**2,248**	**0**	**280**	**185**	**525**	**3,238**

Provisions for loyalty rewards (as yet unredeemed bonus points) from the customer loyalty program totaled kEUR 2,248 as of December 31, 2013 (previous year: kEUR 1,722). To calculate these provisions, the redeemable bonus points according to the applicable participation conditions on the balance sheet date December 31, 2013 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 program. The increase is largely based on the growth of the company.

With the exception of the provision for share-based cash remuneration, all provisions are current. A cash outflow during the current financial year 2014 is anticipated in current provisions.

21. Deferred items

Deferred items contains saving plans already purchased by customers but not yet used totaling kEUR 989 (previous year: kEUR 913).

22. Sales

in kEUR	2013	2012
Germany	143,886	129,416
France	64,792	49,464
The Netherlands	35,862	28,173
Great Britain	27,812	21,529
Italy	27,297	18,466
Spain	20,180	15,775
Poland	15,894	9,644
Belgium	13,982	8,175
Austria	13,774	11,258
Finland	8,928	6,838
Other countries	34,597	20,498
Total	**407,004**	**319,236**

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, Great Britain, Italy, Spain, Poland, Belgium, Austria and Finland. In addition, the Group also operates in a number of smaller European markets, including Denmark, Ireland, the Czech Republic, Switzerland, Slovakia, Luxemburg, Portugal, Hungary, Slovenia, Romania, Croatia, Turkey, Liechtenstein and Sweden.

75 % of the sales were generated from the sale of feed. The remaining 25 % is attributable to accessories.

23. Other income

in kEUR	2013	2012
Income from marketing services	18,302	14,356
Income from reminder charges	503	454
Other income	1,113	1,506
Total	**19,918**	**16,316**

Other income includes income from the reversal of provisions and income from exchange rate differences. The income from marketing services mainly encompasses advertising cost subsidies and supplier reimbursements.

24. Personnel costs

in kEUR	2013	2012
Wages and salaries	16,480	12,524
Social security deductions	2,770	2,420
Total	**19,250**	**14,944**

We refer to Note 16 for the personnel expenses incurred as a result of share-based payments.

On average, 253 people were employed during the financial year (excl. Management Board; previous year: 217). Of this amount, 35 employees worked in Operations, 53 in IT, 134 in Sales and Marketing, and 31 in Administration.

25. Other expenses

in kEUR	2013	2012
Logistics & fulfillment	92,687	76,799
Advertising	10,689	15,291
Payment transaction costs	6,175	4,820
Legal and advisory costs	1,584	1,310
Other various operating expenses	11,856	10,021
Total	**122,991**	**108,241**

Logistics and fulfillment expenses relate to the warehousing, stock picking and shipping of products sold to our customers. In the financial year under review, expenses from currency conversion totaling kEUR 826 (previous year: kEUR 774) were recognized through profit or loss. The fall in advertising costs resulted from an optimized advertising strategy which substantially reduced expenses per new customer gained. The other various operating expenses include expenses for customer service, IT services, technology, room rental, insurance and other administrative expenses.

26. Financial income and expenses

in kEUR	2013	2012
Interest income and similar income	1	73
Interest expenses and similar expenses	-364	-68
Total	**-363**	**5**

27. Earnings per share

When calculating undiluted earnings per share, the earnings to be allocated to bearers of ordinary shares in the parent company are 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 in the parent company by the weighted average quantity of ordinary shares in circulation throughout the year plus the share options leading to the dilution.

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

		2013	2012
Consolidated net result	EUR	1,781,953.84	-2,112,078.74
Weighted ave. no. of ordinary shares in circulation	No. of shares	6,100,981	6,088,904
Dilution effect			
Share options	No. of shares	255,705	n / a[1]
Weighted ave. no. of ordinary shares in circulation			
adjusted for the dilution effect	No. of shares	6,356,686	n / a[1]
Undiluted earnings per share	EUR / share	0.29	-0.35
Diluted earnings per share	EUR / share	0.28	-0.35

[1] No dilution due to loss situation

28. Other financial obligations and contingent liabilities

The total of future financial commitments arising from permanent leases, insurance policies and warehouse logistics agreements and also leasing agreements for rented facilities in Munich, Oxford, Genoa, Cracow, Istanbul, Madrid and Strasbourg each amount for the following periods:

Leasing agreements for office rents:

up to one year	kEUR	1,463
longer than one year and up to five years	kEUR	6,674
longer than five years	kEUR	618

Leasing agreements for technology and company cars as well as servicing agreements:

up to one year	kEUR	1,783
longer than one year and up to five years	kEUR	449
longer than five years	kEUR	0

Other agreements (logistics services):

up to one year	kEUR	10,558
longer than one year and up to five years	kEUR	47,248
longer than five years	kEUR	5,154

The annual rental costs for the Group's business premises were kEUR 1,341 in 2013 (previous year kEUR 1,667).

The other leases mainly comprise car and server leases at standard market conditions. There are no sub-leases. Software maintenance contracts also exist.

The other agreements largely relate to warehouse logistics agreements at the Hörselgau, Tilburg and Wroclaw sites.

In addition, as of December 31, 2013, capital commitments for investment spending on intangible assets, for which contractual obligations exist as of the balance sheet date but have not yet been incurred, totaled kEUR 404 (previous year kEUR 700).

There was no material litigation on the balance sheet date. Contingent liabilities from guarantees no longer exist (previous year kEUR 65).

29. Related party disclosures

With the exception of the board salaries (see Section 33), 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 16. Member of the Supervisory Board Dr. Stoeck holds shares in the company.

A participation in zooplus AG is held by Burda GmbH, Burda Digital Ventures GmbH and BDV Beteiligungen GmbH & Co. KG. zooplus AG is therefore included in the subgroup financial statements of Burda GmbH, Offenburg, as well as the consolidated financial statements of Hubert Burda Media Holding Kommanditgesellschaft, Offenburg (direct and indirect participations 50.04 %, as of October 2013). Free float amounts to 49.96 % (as of October 2013). The consolidated financial statements are submitted to the operator of the electronic Federal Gazette for publishing. In the financial year, the following reportable affairs took place at zooplus AG Group companies in connection with the controlling company or its affiliates:

During the financial year 2013, Tomorrow Focus AG, Munich, carried out a market research study for zooplus AG on the topic of "Net Promoter Score". Remuneration for the market research study was EUR 2,500.00.

BONAGO Incentive Marketing Group GmbH, Offenburg, purchased zooplus AG vouchers from zooplus AG. In 2013, zooplus received compensation of EUR 32,045.00 for this. As of the reporting date December 31, 2013, a receivable of zooplus AG totaling EUR 5,100.00 was still outstanding.

Debitor-Inkasso GmbH, Bad Schwartau, provided services in the field of receivables collection for zooplus AG during the financial year 2013. The collection company received EUR 24,725.11 for these services. As of the reporting date December 31, 2013, zooplus AG had an outstanding receivable against Debitor-Inkasso GmbH for the payout of realized customer receivables totaling EUR 16,532.71.

zooplus AG acquired hardware from Cyberport Services GmbH, Dresden. Compensation totaled EUR 1,144.00.

There was only an occasional and specific exchange of information between zooplus AG and the controlling company or its affiliates, e.g. within a security working group aimed at discussing IT security. In addition, as part of a joint workshop of the HR departments of both zooplus AG and the controlling company or its affiliates, a new so-called competency model was developed that can form the basis for all management tools in the companies in future as well as for job profiles, interview guidelines, in-house training and employee appraisal documents. The exchange of information benefited zooplus AG.

Over and above this, during the past financial year, zooplus AG did not undertake any legal transactions with the controlling company or its affiliates, or upon the initiative or in the interest of these companies. No other measures were taken or not taken during the past financial year upon the initiative or in the interest of these companies.

30. Securities

As of December 31, 2013 and December 31, 2012, the Group did not hold any securities.

31. 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 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	
		2013	2012	2013	2012
Financial assets					
Accounts receivable	LaR	10,786	9,299	10,786	9,299
Other financial assets	AfS	48	70	n/a	n/a
Other current assets	LaR				
of which financial instruments pursuant to IFRS 7		7,308	6,743	7,308	6,743
Derivative financial instruments	n/a	0	78	0	78
Cash and cash equivalents	LaR	5,647	2,980	5,647	2,980
Total		**23,789**	**19,170**	**23,741**	**19,100**
Financial liabilities					
Financial debt	FLaC	13,000	2,000	13,000	2,000
Accounts payable	FLaC	16,249	16,847	16,249	16,847
Other liabilities					
of which financial liabilities pursuant to IFRS 7	FLaC	2,914	2,643	2,914	2,643
Derivative financial instruments	n/a	79	294	79	294
Total		**32,242**	**21,784**	**32,242**	**21,784**

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, accounts payable and other current liabilities as of December 31, 2013 and 2012 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 carrying amounts are as follows:

in kEUR	Measurement category	Carrying amount		Fair value	
		2013	2012	2013	2012
Financial assets					
Loans and Receivables	LaR	23,741	19,022	23,741	19,022
Available for Sale	Afs	48	70	n / a	n / a
Financial liabilities					
FLaC (Financial Liability at amortized Cost)	FLaC	32,163	21,490	32,163	21,490

Net profit or loss in relation to financial instruments is as follows:

in kEUR	2013	2012
Loans and Receivables (impairment)	-1,846	-1,423
Financial Liability at amortized Cost (interest)	-258	-66
Total	**-2,104**	**-1,489**

As of December 31, 2013, there was no offsetting of financial instruments. Offsetting options for derivatives exist in the case of an insolvency. As of December 31, 2013, only derivatives with negative fair values exist, and therefore no use can be made of the offsetting option.

32. Events after the balance sheet date

Following the end of the financial year 2013, no affairs of material importance occurred which impact on the net assets, financing position and results of operations.

33. Executive bodies

Members of the Management Board:

- Dr. Cornelius Patt, CEO and Chairman
- Andrea Skersies, CMO, Marketing and sales
- Andreas Grandinger, CFO, Finance, legal and controlling (since October 1, 2013)
- Florian Seubert, CFO, Finance, legal and controlling (up to September 30, 2013)

The Management Board's emoluments in 2013 including all perquisites amounted to kEUR 2,904 (previous year: kEUR 1,225). Of this amount, kEUR 525 are non-current. The rise was due to no bonus payments being incurred in the previous year and the fact that the long term incentive program for Management Board members was not yet in existence.

In addition, zooplus AG granted the members of its Management Board a permanent advance payment (kEUR 26) to cover their expenses. The company does not provide individualized details of the Management Board's remuneration. The Management Board was exempted from the disclosures pursuant to Section 314 (1) no. 6a, sentences 5 - 8 of the German Commercial Code (HGB) by resolution of the General Meeting on May 22, 2012.

Up until the General Meeting on June 5, 2013, the Supervisory Board consisted of the following members:

- Michael Rohowski, Managing Director of Burda Direkt Services GmbH, Offenburg (Chairman)
- Frank Seehaus, Managing Director of Acton Capital Partners GmbH, Munich (Deputy Chairman)
- Dr. Norbert Stoeck, Freelance corporate consultant, Munich
- Dr. Jörg Lübcke, Managing Director of Burda Digital GmbH, Munich
- Dr. Rolf-Christian Wentz, Freelance corporate consultant, Bonn
- Stefan Winners, Management Board member of Hubert Burda Media Holding Kommanditgesellschaft, Munich.

Mr. Frank Seehaus left his post as a member of the Supervisory Board effective from the end of the General Meeting 2013. The General Meeting on June 5, 2013, elected Mr. Thomas Schmitt as a new member of the Supervisory Board. Mr. Thomas Schmitt is President and Chief Executive Officer of the AquaTerra Corporation, Mississauga, ON, Canada.

Deputy Chairman of the Supervisory Board since June 5, 2013, is Dr. Jörg Lübcke.

In 2013, the Supervisory Board received remuneration of kEUR 130 (previous year: kEUR 102).

The Chairman of the Supervisory Board, Mr. Michael Rohowski, receives a fixed remuneration of kEUR 30. Dr. Jörg Lübcke, Dr. Norbert Stoeck, Mr. Stefan Winners and Dr. Rolf-Christian Wentz received a fixed remuneration of kEUR 20. Mr. Frank Seehaus and Mr. Thomas Schmitt received the fixed remuneration of kEUR 20 pro rata temporis for the periods of their membership in the Supervisory Board before and after June 5, 2013.

34. Auditors' fees

The overall fee of the auditor totaling kEUR 225 breaks down as follows:

Auditing the annual and consolidated financial statements 2013	kEUR 165 (of which kEUR 35 is allotted to the previous year)
Tax advisory services	kEUR 60

35. Declaration with respect to corporate governance

zooplus AG's corporate governance declaration based upon Section 161 of the German Stock Corporation Act (AktG) and in accordance with the German Corporate Governance Code has been published and can be accessed online under http://investors.zooplus.com/de.

Munich, March 18, 2014

Management Board

Dr. Cornelius Patt   Andreas Grandinger   Andrea Skersies

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 development are described.

Munich, March 18, 2014

Dr. Cornelius Patt Andreas Grandinger Andrea Skersies

Auditors' opinion

„We have audited the consolidated financial statements prepared by the zooplus AG, Munich, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the group cash flow statement, the group statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and / or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, March 19, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Eigel	Sebastian Stroner ppa.
(German Public Auditor)	(German Public Auditor)

Imprint

Publisher

zooplus AG
Sonnenstraße 15
80331 München
Deutschland
Tel.: +49 (0) 89 95 006 – 100
Fax: +49 (0) 89 95 006 – 500

E-Mail: kontakt@zooplus.de
www.zooplus.de

Investor Relations

cometis AG
Unter den Eichen 7
65195 Wiesbaden
Deutschland
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 20, 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 47. We do not assume any obligation to update the forward-looking statements contained in this report.

zooplus AG
Sonnenstraße 15
80331 München
Deutschland