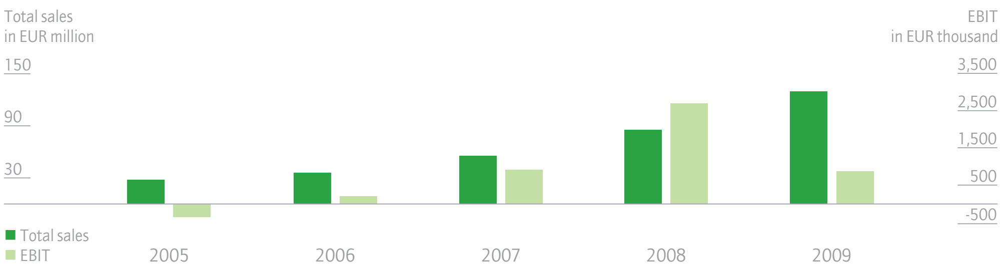
zooplus

Annual Report 2009

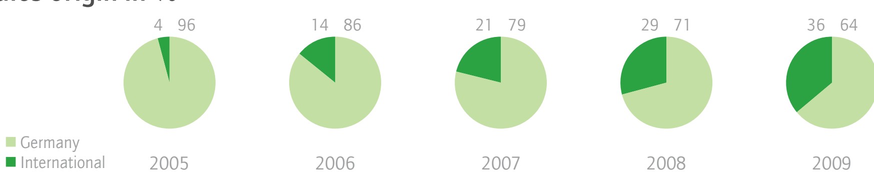
zooplus.de zooplus.com zooplus.co.uk zooplus.nl zooplus.fr zooplus.be zooplus.ie zooplus.pl zooplus.it zooplus.es zoohit.cz zooplus.fi

KEY FIGURES

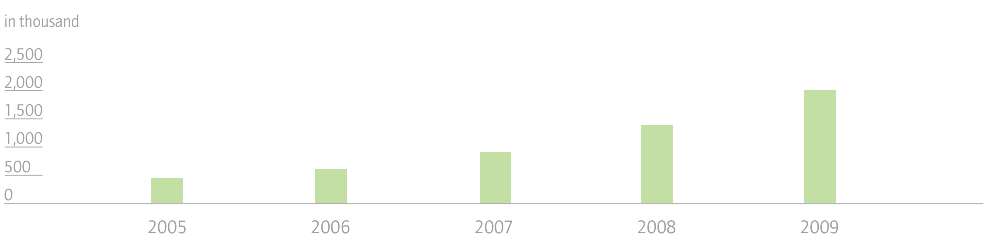
Total sales and EBIT before extraordinary costs



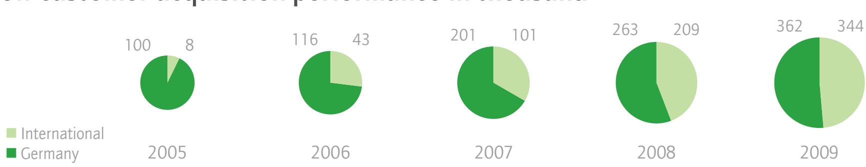
Sales origin in %



Total Customer Accounts



New customer acquisition performance in thousand



PRODUCT CATEGORY OVERVIEW

	Wet food	Dry food	Accessories
Examples			
Typical dimensions	Small to medium	Large	High variety
Typical weight	<1kg	<15kg	Various weights
Gross margin	-	+	++
Shelf productivity	High	Medium	Low
Distribution channel	zooplus Pet specialists Supermarktes / Discounter		

●——● denotes core product range ●- - -● denotes additional product range

Selective Private Label Ranges

Lukullus Dog Food
- Lukullus Wet Food
- Lukullus Dry Food

Rocco Dog Food
- Rocco Classic
- Rocco Menue
- Rocco Sensible

Cosma Cat Food
- Cosma Original in Jelly
- Cosma Thai in Jelly
- Cosma Glory in Jelly

Smilla Cat Food
- Smilla Poultry Pot
- Smilla Dry Food
- Smilla Toothies

Catessy Cat Food
- Catessy pouch
- Catessy bowl
- Catessy can

Tigerino Cat Litter
- Tigerino Chrystals Cat Litter
- Tigerino Canada Cat Litter
- Tigerino Nuggies Cat Litter

HIGHLIGHTS

Segment change

Prime Standard uplisting successfully completed in October 2009

52% total sales growth

despite difficult overall consumer climate

International distribution center

in Tilburg / Netherland successfully inaugurated – European logistics capacity doubled to EUR 300 million sales capacity

Operating result

before extraordinary items: EUR 0.9 million

Dynamic European expansion

continues successfully – country-specific online presence established on all key EU markets

ZOOPLUS AG – COMPANY PROFILE

zooplus AG is **Europe's leading online retailer for pet products and services** based on total sales and other operating income. The company has enjoyed average growth rates in excess of 50 % over the past several years. To date, the profitable business model has been successfully launched in **16 European countries.** zooplus enjoys particularly strong trading in Germany, the United Kingdom, France, The Netherlands and Austria. Spain and Italy in particular are key second tier markets. The company thus has a dominant role in online retailing in all important regions of the European pet supplies market, which in total amounts to **EUR 17 billion** in overall annual volume. zooplus offers products for all relevant pet categories as well as equestrian supplies. This broad product range includes, in particular, pet food (wet and dry food) as well as accessories (toys, litter and hygiene articles, snacks and chews) from entry-level to premium price assortments. In total, zooplus offers its German and international customers a range of **more than 7,000 articles,** which is significantly more than typical bricks-and-mortar retailers are able to provide. In addition to easy and comfortable 24 / 7 online shopping, more than one million active customers throughout Europe also benefit from highly attractive prices and fast home delivery. The company believes that it will be able to participate strongly in any further growth within the eCommerce segment within the EU. As a result, zooplus is forecasting that its dynamic growth will continue in tune with constant improvements in overall earnings. The company's medium-term target is to achieve **sales of more than EUR 300 million** within an **EBIT margin range of 6 to 8 %.**

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Letter of the Management Board: “Taking stock”


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

Dear shareholders and business partners,

On the whole, 2009 was a year of contrasts for zooplus. We experienced the deepest economic recession for decades, which brought with it a general and significant downturn in consumer spending. Moreover, currencies such as the British pound continued to be under strong pressure against the Euro, thereby causing some parts of our international business to suffer. However, at the same time our company enjoyed a record year in terms of sales **growth, new customer acquisition and international expansion.**

We are presenting a very detailed stock taking as part of this annual report. If we were to summarize the challenging fiscal year 2009 in just a few sentences, we would do so as follows: we mastered an extremely challenging year pretty well. At the same time, of course, there were still factors that prevented zooplus from enjoying even better results in 2009.

So how did we fare in 2009?

On the positive side:

- Strong growth: Total sales increased by more than half year-on-year to EUR 130 million overall
- A substantial recovery in earnings, starting in Q3 and continuing during the fourth quarter of 2009 became visible during the second half of the year
- A highly dynamic European expansion: zooplus by now is the undisputed market leader on all key Western and Central European markets
- Our second major international logistics center in The Netherlands was successfully taken live: This will allow us to continue enjoying sustained growth in the coming years whilst offering our customers in France, Benelux and the United Kingdom best-in-class service in terms of delivery quality and speed
- We got off to a successful start in Deutsche Börse’s Prime Standard segment with its high international transparency requirements: We are also planning to successively increase our capital markets presence and thereby make zooplus’ shares even more interesting for investors. Our free float already totals 33 % whilst our shareholder base has significantly broadened

And on the down side?

- The recession did not leave zooplus unscathed: Exchange rates deteriorated and consumers were thinking even harder about what they would spend their money on – but in spite of all this we were able to record positive operating earnings before extraordinary factors of EUR 0.9 million
- The above factors depressed our return on sales during the first half of the year: We actively countered these effects from the start of H2 onwards and were able to significantly improve our earnings structure during the second half of the year
- Our investments in future growth and earnings cost money. Expenses for our new logistics center and relisting our shares on a more prominent stock market segment had a material effect on earnings. At the same time we deliberately stuck to our high-paced pan-European growth strategy even during the crisis year of 2009. We believe that this was the right decision for our company's long-term success

At the end of the day, 2009 was another important step in the right direction for us. We actively used the opportunities presented to continue to expand dynamically and will continue to do so in the future. We believe that there is a unique opportunity for zooplus to establish itself as the dominant European market leader which especially includes growing anticyclically during difficult times.

The Management Board believes that zooplus is well positioned to do just that at the start of the new fiscal year 2010. During 2010, we will continue to work hard to ensure that zooplus enjoys strong, double-digit growth rates within its existing growth corridor. At the same time, we aim to record significantly positive earnings – even in view of the fact that the primary focus of our activities this year and probably also in the coming year will not yet be the maximization of profits but to make the best use of existing growth opportunities. Nevertheless, we are fully aware of the fundamental importance of a sustainable combination of sales and earnings growth, and will act accordingly in 2010.

During many discussions with our shareholders, our Supervisory Board, business partners and, last but not least, our employees, we found that this thinking enjoys support on a very broad front. We are very grateful for this affirmation of our strategy and activities.

Warmest regards and thank you for your continued support.

Dr. Cornelius Patt (Chairman)	Florian Seubert	Andrea Skersies	Guido Bienhaus

INTERVIEW WITH THE MANAGEMENT BOARD

Dr. Patt, zooplus successfully sells pet supplies online. What's the secret behind it?

Yes, zooplus really is a success story. We can see that in our continuously strong sales growth rates, as well as in our great customer loyalty and high repeat purchasing rates. I believe there are a lot of reasons behind this success. zooplus offers more than 7,000 different products – a huge selection – and by now in 16 countries. User navigation in our online shops is easy and intuitive. In addition, our customers can find insightful and detailed information on all of our products and then find what is right for them. What is more, they also benefit from many useful features such as our veterinary service, customer product ratings and discussion forums. We offer attractive pricing with free delivery for most shoppers. In addition, consumers can choose how to pay – we offer all of the standard European payment methods. In case of any queries our **highly competent and fast customer service** team is at our customers' disposal. And if someone still isn't happy with the product they purchased, for whatever reason, they can just return it to us.

Customers that have already ordered from us in the past also find it very simple to place repeat orders. However, for many people, the most important argument for shopping pet products online is probably the ease-of-use, or **"convenience"**, to use the latest buzzword. It's simply ultra convenient to be able to order whatever you want, around the clock, stress-free, from the comfort of your own home, and to have your products delivered right to your door the very next day by our delivery services. Just think about pet food or cat litter: These products are often heavy – and the convenience factor shouldn't be underestimated here. In short: From a customers' perspective, zooplus simply offers a convincing business model, from start to finish. Rationally speaking – there's no reason any more not to shop for your pet products online at zooplus.

Mr. Seubert, zooplus plans to continue to grow strongly even despite the current economic crisis. Will this growth be purely organic, or is zooplus also checking the market for acquisition targets? Or is zooplus itself perhaps a candidate to be taken over?

Our strategy is focused on organic growth. Over the past 11 years, we have put everything in place to be able to continue to develop as a stand-alone business. Moreover, this is coupled with the fact that there simply aren't very many interesting companies in our sector besides zooplus. In spite of this, however, it goes without saying that we have to seriously evaluate any opportunities that may present themselves to us. However, we can't foresee this happening at present. And whether or not zooplus itself is a candidate to be taken over – well that's not up to us! It's really not something we concern ourselves with. And that is why it would just be pure speculation to even talk about it. We don't want to get involved in that. We trust in our own strength.

Mrs. Skersies, what does implementing its growth strategy mean for zooplus in concrete terms?

There are two critical factors here: We will continue to successfully acquire new customers for our services on all European key markets, and we will also continue to turn these customers into loyal repeat customers thanks to our excellent product and service quality. In 2009 alone we acquired more than **700k new customers.** It's up to us alone to make this huge business opportunity a success. That is why I'm very optimistic about our company's further development. We will use all the opportunities at our disposal – from online marketing through to a finely tuned online shopping experience as well as all our proprietary front- and back-end technology know-how to deliver on this.

Mr. Bienhaus, but how about scaling – is the company's forecasted future growth technically deliverable?

Yes, definitely. zooplus already has a technology base that not only facilitates this growth, but which also allows for sustained and positive scaling effects. This doesn't just apply to our IT infrastructure, but also to mission-critical company functions such as logistics, purchasing and marketing. We have consistently programmed zooplus for growth over more than ten years now, and in doing so we have consistently tried to develop our systems in view of all potential future challenges we might face. That also is part of our business success.

Back to you Mr. Seubert, your strategy of strongly driving growth is clearly eating into earnings at present. Why should investors buy into zooplus?

I believe that there are a lot of reasons to buy our shares – at the end of the day the Management Board itself has a significant company holding and is incentivized accordingly. zooplus is the undisputed **European market leader** in the online pet supplies space. We have been enjoying double-digit growth for a long time, and we plan to continue to do so for the coming years. In addition, we are the market leader in all our individual core markets. There is, moreover, a substantial gap between zooplus and the second largest online pet retailer on key European markets such as Germany, France and the United Kingdom. We are not aware of a single notable competitor on markets such as The Netherlands, Italy or Spain.

Our business model is convincing not only from a customer perspective. Our business model is a highly scalable one, and the many years we have spent on building our business as well as the significant investments we have made since 1999 have given us a substantial head start over potential competitors from the bricks-and-mortar and online segments. In addition, the many discussions that we have had with investors and analysts show that our strategy is understood and approved of. We believe that the zooplus story is still only about to unfold. The real long term rewards are yet to come, and that is why I am personally convinced that zooplus is an excellent investment. And last but not least the Management Board significantly increased its interest in the company in 2009. Surely we did not do this without a reason.

Dr. Patt – where's the zooplus journey going to take us in the coming years?

As Florian Seubert already mentioned we still see an outstanding potential for zooplus. Our focused international expansion will pay off significantly in the foreseeable future. We believe that over the medium term, i.e., over the next two to three years, we will record **total annual sales** in excess of **EUR 300 million.** Once things really get going, we believe that there will be **pre-tax margins of 6 to 8 %,** or even more over the longer term. You can see that we are convinced that you can make good money in our business. However, it would be foolish to try to maximise profits too early and thereby put our dynamic growth at some peril right now.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The fiscal year 2009 was certainly a challenge for zooplus AG. Nevertheless, it was a challenge well mastered while simultaneously enjoying and continuing strong overall growth. In order to ensure that these growth rates can be continued in the coming years the company has made substantial investments in building up its capacity. Our new **international distribution center** in the Dutch city of Tilburg means that a total logistics capacity designed for annual sales levels of up to EUR 300 million and beyond is now at our disposal. zooplus is – by now – present within all key European markets and enjoys a strong and steadily expanding international presence. In addition, the **change of trading segment** onto Frankfurt Stock Exchange's **Prime Standard** was a particular highlight last year. As a result, the company's internal structures for corporate governance and financial control have been actively adjusted and expanded so that both the increased external requirements resulting from the highly regulated Prime Standard market segment as well as additional internal and operational requirements have been met. In addition, we would like to highlight the management's efficient and professional way of dealing with the consequences of an unprecedented global recession whilst actively delivering on the company's dynamic growth path. As a result, the Supervisory Board believes that, overall, the past fiscal year was a successful one for zooplus.

In addition, the Supervisory Board can once again look back on a close and constructive cooperation with the Management Board. During the fiscal year 2009, the Supervisory Board performed its tasks according to the law, the Articles of Incorporation and the bylaws, and constantly monitored and advised the Management Board.

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

The Supervisory Board held a total of four face-to-face meetings, in which it dealt in depth with the company's economic development and business environment during the past fiscal year based on written and verbal reports by the Management Board. The Management Board also regularly reported key business events to the Supervisory Board outside these fixed meetings. The Supervisory Board thus received ongoing reports on the development of the entire company as well as on developments within its individual divisions. All of the transactions and activities that require the Supervisory Board's approval by law or according to the articles of incorporation were discussed in detail with the Management Board and all necessary resolutions were passed by the Supervisory Board accordingly. This also took place within telephone conferences at times.

The Supervisory Board's discussions included approving the 2008 financial statements, zooplus AG's international expansion as well as changing the trading segment of zooplus AG's shares to Frankfurt Stock Exchange's Prime Standard segment. A further crucial issue was the setting up of zooplus' new logistics center in Tilburg and the resulting changes to its internal structures (logistics and distribution). The annual financial statements and consolidated financial statements together with the management report and audit report were presented to the Supervisory Board for review on March 25, 2010.

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 for the company's capital markets success. Together with the Management Board, we have issued a declaration of conformity pursuant to Section 161 of the Aktiengesetz (AktG – German Public Limited Companies Act) in March 2010 and made it permanently accessible on zooplus AG's website (www.zooplus.de). This declaration of conformity is updated annually after the **Supervisory Board's meeting** to discuss the financial statements. A separate report is provided on implementation of the Corporate Governance Code as part of this annual report.

Audit of the annual financial statements as of December 31, 2009

During the Supervisory Board's meeting to discuss the annual financial statements on March 25, 2010, the Supervisory Board dealt in depth with the documents for the annual financial statements and auditors reports, in particular the annual financial statements prepared according to German accounting standards (HGB) and the consolidated financial statements prepared according to IFRS, each as of December 31, 2009, and the company's management report and group management report for fiscal year 2009. The auditor's reports, the financial statements prepared by the Management Board, the dependency report and the report on the situation of zooplus AG and the Group and the Management Board's proposal for the appropriation of net retained profits were presented to us in good time, which gave us sufficient opportunity to review these. The auditor Schaffer WP Partner GmbH Wirtschaftsprüfungsgesellschaft, Äußere Sulzbacher Straße 118, 90491 Nuremberg, Germany, had previously audited the financial statements. There are no concerns regarding the auditor's independence.

According to the auditor's opinion the single and consolidated financial statements in compliance with the respective accounting standards give a true and fair view of the net assets, financial position and results as well as the cash flows of the company and Group. The auditors issued unqualified opinions in each case. In addition, as part of the audit of the risk management system, the auditors ascertained that the Management Board had put the relevant measures in place which are required under Section 91 (2) of the AktG in order to facilitate an early recognition of risks which could endanger the company's continued existence. Representatives from the firm of auditors were present during the discussions and reported on the key findings of the audits and were also available to provide the Supervisory Board with additional information. The Supervisory Board concurred with the auditor's report. The Supervisory Board thus approved the financial statements and consolidated financial statements in its meeting on March 25, 2010. The financial statements of zooplus AG are thus fully adopted.

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

Munich, March 30, 2010

Felix von Schubert
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

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

Shareholders and General Meeting

Shareholders are able to exercise their rights and vote at the General Meeting. Each share grants one vote. The Share with multiple voting rights, preferential voting rights or maximum voting rights do not exist. The Management Board prepares the General Meeting, the annual financial statements and consolidated financial statements. The General Meeting decides upon the appropriate use of any net retained profits and exonerates the members of both the Management Board and the Supervisory Board for their responsibilities for the previous fiscal year. Moreover, the General Meeting is empowered to make changes to the company's articles of incorporation, elect the members of the Supervisory Board and select the auditors.

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

Cooperation between the Management and Supervisory Boards

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

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

The Management Board's concrete tasks and duties in relation to the Supervisory Board are set out in the rules of procedure for the Management Board. The rule 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 provide its approval of any transactions of fundamental importance to the business.

Item 3.8 of the German Corporate Governance Code recommends that companies carry liability insurance with an appropriate deductible (so-called Directors and Officers liability insurance – D&O) for its Management and Supervisory Board members. However, the current D&O insurance carried by zooplus for its Board members does not require the payment of a deductible for insured persons. This deviation from the Code's recommendation is clearly stated in the Declaration of Conformity. The company believes that a deductible does not provide an incentive for the Managing and Supervisory Boards to perform their tasks responsibly. In the company's opinion, the D&O insurance is primarily a safeguard for the company and only protection of the assets of the individual members of the executive bodies is only secondary.

In the past fiscal year, the company did not issue any loans to members of the Supervisory Board or Management Board.

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

Management Board

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

The Management Board consists of the following four members:

Name	Function	Contract begin	Contract end
Dr. Cornelius Patt	CEO	Jan. 1, 2009	Dec. 31, 2013
Florian Seubert	CFO	Jan. 1, 2009	Dec. 31, 2013
Andrea Skersies	CMO	Jul. 1, 2009	Jun. 30, 2013
Guido Bienhaus	CIO	Jul. 1, 2009	Jun. 30, 2013

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

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

The Management Board's remuneration comprises three components:

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

Item 4.2.3 of the Code recommends agreeing a cap in stock option programs for the Management Board. The stock option program for the Management Board does not include any such cap. This is shown in the declaration of conformity as a deviation from the recommendation. From the Supervisory Board's perspective, which shares the Management Board's opinion, a cap contradicts using the option model as an incentive. In addition, the performance target selected for exercising subscription rights under the 2007/II Stock Option Program, namely the link to specific sales, cannot be regarded as a remuneration component with a longer-term incentive effect, in contrast to the recommendations of the Corporate Governance Code. The company has decided to link this to specific sales, as it believes that these are a key indicator for the company's success.

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

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

Supervisory Board

The advisory and supervisory functions have been completely fulfilled by the Supervisory Board during the reporting period. As part of the strategic evaluation of the company, its risk management and reporting, the Management Board communicates with the entire Supervisory Board and not only to the Supervisory Board Chairman.

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

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

The Supervisory Board consists of the following members:

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

In contrast to the recommendations of Item 5.4.1 of the Code, there is no age limit for members of the Supervisory Board. The Supervisory Board's members are to be selected without employing a fixed age limit based on the candidate's professional qualifications and experience and their individual abilities.

Remuneration for the entire Supervisory Board totals EUR 15.000. Each member receives EUR 5.000. The remuneration does not contain any performance-related component, contrary to Item 5.4.6. The company believes that this would not provide any additional incentive for proper fulfillment of the Supervisory Boards monitoring and consulting tasks. In addition, the Chairmanship and Deputy Chairmanship were not taken into account in the remuneration, as the company does not believe that this differentiation makes sense due to the size of the Supervisory Board. At present, the tasks performed by the Chairman and/or Deputy Chairman do not differ from the tasks performed by the third member of the Supervisory Board to an extent that would warrant different remuneration. The Management and Supervisory Boards believe that this justifies his equal financial remuneration.

The Supervisory Board has reviewed the efficiency of its activities.

Transparency

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

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

In contrast to Item 7.1.2 Sentence 4, the interim reports are each published at the latest two months after the end of the reporting period, and thus 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, in future the company will publish its preliminary sales as soon as possible after the end of the respective reporting period.

In accordance with the provisions of Section 15a of the German Securities Trading Act, zooplus discloses securities transactions promptly upon receiving the corresponding information (Directors´ Dealings). Information on securities transactions made by members of the Management Board and Supervisory Board which were reported for the 2009 fiscal year are included in the so-called "Annual Document" prepared in line with Section 10 of the German Securities Trading Act (WpHG). This document also contains all the publication made accordance with capital market regulations that zooplus released during the fiscal year.

The following table shows shares held by members of the Management Board (as of December 31, 2009):

Name	Owner	Shares	Shareholding in %
Dr. Cornelius Patt*		154,720	6.04
Florian Seubert	personally	98,065	3.83
Andrea Skersies	personally	27,500	1.07
Guido Bienhaus	personally	35,625	1.39

*3.30 % of the voting rights (84,530 shares) are attributed to him within the meaning of Section 22 (1) Sentence 1 No. 6 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

The members of the Supervisory Board don't hold any shares.

Accounting and Auditing

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

The Management Board prepares the consolidated financial statements which are examined by the auditor and the Supervisory Board. The corresponding dates for 2010 are found in the financial calendar published on the company website.

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

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

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

On March 25, 2010, the auditor attended the Supervisory Board's discussion of the 2009 annual financial statements and consolidated financial statements. At this meeting, the auditor reported to the Supervisory Board on the results of its audit of the annual financial statements, the zooplus management report of December 31, 2009 (German Commercial Code) as well as the consolidated financial statements and zooplus Group management report of December 31, 2009 (IFRS).

zooplus has the following subsidiaries listed below:

Company name	Registered office	Ownership	Share capital (in local currency)	Exchange rate	Share capital in EUR	Equity as of Dec. 31, 09 (in EUR thousand)	Result (in EUR thousand)
Matina GmbH	Munich, Germany	100%	25,000.00 EUR		25,000.00	18.2	3.8
Bitiba GmbH	Munich, Germany	100%	25,000.00 EUR		25,000.00	36.5	3.8
zooplus services ltd.	Oxford, UK	100%	100 GBP	1,11116	111,12	4.3	2.6
Logistic Service Center s.r.o.	Mimon, Czech Republic	49%	100,000.00 CZK	0,03785	3,784.78	n.a.	n.a.

BUSINESS MODEL

zooplus is Europe's leading Internet retailer for pet products and services within a total EUR 17 billion annual European pet supplies market. The company delivers to private customers only. Its product ranges include, in particular, pet food and accessories for all key breeds and types of pets as well as equestrian products.

History

zooplus AG was set up in 1999 and since then has successfully used the Internet as a sales platform for pet supplies. It has constantly expanded and developed its business model over the past few years. The increase in its product range, the **penetration of new European markets** via a focused European expansion program, and also the IPO in 2008 were just some of the most important steps in a continuously dynamic process of organic corporate growth.

1999	zooplus set up in Germany
2000	Market entry into Austria
2006	Entry into the UK market and going live of the company's multinational English language online presence zooplus.com
2007	French market entry (amongst others) Annual sales exceed EUR 50 million
2008	IPO (Entry standard) – market entry into in countries including Italy, Spain and The Netherlands
2009	Relisting onto the Prime Standard on the Frankfurt Stock Exchange Total sales: EUR 130 million / EBIT: EUR 0.9 million – zooplus present on 16 EU markets

International presence

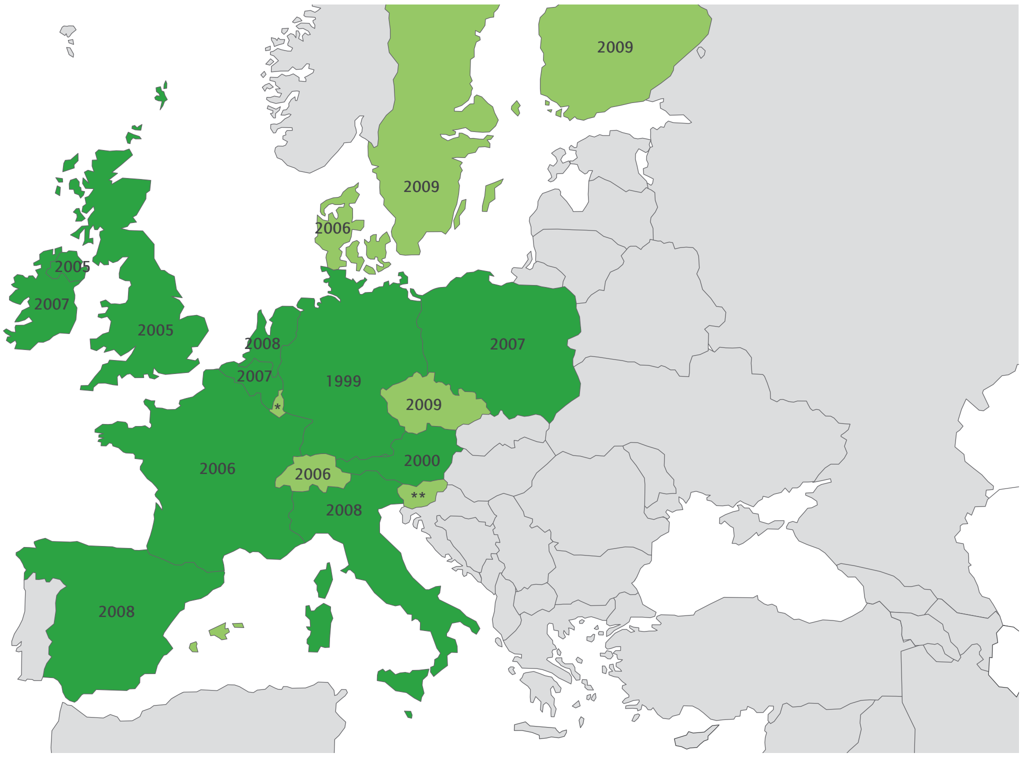
zooplus has been pursuing a consistently **growth-oriented internationalization strategy** since 2005. This has allowed the company to become well established and to reach critical size not only within its German-speaking home market, but also within France, Italy, Spain, The Netherlands and the United Kingdom. Pet products are delivered to consumers out of the company's two logistics hubs: Staufenberg (Germany) and Tilburg (The Netherlands).

In addition to the above zooplus operates country specific local language shops in Poland, Belgium and Ireland. It has also started to offer localised versions in Finland and the Czech Republic since 2009. An international English language version caters to customers in Slovenia, Sweden, Luxembourg and Denmark. In addition to consistently penetrating its existing markets, the Group's further growth will focus on expanding into previously undeveloped geographic regions.

First-rate **customer service** is a fundamental must-have for any successful internationalization strategy. That is why zooplus operates multilingual customer care centers in Timisoara (Romania) and Tiblissi (Georgia), which centrally receive and respond to all enquiries. This model has proven itself to be highly efficient, high-performance and extremely scalable. zooplus has access to a large number of highly motivated, well-trained employees with excellent foreign language skills at both facilities, which in turn means that its planned further dynamic growth is not subject to any restrictions in this regard. In addition, zooplus operates a supplementary customer service center for its German customers in southern Germany.

Creating **highly flexible structures** was and continues to be a key target when designing our business model. Further strong growth with a simultaneous increase in operating efficiency depends on all our processes being highly scalable and in tune with the respective specific market and customer needs.

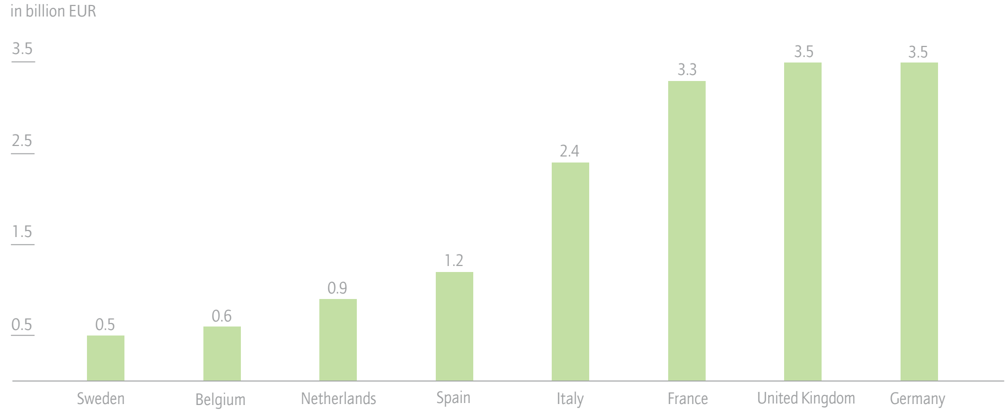
zooplus' European market presence



Presence through www.zooplus.com
Already established localised market presences

Date describes market entry
*2005 // ** 2008

The leading European pet supplies markets



Sources: Pet Suppliers Industry Association, own estimates

The zooplus value chain

Pricing and product range

Pet products are an important market segment within the European retail landscape. In 2009 alone, total sales amounted to around EUR 17 billion within our industry in Western Europe. zooplus operates an international purchasing policy which results in a broad overall international product range. On the whole, from the customer's perspective, the company offers an end-to-end product range spanning all product types and categories. No matter whether one is looking for exclusive specialty feeds or a large aquarium: In total, zooplus offers around 7,000 food and accessory products for dogs, cats, small animals, birds, reptiles, fish and horses – resulting in a unique selection our customers can choose from. This broad range of brands and products includes everyday requirements such as branded food ranges known from and generally available in specialist stores as well as zooplus' **own private label** and specialty articles such as toys, care products and other accessories.

»706,000 new customer accounts in 2009«

Of course it is necessary to maintain a continuously close relationship with our suppliers and manufacturers to provide this type of product range. zooplus generally procures all of its products directly, i.e. without involving wholesalers or other intermediaries. It purchases its products internationally from a range of **more than 100 suppliers,** supplemented by a private label strategy within key product areas. This strategy is being constantly developed further. In this context, zooplus uses a diversified proprietary brand universe which has been developed in house, resulting in a convincing private label range offering from a customer viewpoint. This includes, for example, dry and wet foods for dogs and cats under the Rocco and Smilla brands as well as additional proprietary premium brands (Lukullus, Cosma and Tigerino). In strategic terms, the company attaches particular importance to consistently differentiating products within its existing proprietary brands around a strong brand core. Our Rocco product ranges give an example of a successful implementation of such a strategy.

Marketing and customer acquisition

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

On balance, we were able to acquire a further **706,000 new customer accounts** during 2009. This means that the company has once again set a new growth record – as was also the case last year. In future the company will continue to focus on further dynamic expansion in tune with strong new customer acquisition.

zooplus own private label brand Rocco

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

»300 million EUR total capacity of our logistics«

Logistics and distribution

zooplus operates two central logistics hubs in Staufenberg (Germany) and Tilburg (The Netherlands), each with a total sales capacity of around EUR 150 million (resulting in a **total capacity of EUR 300 million** annually). Our new facility in Tilburg, which was opened in September 2009, was taken into operations successively during the fourth quarter of 2009. The aim is to serve the core markets of Benelux, France and the United Kingdom out of our Dutch hub significantly faster and more efficiently than before.This should allow shorter delivery periods and sustainably lower distribution costs as early on as 2010. Despite certain step-fixed costs in the start-up phase for the new facility, zooplus is confident that setting up this new international facility with its resulting additional capacity will prove to be a very sound investment over the next one to two years. Our new facility covers a total of floor area of 38,000 m² and is operated in cooperation with Rhenus Contract Logistics.

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

Technology infrastructure

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

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

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

- Pricing and margin management
- Logistics management and control
- National and international payment systems
- Online marketing and customer acquisition
- Working capital management and purchase
- Financial and business controlling

A smooth and reliable provision of national and international payment options is of particular importance for online retailers. zooplus currently offers almost all leading European modes of payment. Proprietary credit checks have allowed the company to limit default rates to an all-time low of just around 1.3% to 1.4% during 2009.

Conclusion

Over the past eleven years, zooplus has succeeded in establishing itself as the undisputed online market leader within our category. Our customers, in turn, benefit from clear advantages in terms of product quality, shopping experience and convenience. This experience is reflected in high customer loyalty and **above-average repeat purchase rates.** On the back of all this, the company believes that it will be able to continue on its past growth trajectory well into the future.

Competitive position and strengths

Advantages over other online competitors

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

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

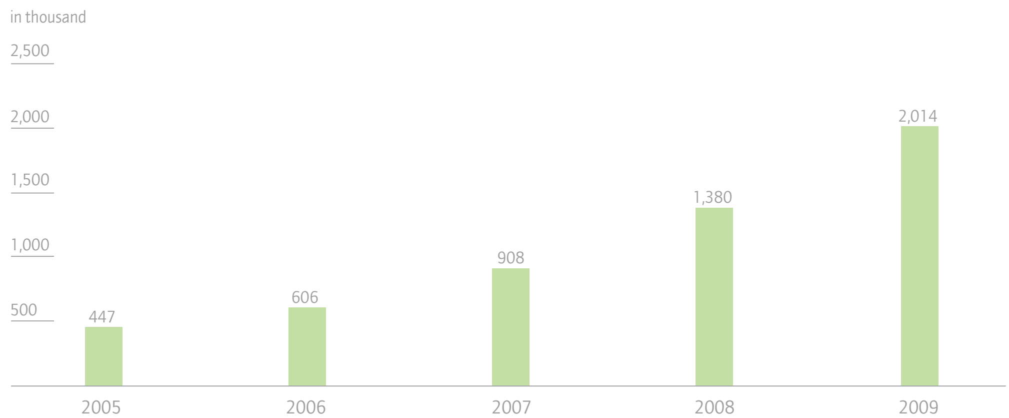
At the same time, an existing customer base of **more than one million active European customer accounts** during 2009 means that zooplus is benefiting substantially from a highly dynamic word-of-mouth recommendation process. What is more, the company at present operates 11 country-specific web presences as well as an an international English-language portal – which all allow for major economies of scale.

Advantages over existing bricks-and-mortar competitors

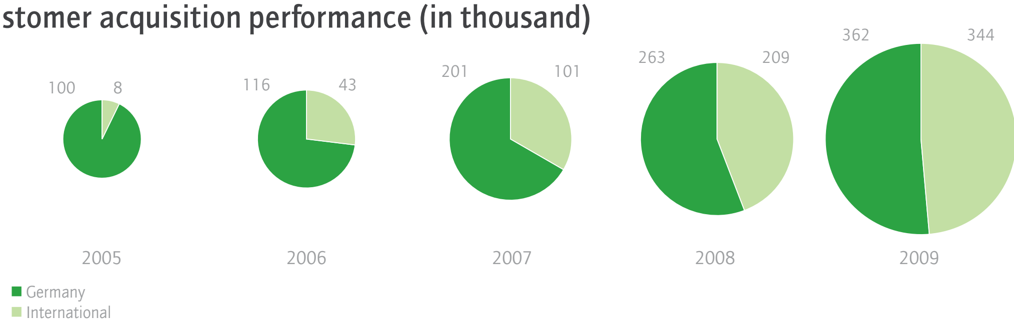
zooplus AG's business model is based on a lean, technologically efficient and scalable value chain in connection with a convincing shopping experience in terms of selection, price and comfort. zooplus does not operate any offline outlets. It serves its customers from central warehouses and offers a significantly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

zooplus's medium-term objective is to underpin and further build up its leading position in online retailing, and to sustainably benefit from an anticipated further substantial growth of online retail in general.

Total customer accounts



New customer acquisition performance (in thousand)



As an early innovator in eCommerce, zooplus enjoys some strong advantages due to its unique positioning over its existing offline competition:

- Easy online access from wherever you are
- Unlimited opening hours 24 / 7
- Extensive product ranges catering to all possible needs
- High degree of product availability out of its two central warehouses
- Free delivery option means no hidden extra costs for consumers and a much higher degree of convenience

The zooplus shopping experience

Seen from the customer's perspective, shopping with zooplus could hardly be simpler: After making their selection from up to 7,000 products online and having put these into their virtual shopping baskets, our customers can pay by invoice, direct debit, credit card or other payment methods depending on their respective country of residence. The customer's order is then transferred directly to a zooplus distribution center in real time, where it is usually packed and dispatched within 24 hours. As a result, customers mostly receive the goods they ordered within two working days from their respective postal providers – a truly unique service. An increasing number of pet owners and their pets all across Europe are discovering the advantages of online shopping – a trend that zooplus will benefit from considerably during the coming years.

What does zooplus offer? Here is the customer perspective:

- An enormous product range at highly attractive prices
- Simple and hassle-free online usability
- High degree of product information and special features (vet advice, independent product ratings, discussion forums)
- Comprehensive and easy payment options
- No additional delivery charges for average size orders
- Highly convenient and fast deliveries
  - Germany: generally within 24 hours
  - Rest of Europe: generally within 48 hours
- Simple re-ordering
- Competent and fast customer service
- Simple returns
- 24 / 7 availability

To sum up

There is no reason any more not to shop for pet supplies online.

THE SHARE

Overview

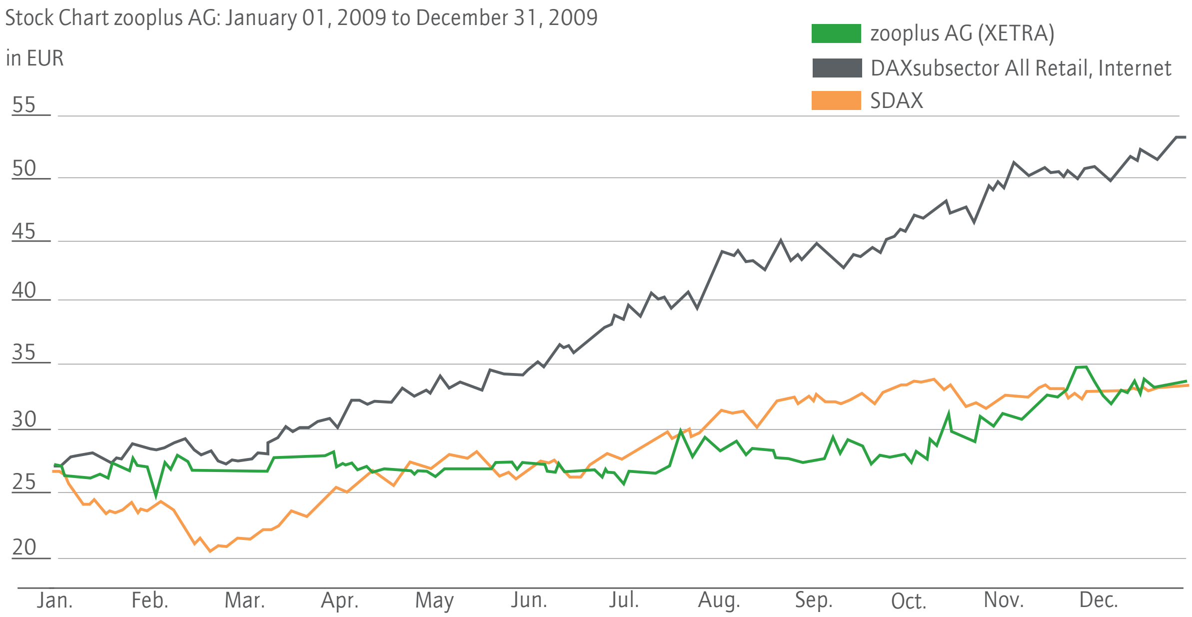
The shares of zooplus AG were first listed on Frankfurt Stock Exchange's Entry Standard segment on May 9, 2008. The company was able to make the transition to the Prime Standard segment on October 22, 2009. Our aim is to actively utilise our **Regulated Market** listing to underpin a sustainable corporate growth strategy. At the same time, we aim to increase zooplus' awareness amongst international investors and generally increase zooplus' capital market attractiveness.

An offering prospectus was prepared and approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) for the inclusion in trading of the **entire share capital** of EUR 2,415,960 (and a further up to 185,440 shares with a proportionate interest in the share capital of EUR 1.00 per share for the exercise of subscription rights). By changing to the Prime Standard, Deutsche Börse AG's top segment, zooplus AG undertakes to fulfill the **highest transparency** and publicity standards. This means that the company also meets the theoretical requirements for inclusion within a German share index. At the same time, the change of segment also meets investors' demands for the greatest possible transparency. In particular, however, it creates a higher degree of visibility and thereby makes zooplus shares more attractive to international investors. After the exercise of stock options by the managing board in December 2009, the share capital totalled EUR 2,561,755 as of December 31, 2009.

During the past fiscal year, international stock market performance was marred by an overall recessionary environment. Many shares were highly volatile and recorded major losses. Despite this environment, shares of zooplus AG were initially very stable and were further boosted by the change of segment in 2009.

Our shares peaked at EUR 33.90 on November 26. They marked their lowest price at EUR 24.00 in February 2009. During the spring of 2009, the entire German stock market bottomed out due to a series of negative reports on economic growth and the general economic environment. This is even clearer when we look at the peer index SDAX. However, the

Stock Chart zooplus AG: January 01, 2009 to December 31, 2009
in EUR



To the Shareholders

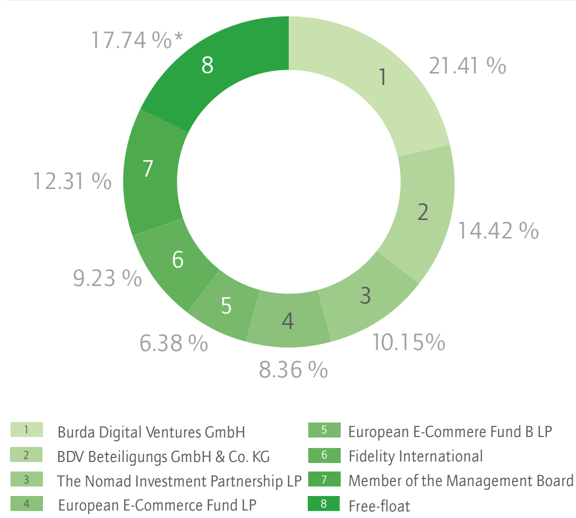
Key data	
German securities code no. WKN	511170
ISIN	DE0005111702
Stock exchange symbol	Z01
Segment	Regulated Market (Prime Standard)
Type of shares	No-par value bearer shares
Share capital (in EUR)	2,561,755.00
Initial listing	May 9, 2008
Initial subscription price	26.00 EUR
Share price – beginning of fiscal year	25.91 EUR
Share price – end of fiscal year	32.00 EUR
Percentage change	23.50 %

DAXsubsector All Retail, Internet (ISIN DE000A0SM6Q2), which compounds the performance of all of the Internet retailers listed in Germany, significantly outperformed zooplus AG's shares. At present, zooplus' shares are included in the industry index DAXsector Retail (0.3 % weighting in the index) and DAXsubsector All Retail, Internet (10.7 %).

The shares closed the year at EUR 32.00 (December 29, 2009). This corresponds to a market capitalization of around EUR 82 million.

Shareholder structure

zooplus AG has a **high free float**, currently totalling 32,26 % as well as a relatively broad shareholder base. The corporate venture capital investor Burda Digital Ventures GmbH (21.41 %) which forms part of the Hubert Burda Media Group, and BDV Beteiligungen GmbH & Co. KG (14.42 %) hold around 36% of shares. The Nomad Investment Partnership LP is involved with around 10.15 % in the company. London-based zouk ventures also held an interest of around 15 % via its European E-Commerce Fund LP (8.36 %) and European E-Commerce Fund B LP (6.38 %) at year end. At the same time, Fidelity International has held an interest of around 9.23 % since mid-2009. The shareholder structure is complemented by further shareholdings of members of the Management Board (12.31 %). Other shareholders currently hold 17.74 %.



*According to Deutsche Börse the freefloat amounts to 33.26 %
As of March 31, 2010

Investor Relations

The change of segment onto the Prime Standard means that the corporate governance requirements zooplus has to meet have considerably increased. However, the company already voluntarily published IFRS quarterly reports and undertook extensive IR activities during the first half of the year. As a result, the changes that the new listing will have on our investor relations activities, which are already highly transparent and proactive, are very slight.

However, the importance of an open and reliable corporate communication increases particularly in times of economic crisis. As a result, zooplus continued to regularly seek out an active dialog with analysts, investors and financial journalists during the fiscal year 2009.

The company aims to provide the general public with regular, up-to-the-minute information on the company, making sure that it is aware of the company's development and strategy. As a result of the listing on the Prime Standard, zooplus undertakes to publish any information that is of significant relevance to its share price without delay through ad hoc disclosures. We aim to continue to exceed these statutory requirements in terms of corporate communications and governance in the future. The company is planning an active and regular contact with the financial community. Its **investor relations work** means that all interested parties always have someone available to deal with company-specific queries.

In addition to the statutory requirements, zooplus AG performed the following IR activities:

- Participation in two capital market conferences
- Three roadshows in Germany and abroad

We intend to add the following activities to our voluntary IR activities from fiscal year 2010 onwards:

- Regular telephone conferences including webcasts of quarterly and annual financial reports
- Providing further webcasts through the company's web site

Shareholders' Meeting

The company's **2009 ordinary general meeting** was held in the company's headquarters Munich (Germany) on June 26, 2009. 80,82 % of the voting capital was in attendance. The participants received the Management Board's report on business in 2008 as well as the outlook for the coming fiscal year.

All resolutions were unanimously decided upon by the voting right holders, without any abstentions or opposite votes.

Financial calendar 2010

Date	
April 29, 2010	Preliminary Q1 2010 sales
May 27, 2010	Ordinary General Meeting 2010
May 31, 2010	Publication of Quarterly Report Q1/2010
July 30, 2010	Preliminary H1 2010 sales
August 31, 2010	Publication of Half-Year Report H1/2010
October 29, 2010	Preliminary Q3 2010 sales
November 22, 2010	Publication of the 9-Month Report Q3/2010
November 22 to 24, 2010	Analysts' and investors' conference as part of the German Equity Forum in Frankfurt am Main

Directors' Dealings

The following insider transactions by management have been undertaken during 2009 according to § 15a WpHG and have been published accordingly (cf. the overview below for a full and transparent listing):

Date of Transaction	Name	Function / Status	Place of Transaction	Type of Transaction	Number of shares	Price	Total volume
December 15, 2009	Dr. Cornelius Patt	Member of Management Board	Frankfurt	Sale	650	32.01	20,809
December 10, 2009	Guido Bienhaus	Member of Management Board	OTC	Purchase	24,000	12.50*	300,000
December 9, 2009	Dr. Cornelius Patt	Member of Management Board	OTC	Purchase	70,530	12.50*	881,625
December 9, 2009	Florian Seubert	Member of Management Board	OTC	Purchase	35,265	12.50*	440,812
December 9, 2009	Andrea Skerskies	Member of Management Board	OTC	Purchase	16,000	12.50*	200,000
December 2, 2009	Dr. Cornelius Patt	Member of Management Board	Frankfurt	Sale	600	32.40	19,442

*excercise of stock options

GROUP MANAGEMENT REPORT

Business and underlying trading conditions

Divisions

zooplus AG was formed in Munich in 1999. This makes 2009 the **company's eleventh year in business.** As an online retail company, zooplus sells pet supplies directly to private customers via the internet, and considers the Group to be the clear online market leader in terms of sales and customer base.

In total, zooplus sells around 7,000 food and accessories for dogs, cats, small animals, birds, reptiles, fish and horses. This includes everyday staples such as brand name foods generally available at specialist dealers, zooplus AG's own private labels, as well as specialty articles such as toys, care and hygiene products and other accessories. In addition, zooplus offers its customers a wide range of free content and information accessible through web sites, such as veterinary and other animal-related advice, on top of interactive features such as discussion forums and blogs. In addition, customers can directly rate the products they have bought online.

zooplus generates the majority of its sales by selling its own warehoused goods from its central warehouses located in Staufenberg / Germany and Tilburg / The Netherlands. This central warehousing set up enables the company to ensure rapid, uniform quality deliveries with a high degree of overall product availability to its customers throughout Europe. In addition, zooplus generates a small part of its sales with its so-called „direct line business", in which zooplus sells products directly from selected suppliers with the products then shipped directly from supplier to customer. However, sales are always generated through a zooplus online shop. Shipments and final mile deliveries are made via selected carriers such as DHL, GLS, Parcelforce or other national and international providers.

The Company is only subject to slight seasonal fluctuations, which result in particular from the product mix and, to a lesser extent, general sales trends.

Overall, zooplus AG's business model is characterised by a combination of a broad product range on the back of efficient supply and delivery processes together with simple and convenient use from a customer perspective.

Markets

zooplus has a pan-European presence in 16 countries which together represent a total annual pet supplies market volume of around EUR 17 billion. The company operates a range of country-specific and international online shops. In its own view, zooplus AG is thus the online market leader in terms of sales and customer base in all of the **European high-volume markets** (Germany, France, United Kingdom, The Netherlands, Spain and Italy).

As of March 2010, zooplus operated a total of eleven country-specific web shops: In addition to the six high-volume markets detailed above, it also operated local webshops in Belgium, Ireland, the Czech Republic, Finland and Poland. It also serves Slovenia, Sweden, Luxembourg and Denmark through a multinational English language offering via zooplus.com.

Key influencing factors

There are two key factors impacting the **development of European online pet supplies retailing:** the underlying growth of the European pet supplies market as such (1) as well as the general and industry-specific growth of online shopping and online purchasing behavior (2).

Development of the European pet supplies market
The European pet supplies market within the countries of the European Union has an annual retail volume of approx. EUR 17 billion (last available study: 2007) and is thus in comparison around half the size of the European retail book market. The six high-volume markets alone – Germany, France, the United Kingdom, Spain, The Netherlands and Italy – account for around 75% of this total volume with around EUR 13 billion.

The primary retail channels for pet supplies in all of the countries of the European Union 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 pet supplies are product range and product positioning: Traditional 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 stores usually offer a comprehensive product range from foods (entry-level prices through to premium) to accessories (including toys, hygiene products, pet furniture and other accessories).

Overall, zooplus is forecasting a stable to slightly increasing total pet supplies market volume for the coming years. Historic figures from 2000 to 2008 show that average growth rates for the market as a whole have consistently been within the low single digit percentage range. In 2009, zooplus believes that the market will stagnate or fall slightly as a result of the economic situation in the EU. Throughout Europe, one third of all households keep one or more pets. The changes in the market are due to a slight yet stable increase in the animal population as well as an industry-wide shift in sales towards higher value products and categories within the food and accessories sector („premiumisation").

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

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

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

eCommerce is an increasingly important sales channel within most retail sectors. For example, in Germany alone during 2008 online retail spending by consumers totalled more than EUR 19 billion. Further growth in European online retailing seems probable, in particular in view of the **inherent advantages** which **online retail offers** compared to existing bricks-and-mortar retail concepts such as wider product range and higher shopping convenience. Independent market observers, such as Forrester Research and TNS Infratest also indicate that online retail will continue to enjoy double-digit percentage annual growth rates during the coming five to seven years.

Within pet supplies, the proportion of products sold via the internet is still relatively low compared to other consumer product categories, and is significantly driven by the sales zooplus itself generates across Europe. According to internal calculations, the company believes that to date only around 1.2% to 1.5% of the total European pet market has migrated online.

zooplus, as the dominant market leader, is thus very well positioned to benefit strongly from continuing and future changes of existing distribution and retail structures.

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, for example, independent and owner-managed pet stores with small individual web shops and local delivery options.

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

At the same time, zooplus' existing customer base of around one million European customer accounts in fiscal year 2009 means that the company is benefiting from a substantial endogenous dynamic in terms of new customer acquisition due to word of mouth recommendations.

Comparative advantages enjoyed over bricks-and-mortar competitors

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

zooplus does not operate any physical stores or outlets. Instead, it is able to supply customers throughout Europe with a significantly larger product range distributed out of two central warehouses than existing offline retailers. At the same time, the company's centralised management and administration structures and associated efficiency gains help to compensate for certain size-based advantages still enjoyed by the few larger bricks-and-mortar pet store chains, particularly in terms of sourcing and product purchasing.

zooplus' medium-term objective is to consolidate and increase its online leadership and to sustainably benefit from anticipated further substantial growth in online retail overall.

Group structure

The zooplus Group comprises three wholly owned subsidiaries which are consolidated in the consolidated financial statements.

zooplus AG, Munich, Germany

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

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

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

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

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

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

The **workforce** increased during the fiscal year from 79 to 108 employees (without the Management Board) at the end of the year. According to our estimates, the rate of our churn in personnel is low compared to the industry average.

At zooplus, our employees' human capital is a key success factor. We regularly conduct internal employee training sessions and many employees participate in external training programs, which has helped to further increase the quality of our work and our workforce's ability to create value.

Corporate strategy – profitable pan-European growth

The management aims to maintain and expand its existing market leadership within the European online pet supplies space and, at the same time, to constantly increase the company's earnings (defined as pre-tax income).

Against this background, our activities focus on the following specific objectives:

- Expanding and increasing our customer base in all European markets
- Increasing the average revenue and variable contribution margin per customer
- Achieving a disproportionately lower increase in the company's fixed and semi-fixed costs versus its overall sales growth rate

In order to achieve these targets, the company utilises a wide range of financial and non-financial indicators and steering tools, in particular focusing on the following areas:

- Price and product range management
- Future-oriented new customer acquisition and customer management
- Logistics and distribution management
- Working capital management and payment optimisation

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

Technology and development

zooplus primarily regards itself as being a technology-driven internet retail company. New and further developments of core operational processes and systems are usually initiated and executed internally with a view towards building up and leveraging the company's proprietary know how base. External partners are called in if it is deemed sensible to supplement this internal expertise as well as our physical capacity for implementation.

During the past few years, hardware systems and highly-specific software solutions developed in house in all key areas of the company have made a decisive contribution to zooplus' success. From a current perspective they will also be a key component 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 control
- National and international payments processes
- Online marketing and customer acquisition
- Working capital management and stock procurement
- Financial controlling

Business development in 2009

The economy and the overall retail market space

The global economy underwent significantly negative developments in 2009. The economic slump, which started in the United States in 2007 and 2008 as a sub-prime loan crisis, grew to become a full-blown recession in all of the leading industrial nations by the start of 2009. Growth in the world's large economies has slowed down during the course of 2008, and in 2009 it was significantly negative in almost all western economies. The economic outlook for 2010 as a whole makes a bottoming out at a low level look likely, with only a slight increase in the overall growth tendency.

zooplus' development
In fiscal year 2009, despite a more difficult economic situation, the Group enjoyed satisfactory growth. With a total sales growth (as the sum of sales and other operating income) of 52.4 % to EUR 129.7 million we are very satisfied. At the same time, we have reached key milestones with our successful relisting to the Frankfurt Stock Exchange's Regulated Market and the phasing in of our new logistics center in Tilburg/The Netherlands. The relisting and opening of the new logistics center led to extraordinary negative factors on the earnings side, which have led to one-off negative earnings on the whole. Of course this is not satisfactory. However, in view of the most severe economic crisis since the end of the Second World War and also an anticipated significant increase in earnings in 2010, which could already be seen in the upwards trend in our operating earnings at the end of 2009, we believe that this is an acceptable overall result. As a result, we believe that fiscal year 2009 was still a good year for our company's further growth and long-term success.

Given today's situation, zooplus believes that the European pet supplies market will prove to be comparatively resilient even within an overall recessionary environment. In view of a continuously strong and growing online retail segment as well as a **high proportion of zooplus-specific sales** derived from repeat and recurring demands for pet food, we believe that zooplus is relatively well positioned to successfully master the current fiscal year 2010.

For online pet supplies in general, we believe that substantial growth will continue to be realised across all of Europe's high-volume markets.

Nevertheless, a negative overall change impacting upon current pet industry **pricing and margin structures** cannot be completely ruled out for 2010, particularly in the event of a further deterioration of the macroeconomic climate. In spite of this, however, we continue to believe that zooplus is relatively well equipped in comparison to other market participants and that we should be able to compensate sufficiently for any such developments – which are very likely to occur only for a limited period.

Earnings position, financial position and net assets

Earnings position

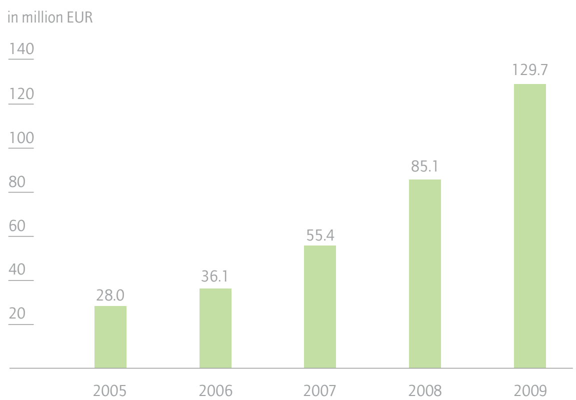
Revenue growth
zooplus, which considers itself to be the European market leader, was able to significantly increase its sales and total sales last year. Total sales increased by 52.4 % from EUR 85.1 million to EUR 129.7 million.

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

Sales increased from EUR 80.3 million in 2008 to EUR 123.3 million in 2009. Other operating income grew from EUR 4.8 million to EUR 6.4 million in the period under review. **Sales** reflect product purchases, whereas other operating income includes income from industry-specific advertising income and other remuneration. In historic terms, this has remained relatively constant in relation to sales.

Pet supplies retail is mostly unaffected by seasonal fluctuations.

Total sales (Sales and other operating income)



In total, growth in 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.

Expense items

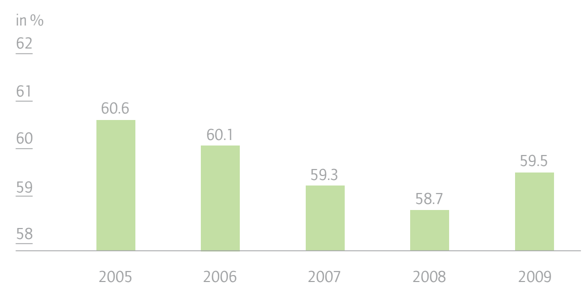
The following section provides a brief overview of the amount of and changes in the key expense items. Please refer to the consolidated financial statements and the notes to the **consolidated financial statements** for detailed figures. All of the percentages in the following section are approximate 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 was the case in the previous year. The **cost of materials to total sales ratio** of 59.5 % in 2009 was a 0.8 percentage point increase compared to the previous year (58.7 %). This also caused the company's net product margin to decrease from 41.3 % in 2008 to 40.5 % in 2009.

The main drivers for the downward trend in the purchasing margin were the company's pricing policy and increased discount policy which is geared to strong growth, and also slightly reserved purchasing behavior in the premium pet food sector in the first half of the year. A further contradictory trend during the year under review was the negative impact of the falling exchange rate for British Pounds GBP. It was not possible to immediately compensate for all negative effects as a result of the falling EUR/GBP exchange rate by adjusting local GBP prices in the UK. Margins recovered significantly towards the end of the year.

Cost of materials ratio



Personnel costs

Personnel costs increased from EUR 4.2 million in 2008 to EUR 6.6 million in 2009 – this corresponds to a slight deterioration in the **personnel expenses ratio** of 5.1 % (in terms of total sales), compared to 4.9 % in the previous year. zooplus had a total of 108 employees at the end of 2009 (79 employees at the end of 2008).

Depreciation and amortisation

Scheduled depreciation and amortisation costs increased from EUR 0.4 million in 2008 to EUR 0.5 million in 2009.

Logistics and fulfillment expenses
zooplus' business model requires warehousing, stock picking and the shipment of the 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 retail.

Expenses for logistics and fulfillment increased from EUR 17.6 million in 2008 to EUR 28.5 million in 2009, which is equivalent to a slight percentage increase (in terms of total sales) to 21.9 %.

A key milestone for logistics was the opening of the second international distribution center (also outsourced) in Tilburg/The Netherlands in the fourth quarter of 2009. This increases the company's entire logistics capacity to sales of around EUR 300 million and is a key component for European growth. This is discussed in detail in the following section "Expenses for EU logistics center". The total expenses for logistics and distribution are mostly due to distribution (e.g. package delivery companies), packaging and variable and fixed costs for the distribution centers and are thus mostly variable in line with the company's sales.

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

Expenses for marketing increased from EUR 5.3 million in 2008 to EUR 8.2 million in 2009, up from 6.2 % of total sales to 6.3 %. This increase was consciously made as part of the company's overall strategy of penetrating all of its key European markets, reaching a critical size in terms of both customer numbers and overall sales and thereby cementing clear market leadership. The company believes that this contributes fundamentally towards long term and sustainably increasing our enterprise value.

This is also clearly shown by the increase in the number of newly acquired customer accounts in Germany and abroad:

New customer accounts

in thousand per year	2005	2006	2007	2008	2009
Germany	100	116	201	263	362
International	8	43	101	209	344
Total	108	159	302	472	706

Payment transaction costs
Expenses for payment transactions increased from EUR 0.8 million in 2008 to EUR 1.3 million in 2009, reflecting an increase in overall credit card transaction costs due to an increased underlying share of international credit card transactions.

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

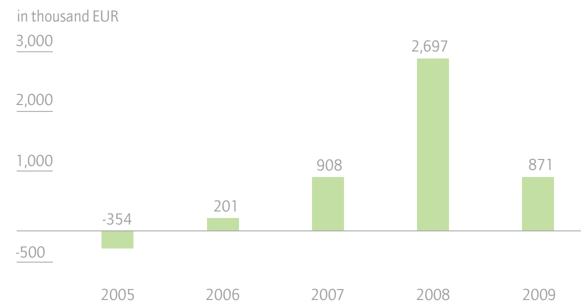
Expenses for EU logistics center
The company opened its new international logistics center in Tilburg / The Netherlands at the beginning of October 2009. This doubles the company's logistics capacity from approx. EUR 150 million (facility in Staufenberg / Germany) to around EUR 300 million and is thus a key component for the company's further expansion. Extraordinary expenses of EUR 1.7 million were incurred during the opening and start-up phase. These include transport and storage costs, the costs of the trial operation over several months, and also the start-up costs for the new, international package distribution structure. zooplus does not expect any other extraordinary expenses for logistics in 2010 (as is also the case in general).

IPO expenses / change of listing to Prime Standard
The company relisted and changed to Frankfurt Stock Exchange's Regulated Market / Prime Standard on October 20, 2009. zooplus had been preparing for this step since the end of 2008. Extraordinary expenses of EUR 0.4 million were incurred in this regard. These included, in particular, the costs of listing on the Frankfurt Stock Exchange, remuneration for the supporting bank, legal advice and also the associated PR activities.

Financial expenses
In order to finance its working capital, zooplus AG has access to credit lines from the company's major bank. This financing facility totals EUR 12.0 million and is not fully used. During the course of the year, the amount used fluctuated between a maximum of approx. EUR 7 million and EUR 2.5 million. This also explains the company's financial expenses (interest expenses).

Tax income
There was tax income of EUR 0.4 million for fiscal year 2009. The amount results in particular from the capitalisation of losses carried forward.

EBIT before extraordinary costs



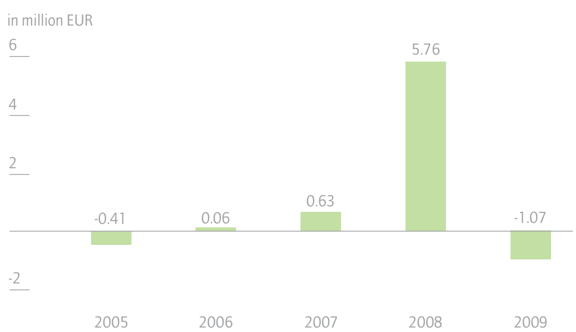
Profit growth
Operating income before extraordinary costs
Earnings from operating activities prior to extraordinary expenses, i.e., the one-off expenses for the new EU logistics center and also the expenses for the IPO / change of listing to the Prime Standard, totalled EUR 0.9 million compared to EUR 2.7 million in 2008. In 2008, extraordinary items included the costs of the IPO in the Entry Standard on the Frankfurt Stock Exchange.

Operating income
Operating income totalled EUR -1.3 million in the period under review compared to EUR 0.7 million in 2008. This was thus approx. -1 % of total sales compared to 0.8 % in 2008.

Factors which had a negative impact in this respect include the following:

- The costs of new customer acquisitions for marketing as well as an increased total discount volume as part of the company's European expansion
- Slightly weaker margins, in particular in the first half of 2009
- Increases in other expenses and one-off expenses as part of opening the new EU logistics center and the IPO.

Consolidated net profit



Pre-tax profit / EBT
Pre-tax profit in 2009 totalled EUR -1.5 million compared to EUR 0.6 million in 2008, and were thus approx. -1.2 % of total sales compared to 0.8 % in 2008.

Consolidated net profit / Overall result
Consolidated net profit and overall result in 2009 amounted to EUR -1.1 million compared to EUR 5.8 million in 2008. Overall result only differs slightly from the consolidated net profit as a result of differences in currency conversion.

Net assets
Long term assets totalled EUR 6.9 million at the end of 2009 compared to EUR 5.9 million at the end of 2008. Of this total, around EUR 5.4 million are due to deferred tax assets.

Short-term assets increased during the period under review to EUR 23.1 million at the end of 2009 compared to EUR 16.8 million as of December 31, 2008. This is mainly due to a substantial increase in inventories as a result of the expansion of zooplus' private label business as well as a deliberate increase in product availability and product range across all European markets.

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

In addition, and as part of the company's drive for growth, the accounts receivable recorded also increased in line with expectations. However, this growth was at a substantially lower rate than overall sales growth. Total write-offs for these receivables remain at a constantly low rate of around 1.5 % of sales.

Equity totalled EUR 10.7 million at the end of 2009 compared to EUR 9.9 million at the end of 2008. The equity ratio on December 31, 2009 thus stood at around 36 %. The increase in equity during the fiscal year as a result of the exercise of stock options totalling EUR 1.88 million should also be noted.

Trade payables totalled EUR 7.3 million on December 31, 2009 compared to EUR 8.1 million at the end of 2008. As a rule, zooplus only uses around 20-30 % of the maximum payment periods available in order to make use and benefit from early-payment terms and resulting margin improvements. This makes business sense from both an overall earnings perspective as well as in view of the company's readily available financing options. zooplus will continue to make use of possible discounts and early payment options as far as possible in the future in order to maximise margins and potential income.

More than 90 % of the company's **liabilities** on average are denominated in Euro. At times, there are also other liabilities - mostly six-digit - in British Pounds and US Dollars. The former is due to the company's VAT obligations in the United Kingdom and the latter to the purchase of merchandise from Asia.

Other short-term liabilities and financial debt remained mostly constant during the year under review, totalling EUR 4.6 million at the end of 2008 and EUR 11.7 million as of December 31, 2009. This was mostly due to the working capital financing received from our major banks which was necessary as a result of our growth, and the increase in VAT liabilities at the end of the year.

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

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

The company's **total assets** thus were EUR 29.9 million at the end of 2009 compared to EUR 22.7 million on December 31, 2008.

Cash flow, cash and cash equivalents and financing

Cash flow from operating activities totalled EUR -4.4 million in 2009 compared to EUR -0.7 million in 2008. Key drivers were the operating result for the year as a whole, the start-up costs for the new international logistics operations, the costs of changing the company's listing to the Prime Standard of the Frankfurt stock exchange and also a deliberate and substantial increase in stocks.

Cash flow from investing activities (EUR -1.1 million in 2009 compared to EUR -0.6 million in 2008) as well as the cash flow from financing activities (EUR 5.6 million in 2009 compared to EUR -0.7 million in 2008) were also negative.

To summarise, as a retail company zooplus is subject to substantial volatility in items that are of relevance to both the balance sheet and cash flow, such as inventories, receivables, payables as well as VAT payment schedules. This has led to a significantly higher fluctuation 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 mostly due to the company's strong growth. The negative cash flow from operating activities is due to a significant increase in inventories and customer liabilities in view of the company's overall growth of more than 50 %, as well as an operating income after extraordinary items.

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

The company has flexible lines of credit totalling EUR 12.0 million from its major banks: Commerzbank and Deutsche Bank. These were increased from EUR 3.0 million to EUR 12.0 million during the course of the year. On average, between EUR 2.5 and EUR 7.0 million of these lines of credit were used during the past fiscal year. This was due to quarterly and seasonal influences. Some of these lines of credit are secured with inventories and receivables and subject to standard industry equity covenants. On the whole, it must be noted that zooplus is not subject to any particular restrictions that could impact the availability of financing – with the exception of the necessary fulfillment of the financing covenants. The company believes that it will also be possible to fulfill the covenants in the coming years.

The company's lines of credit are all indexed to Euribor or Eonia, and their overall interest levels including the index premium are low to medium single-digit percentages. An increase in the current level of interest would, by its very nature, lead to an increase in the company's financing costs, however from the current perspective this appears to be manageable. The company's management does not expect a significant change in credit conditions and volume.

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

Summary statement on zooplus' economic position

Sales have grown by more than 53% to EUR 123.2 million, and the positive result from operating activities (before extraordinary items as part of the company's change of listing to the Frankfurt Stock Exchange's Prime Standard and the costs of opening the second international distribution center), means that fiscal year 2009 was still positive overall in view of the global economic situation. The negative consolidated net profit as a result of extraordinary factors totalled EUR -1.1 million.

Report on events after the balance sheet date

There were no transactions of particular importance after the end of fiscal year 2009.

Opportunities and risks

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

Key individual risks

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

Strategic risks

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

If the growth of online retailing in general slows or even decreases this would directly affect zooplus' business model. However, from the current perspective - and this is shown by the current growth rates – all of the indicators point to this not being the case.

Average order sizes and repeat purchase behavior could undergo a negative change in more difficult economic periods:

During a recession, existing and newly acquired customers' purchasing behavior could change to the company's detriment. If our customers do not buy non-food products that they don't necessarily need, or if they change to lower priced alternative products or alternative suppliers, this could have a negative impact on zooplus on the whole. However, the fact that zooplus was able to increase its total sales by 52.4% in the worst annual recession (2009) since the end of WWII, and acquire significant customers on all of the key European markets points towards the business model remaining attractive even in more difficult economic periods.

New competitors could establish a successful online presence and have a negative impact on zooplus' market opportunities:

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

Operating risks

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

The **company's operations** are based on the constant availability of all of its technical systems. If this is endangered, for example by force majeure or other system problems, this would have a substantial negative impact on zooplus on the whole. However, zooplus believes that the fact that the business systems have been stable for the past ten years of the company's operations means that this risk is manageable. In addition, zooplus cooperates with reliable partners of good business standing in these areas, which in turn should reduce risks significantly.

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

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

Incorrectly forecasting demand can result in overstocks along the supply chain and in the logistics system:

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

Financial risks

The significant **financial instruments** used by the Group are overdrafts, operating leases and also cash and cash equivalents and short-term deposits. The main purpose of these financial instruments is to constantly cover financing requirements and to ensure financial flexibility. The Group has at its disposal various other financial assets and liabilities including, for example, trade accounts receivable arising directly in connection with its operations. There were no derivative financial instruments.

The company has international operations and is thus subject to substantial currency translation risks:

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

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

In more difficult economic periods, zooplus could possibly also be impacted by higher credit defaults by its customers. This could result in sustained risks for zooplus' business model. In the past, total receivables defaults were generally around or less than 1.5 % of the company's sales. From the current perspective, we cannot see any deterioration in this regard. This is also due to the company's strict credit check system.

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

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

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

The company's key lines of financing are indexed to Euribor or Eonia. A general increase in interest rates – including in interbank business – could lead to a significant increase in the company's financing costs.

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

Key features of the internal control system and the risk management system in view of the accounting processes

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

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

The IT systems used for accounting are protected against unauthorised access. The financial systems used employ standard software (Diamant) and software developed in house.

An adequate 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, using both manual checks and also the software employed. The main processes that are relevant for the company's accounting are subject to regular analyses. The existing company-wide risk management system is constantly adjusted based on current developments and its functionality is reviewed.

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

In view of the accounting process, the internal control and risk management system ensures that business events are recorded, prepared and assessed correctly in the accounts, and that they are thus included in the external accounting.

The clear organizational and corporate control and monitoring structures and also the fact that the accounting department is sufficiently staffed and has sufficient materials available, form the foundations for the areas and persons involved in the accounting process to work efficiently. Clear guidelines and instructions – stemming from both legal requirements and from within the company – ensure that the accounting process is uniform and correct. The clearly defined review mechanisms within areas which participate in the accounting system as well as the review by **internal controlling** and early recognition of risks by risk management ensure that the accounting does not contain any errors.

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

Outlook

The underlying economic conditions are expected to improve slightly in 2010 and 2011 compared to 2009. We are thus forecasting a slight increase in sales for our industry as a whole in 2010 and 2011. We can assume that this will take a certain amount of pressure off prices and margins, and that this will have a generally positive effect on zooplus.

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

Overall, we are **expecting** the following results for zooplus on the back of these two countervailing trends **for 2010:**

- Total sales will increase by around 35 to 40 % from EUR 130 million to around EUR 175 to 180 million
- Pre-tax profit will increase to a low to medium single-digit positive million euro figure

We are expecting the following scenarios in 2011:

- Further increase in sales for the company within the existing growth corridor
- Above-average increase in pre-tax profit compared to 2010

Key revenue and expense factors behind these anticipated changes are:

- We are expecting a significant increase in sales across all European markets based upon a substantial total increase in the number of active customers (new and existing) for the coming two fiscal years 2010 and 2011
- We are expecting a slight increase in our gross product margin for both 2010 and 2011 in terms of sales and total sales
- We believe that logistics costs will increase slightly on a percentage basis over sales during 2010. This is due, in particular, to **the impact on fixed costs** from the second logistics facility located in Tilburg/The Netherlands, which will lead to an increase in fixed costs and one-off expenses of approx. 1.5 % of total sales in 2010. This trend will continue to fall in 2011 as a result of substantial economies of scale for the logistics facility in Tilburg. However, over the long run we believe that this new production facility will significantly reduce our international parcel distribution costs as well as substantially reduce our international parcel delivery times
- As a result of the planned significant increase in new customer accounts we are forecasting constant marketing costs compared to total sales in 2010. The company is **planning to acquire** around 950,000 new customer accounts during 2010 (compared to around 700,000 new accounts acquired during 2009). With a view towards zooplus' long term prospects, these new customers are a crucial component on our path towards sustainable and long-term European market leadership as well as towards reaching critical operational mass
- We believe that it will be possible to realise substantial economies of scale within personnel expenses, technology and other operating expenses

As during previous years, the prime focus for 2010 and 2011 will be the company's overall growth. From our perspective, it is absolutely mission-critical for zooplus to maintain its European market leadership and to further expand its position in its key markets. That is why we will continue to gear zooplus towards dynamic growth in 2010 and 2011 in the belief that such a counter-cyclical strategy makes business sense – in particular during periods of overall economic crisis – in order to expand our relative strengths and advantages over actual and potential competitors.

Over the medium term we aim to record pan-European sales of EUR 300 million, with pre-tax returns of between 6.0 and 8.0 %.

Remuneration report

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

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

The Management Board's remuneration (all three components) totalled EUR 1,286 thousand in fiscal year 2009. Of this total, the non-performance related basic salary accounted for around 55 %. The performance-related salary components are dependent upon the respective increases of the company's EBIT and total sales growth. This accounted for around 43 % of total remuneration in 2009. Precondition for any disbursement is a positive operating income (excluding particular one-off items). The variable components with a long-term incentive are stock option programs. The costs of this remuneration report accounted for around 2 % of total expenses in 2009.

In 2009 the members of the Management Board also received advance payments for travel expenses and advance payments for bonuses. The company does not provide individualised details of the Management Board's remuneration. The Management Board was exempted from the publication according to § 314 Paragraph 1, 6a, Sentences 5 - 8 HGB by note of the Annual General Meeting dated April 27, 2007. Further details on the **remuneration structures** can be found in the notes to the financial statements.

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

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

Composition of the subscribed capital
As of December 31, 2009, the subscribed capital comprised 2,561,755 no-par value registered shares, each with a proportionate interest of EUR 1 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, 2009, the following shareholders held more than 10 % of voting rights:

Burda Digital Ventures GmbH
BDV Beteiligungen GmbH & Co. KG
European E-Commerce Fund B LP

There are no shares with special rights, and employees do not participate in equity such that employees cannot directly exercise their controlling rights.

Appointment and dismissal of members of the Management Board, changes to the Articles of Incorporation
Members of the Management Board are appointed and dismissed according to Sections 84 et seq. of the Aktiengesetz (AktG – German Public Limited Companies Act). Changes to the articles of incorporation are governed by Sections 179 et seq. of the AktG.

Authorization for the Management Board to issue and buy back shares

As a result of the resolution by the General Meeting on April 25, 2008, the Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or several occasions during the period until April 24, 2013 against cash or non-cash contributions by up to a total of EUR 1,193,075.00 by issuing new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share.

As a rule, shareholders are to be granted subscription rights.

However, the Management Board is authorized, with the approval of the Supervisory Board, to remove shareholders' statutory subscription rights in the following cases:

(1) For fractional amounts
(2) In order to place the new shares on an organized market in connection with the admission of all of the company's shares
(3) If the share capital is increased in return for cash contributions and if the total new shares, for which the subscription right is excluded, do not exceed ten percent of the share capital existing at the time the new shares are issued and if the issue price of the new shares is not significantly below the stock market price of the previously listed shares of the same class and structure at the time the Management Board establishes the final issue price
(4) Insofar as it is necessary to exclude subscription rights in order to grant bearers of convertible bonds/loans or warrants issued by zooplus AG or its subsidiaries subscription rights to new shares to the extent that they would be entitled after exercising their warrants or conversion rights or after fulfilling conversion obligations
(5) For capital increases against non-cash contributions to grant shares as part of business combinations and for the purpose of acquiring companies, parts of companies or equity interests in companies

The Management Board is authorised, with the consent of the Supervisory Board, to specify the further details of capital increases from Authorized Capital 2008. The Supervisory Board is authorized to adjust the wording of the articles of incorporation after full or partial increase to the share capital from Authorized Capital 2008 or after the authorization period has expired in line with the extent of the capital increase from Authorized Capital 2008.

zooplus AG's general meeting on June 26, 2009 authorized the Management Board, subject to the approval of the Supervisory Board and through to December 15, 2010, to acquire shares of the company up to a total of 10 % of the share capital, subject to the condition that the shares acquired as a result of this authorization together with other shares of the company that the company either holds or which are to be allocated to it, do not total more than 10% of the company's share capital at any point in time. The company and its subsidiaries do not currently hold any shares of zooplus AG.

This authorization may be exercised for all purposes permissible by law.

The shares are acquired while upholding the principle of equal treatment (Section 53a of the AktG) via the stock market or using a public purchase offer made to all shareholders. If the shares are acquired via the stock exchange, the compensation paid by the company per no-par value share (without incidental acquisition costs) may not be more than five percent higher or lower than the volume-weighted average of the closing prices for shares of the company in Xetra trading 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 may not be more than ten percent higher or lower than the volume-weighted average price of shares of the company in Xetra trading 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 vested 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.

The conditional capital at the end of the year amounted to a total of EUR 44,145. It is designed to serve subscription rights from stock option programs of up to 44,145 no-par value bearer shares.

Other

The corporate governance declaration within the meaning of Section 289a of the HGB is published in the investor relations section of the company's website at:

http://investors.zooplus.com/de/ir

Overall outlook

The European online pet market will continue to enjoy sustainable growth, and become more attractive overall. The zooplus Group is particularly well positioned to enjoy significant benefits from these developments. As a result, the Management Board is thus forecasting a favorable development of the Group in 2010.

Dr. Cornelius Patt
For zooplus AG's Management Board

Munich, March 25, 2010

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2009 ACCORDING TO IFRS

Assets

in EUR		Note	Dec. 31, 2009	Dec. 31, 2008
A.	**Long-term assets**			
I.	Long-term assets	7	715,625.76	617,976.05
II.	Intangible assets	8	515,366.06	380,710.71
III.	Financial assets	9	253,699.12	0.00
IV.	Deferred tax assets	10	5,388,324.73	4,925,571.12
Total long-term assets			**6,873,015.67**	**5,924,257.88**
B.	**Short-term assets**			
I.	Inventory	11	12,533,320.65	9,046,252.31
II.	Advance payments	12	371,509.24	545,535.66
III.	Accounts receivable	13	5,623,836.98	4,162,587.35
IV.	Other short-term assets	14	2,990,847.08	2,571,722.54
V.	Cash in hand and cash equivalents	15	1,546,197.18	465,235.72
Total short-term assets			**23,065,711.13**	**16,791,333.58**
Total assets			**29,938,726.80**	**22,715,591.46**

Liabilities

in EUR		Note	Dec. 31, 2009	Dec. 31, 2008
A.	**Equity**			
I.	Capital subscribed	16	2,561,755.00	2,406,020.00
II.	Capital reserves	16	22,284,758.36	20,556,046.46
III.	Other reserves	16	-336.76	-402.18
IV.	Profit and Loss carried forward	16	-14,156,209.91	-13,083,113.10
Total equity			**10,689,966.69**	**9,878,551.18**
B.	**Long-term debt**			
	Deferred tax liabillties	10	**104,005.44**	**0.00**
C.	**Short-term debt**			
I.	Trade liabilities	18	7,261,023.01	8,065,705.53
II.	Financial debt	19	6,119,070.19	1,203,057.45
III.	Other short-term liabilities	20	5,591,147.46	3,358,303.17
IV.	Tax liabilities		73,014.01	144,074.13
V.	Provisions	21	100,500.00	65,900.00
Total short-term debt			**19,144,754.67**	**12,837,040.28**
Total liabilities			**29,938,726.80**	**22,715,591.46**

CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31, 2009 ACCORDING TO IFRS

in EUR	Note	2009	2008
Sales	22	**123,264,849.79**	**80,336,315.74**
Other operating income	24	**6,443,774.63**	**4,770,559.30**
Total sales		**129,708,624.42**	**85,106,875.04**
Cost of materials		-77,211,436.61	-49,952,043.03
Personnel costs	23	-6,556,283.87	-4,171,050.35
cash		(-6,508,588.07)	(-4,082,227.62)
non-cash		(-47,695.8)	(-88,822.73)
Depreciation	7, 8	-549,354.64	-380,547.25
Other expenses	24	-44,520,504.85	-27,905,949.81
of which logistics/fulfillment		(-28,471,051.74)	(-17,594,794.06)
of which marketing		(-8,170,296.93)	(-5,277,523.63)
of which payment		(-1,279,409.03)	(-812,284.99)
Operating income (excluding one-off costs)		**871,044.45**	**2,697,284.59**
One-off costs EU logistics centre	24	-1,742,165.69	0.00
One-off costs IPO	24	-430,607.41	-1,992,936.72
Operating income		**-1,301,728.65**	**704,347.87**
Financial income	24	163.54	20,549.07
Financial expense	24	-198,850.93	-80,044.28
Pre-tax profit		**-1,500,416.04**	**644,852.66**
Taxes on income	10	427,319.23	5,110,835.16
Consolidated net profit		**-1,073,096.81**	**5,755,687.82**
Differences from currency translation		65.42	-392.86
Overall result		-1,073,031.39	5,755,294.96
Consolidated profit/loss per share			
undiluted	25	-0.44	2.41
diluted	25	-0.44	2.29

GROUP CASH FLOW STATEMENT AS OF DECEMBER 31, 2009 ACCORDING TO IFRS

in EUR	Note	2009	2008
Cash Flow from operating activities			
Pre-tax operating profit		-1,500,416.04	644,852.66
Allowances for:			
Depreciation of fixed assets	7, 8	549,354.64	380,547.25
Non-cash personnel expenses	17	47,695.80	88,822.73
Non-cash IPO expenses	14	0.00	1,371,110.83
Other non-cash expenses		140,351.05	109,922.87
Financial expenses	24	198,850.93	80,044.28
Financial income	24	-163.54	-20,549.07
Changes in:			
Inventory		-3,487,068.34	-5,698,337.47
Advance Payments		174,026.42	-175,552.32
Accounts receivable		-1,461,249.63	-1,590,330.82
Other short-term assets		-419,124.54	-983,784.27
Accounts payable		-804,682.52	4,931,066.11
Other liabilities		2,232,844.29	120,414.34
Provisions		-36,460.12	22,500.00
Tax		-2,485.32	-6,778.31
Interest income		163.54	20,549.07
Cash Flow from operating activities		**-4,368,363.39**	**-705,502.12**
Cash Flow from investing activities			
Proceeds from the disposal of property, plant and equipment/intagible asstes		0.00	28,310.36
Payments for financial investments		-253,699.12	0.00
Payments for property, plant and equipment		-850,888.94	-578,539.79
Cash-Flow from investing activities		**-1,104,588.06**	**-550,229.43**

(Continued on the next page)

in EUR	Note	2009	2008
Cash Flow from financing activities			
Capital increase		1,836,751.10	28,612.70
Uptake of loans		4,000,000.00	0.00
Loan repayments		0.00	-610,233.64
Interest paid		-198,850.93	- 80,044.28
Cash Flow from financing activities		**5,637,900.17**	**-661,665.22**
Net change of cash and cash equivalents		**164,948.72**	**-1,917,396.77**
Cash and cash equivalents at the beginning of the period		-737,821.73	1,179,574.94
Cash and cash equivalents at the end of the period		-572,873.01	-737,821.73
Composition of funds balance at the end of the period			
Cash on hand, bank deposits, cheques	14	1,546,197.18	465,235.72
Overdraft balances	18	-2,119,070.19	-1,203,057.45
Cash and cash equivalents at the end of the period		**-572,873.01**	**-737,821.73**

GROUP STATEMENT OF CHANGES IN EQUITY AS OF DECEMBER 31, 2009

in EUR	Capital subsribed	Capital reserves	Other reserves	Accumulated profit or loss	Total
As of January 1, 2009	**2,406,020.00**	**20,556,046.46**	**-402.18**	**-13,083,113.10**	**9,878,551.18**
Additions from stock options	155,735.00	1,728,711.90	0.00	0.00	1,884,446.90
Currency equalisation item	0.00	0.00	65.42	0.00	65.42
Net profit/loss 2009	0.00	0.00	0	-1,073,096.81	-1,073,096.81
As of December 31, 2009	**2,561,755.00**	**22,284,758.36**	**-336.76**	**-14,156,209.91**	**10,689,966.69**
As of January 1, 2008	**2,386,150.00**	**20,458,480.93**	**-9.32**	**-18,838,800.92**	**4,005,820.69**
Additions from exercise of convertible debentures	19,870.00	97,565.53	0.00	0.00	117,435.53
Additions from cash contributions	0.00	0.00	-392.86	0.00	-392.86
Net profit / loss 2008	0.00	0.00	0.00	5,755,687.82	5,755,687.82
As of December 31, 2008	**2,406,020.00**	**20,556,046.46**	**-402.18**	**-13,083,113.10**	**9,878,551.18**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS AS OF DECEMBER 31, 2009

1. Information regarding the company

zooplus AG (henceforth referred to as the „company“) is a stock corporation with limited liability as defined under German law the shares of which are publicly traded since 2008. The registered office is at Sonnenstrasse 15, 80803 Munich, Germany.

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

The consolidated annual financial statements were released for publication by the management board on March 30, 2010.

2. Principles of preparing the annual financial statements

The consolidated annual financial statements of zooplus AG and its subsidiaries (in the following referred to as the „Group“) as of December 31, 2009 were prepared in accordance with Section 315a of the Handelsgesetzbuch (HGB – German Commercial Code) with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) as applied within the European Union.

The annual financial statements were prepared on the basis of historic purchasing costs. As an exception to this rule, the fair value through profit or loss is applied to financial assets available for sale. The income statement was prepared according to the nature of expense method.

The consolidated annual statements are prepared in EUR, the functional currency and representational Group currency. Unless indicated otherwise all values are expressed in whole Euros and Cents.

3. Consolidation principles

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

Subsidiaries are fully consolidated from the date at which they were acquired, i.e. the date on which the Group obtained full control over them. The inclusion in the consolidated financial statements comes to an end the moment the parent company no longer exercises this control.

Capital is consolidated according to the purchase method. This means that as part of a business combination the identifiable assets, debt and potential liabilities are valued at their fair value through profit or loss for the initial consolidation. Should the purchasing cost of an acquired company exceed the value of the Group's acquired shareholding , i.e. the fair value through profit or loss, the items are carried in the financial statements. There is no such goodwill at any of the subsidiaries.

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

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

Name	Part of the equity shareholding (IFRS)	in EUR thousand
Matina GmbH, Munich, Germany	100 %	24
Bitiba GmbH, Munich, Germany	100 %	36
zooplus services ltd., Oxford, Oxford, UK	100 %	4

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

The Group also holds a 49 % interest in Logistic Services Center s.r.o. which is headquartered in the Czech Republic. As a result of the fact that this company only has minor business activities which are of minor importance for identifying a true and fair view of the Group's financial position and results of operations, this company is not valued at equity.

4. Accounting and valuation principles

Amendments to the accounting and valuation principles

The accounting and valuation methods applied generally correspond to those used the previous year. In addition, the following standards and interpretations for which application has been mandatory for the first time since fiscal year 2009 have been observed:

- Amendment to IAS 1 (Presentation of Financial Statements)
- Amendment to IAS 23 (Borrowing Costs)
- Amendment to IAS 32 and IAS1 (Puttable financial instruments and obligations arising on liquidation)
- Amendment to IFRS 1 and IAS 27 (Acquisition costs of a participating interest in a subsidiary)
- Amendment to IFRS 2 (Share-based Payment)
- IFRS 7 (Financial Instruments: Disclosures)
- IFRS 8 (Business Segments)
- IFRIC 13 (Customer Loyalty Programs)
- IFRIC 14 (Limit on a defined benefit asset)
- IFRIC 15 (Agreements on the Construction of Real Estate)
- IFRIC 16 (Hedges of net investments in foreign business operations)
- Annual improvement project 2008

IFRS 8 currently does not affect the Group, however the impact of IFRS 8 is being analyzed for the future in view of the Group's growth. The changes to IAS 1 mostly relate to the statement of changes in equity, the statement of comprehensive income and the names of the components of the financial statements. In the future, the statement of changes in equity will exclusively be used to present shareholder-related transactions. All of the non-shareholder related transactions that impact equity are to be presented in accumulated form in the statement of comprehensive income. The changes to IAS 1 affect the disclosure of the currency translation item within the zooplus Group.

According to IFRIC 13, loyalty bonuses for customers are to be accounted for as a separate component of the sales activities under which they are granted. As the Group currently does not grant any customer bonus programs this interpretation does not have any impact on the Group.

The changes to IFRS 2 are clarifications with regard to the definition of exercise conditions and regulations on the premature termination of share-based payments. The revised standard mostly clarifies that the exercise conditions are exclusively service and performance conditions that are standard on the market. In addition, it also stipulates that all cancellations to the plan have to be treated equally in accounting terms, irrespective of whether the cancellation was initiated by the company itself or by its employees. These interpretations currently do not impact the Group.

Other changes currently do not impact the Group.

The following standards and interpretations that have already been published and which only came into effect after January 1, 2008 have not been applied:

- IFRS 3 (Business Combinations)
- IAS 27 (Consolidated and Separate Financial Statements under IFRS)
- Amendment to IAS 39 (Qualifying underlying transactions)
- Amendment to IFRS 7 (Improvement to information)
- Amendment to IAS 39 and IFRIC 9 (Embedded derivatives)
- IFRIC 17 (Non-cash dividends to shareholders)
- IFRIC 18 (Transfer of assets from customers)
- IFRIC 19 (Repayment of financial liabilities via equity instruments)

The new accounting pronouncements and the pronouncements that have not yet been implemented do not have any material impact on the consolidated financial statements.

The following standards and interperations that have not yet been endorsed by the EU are also not applied:

- IAS 24 (Related Parties)
- Amendment to IFRS 1 (Exceptions for first-time users)
- Amendment to IFRS 2 (Intra-group share-based payment)
- IFRS 9 (Financial Instruments: Revision and replacement of all existing standards: classification and measurement)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)
- Annual improvement project 2009

Key accounting and valuation methods

Property, plant and equipment

Property, plant and equipment is carried net of accumulated scheduled depreciation and accumulated impairment.

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

The estimated useful lives of respective assets are the basis of the scheduled straight line depreciation, with useful lives between three and ten years being assumed. If property, plant and equipment is divested or disposed of, their purchase costs and also the accumulated depreciation are removed from the balance sheet, and any profit or loss arising from the sale is entered in the income statement.

The depreciation period and method are reviewed annually at the end of each fiscal year.

Acquired and internally generated intangible assets

Intangible assets are recognised for the first time at cost on their date of acquisition. Subsequently they are valued at cost net of accumulated scheduled depreciation and accumulated impairment. Expenses for internally generated intangible assets are recognised in income in the period in which they are incurred except in the case of development costs that can be capitalised. Development costs from individual projects are only capitalised as intangible assets if the Group can prove the following:

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

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

Intangible assets with a limited useful life are subject to straight-line amortisation over their useful life. The length of the amortisation period and the amortisation method will be reviewed annually at the end of each financial year.

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

The estimated useful lives of these assets for which payment was made varies between three and five years.

Impairment of non-current assets
At every reporting date the Group tests property, plant and equipment and intangible assets for signs of impairment. If there are such signs the Group estimates the recoverable amount for the respective asset. If it is not possible to estimate the recoverable amount for the respective asset, the recoverable amount for the cash generating unit to which the asset belongs is estimated. If the carrying amount of an asset exceeds this amount the asset is considered to be impaired and is written down to the recoverable amount. The recoverable amount is judged to be the higher of the following two amounts: the fair value through profit or loss net of costs of divestment, and the value in use. The value in use is the present value expected from the further use of the asset together with its sales value at the end of its useful life. The value in use is determined for every asset individually or for the corresponding cash generating unit.

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

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

Finance leases for which all general property-based risks and upsides connected with respect to the transferred asset are assigned to the Group did not exist during 2009, with the result that no finance leases had to be capitalised.

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

Financial investments and other financial assets

Financial assets within the meaning of IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets or derivatives designated as hedges and thus effective. The categorisation depends on the type and designated purpose of the financial assets. They are categorised upon receipt.

Financial assets that are classified as being held for trading purposes are included in the category „financial assets that are valued at fair value through profit or loss and which affect the annual profit / loss". Financial assets are classified as being held for trading purposes if they have been acquired for the purpose of divestment in the near future. Derivative financial instruments are also classified as being held for trading purposes unless they are designated as hedges and are also used as such. Profit or loss arising from financial assets that are held for trading purposes are recognised in the income statement. As of December 31, 2009 no financial assets had been designated as being valued at fair value through profit or loss and affecting the annual profit/loss.

Non-derivative financial assets with fixed or at least ascertainable payments and fixed maturities are classified as held-to-maturity financial assets if the Group intends to hold these assets until maturity and is in a position to do so. Financial assets that are kept to final maturity are valued at amortised cost using the effective interest rate method and taking any impairment into account. Amortised cost is the amount at which a financial asset was first valued net of repayments and plus/minus accumulated amortisation of any difference between the original amount and the amount to be repaid at final maturity, applying the effective interest rate method. This method uses a calculatory interest rate which is used to discount the estimated future cash flows over the anticipated term of the financial asset exactly to the net carrying amount of the financial asset. Profits or losses are recognised in the income statement for the period if the financial investment is deleted or impaired or as part of amortisation. As of December 31, 2009 there were no financial assets that were designated as held-to-maturity financial assets.

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments that are not traded in an active market. After these have been recognised for the first time they are valued at amortised cost applying the effective interest rate method and taking any impairment into account. Profits and losses arising from these are recognised in the income statement for the period if the loans and receivables are deleted or impaired or as part of amortisation. As of December 31, 2009, trade receivables, other current assets and cash and cash equivalents were allocated to this category.

Available-for-sale financial assets are those non-derivative financial assets that have been classified as being available for sale and have not been classified as belonging to one of the three aforementioned categories. After these have first been recognised, the available-for-sale financial assets are valued at fair value through profit or loss, with the ensuing profit or loss being entered as a separate equity item. At the time at which the financial investments are deleted or at which impairment has been established for the financial investment, the accumulated profit or loss entered previously as equity is now recognised in income. As of December 31, 2009, other non-current assets were allocated to this category. They were measured at cost.

No derivatives were used as hedge instruments in the year under review.

Impairment of financial assets

If there is an objective indication that loans and receivables accounted for at amortised cost have been impaired, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flow discounted at the asset's original effective interest rate. The asset's carrying amount is reduced by the corresponding impairment loss. The amount of the loss is recognised in the income statement. If the impairment decreases in one of the following reporting periods and if this fall can be objectively allocated to an event occurring after the impairment has been recognised, the impairment accounted for earlier will be cancelled. The subsequent recovery in value is entered as a profit as far as the carrying amount of the asset does not exceed the updated purchasing costs at the time of the recovery in value.

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

If an available-for-sale asset is impaired, that part of an equity item that is equal to the difference between the purchasing costs and the current fair value through profit or loss net of any impairment losses already recognised for this financial asset is reclassified and entered into the income statement.

Inventories

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

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

Cash and cash equivalents
These comprise bank balances as well as cash on hand, and are valued at nominal value.

Equity
Debt and equity instruments are classified as financial liabilities or equity in line with the economic content of the contractual agreement. An equity instrument is a contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities. Equity instruments are recognised at the issuing proceeds received less directly allocable issuing costs. Issuing costs are costs that would not have been incurred without the issue of the equity instrument.

Financial liabilities
Financial liabilities within the meaning of IAS 39 are either classified as financial liabilities recognised at fair value through profit or loss (none), as loans or as derivatives that are designated as hedges and are effective as such.

When other financial liabilities are first accounted for they are valued at fair value through profit or loss of the loan after deducting the transaction costs connected with the loan. After the first entry the interest-bearing other financial liabilities are subsequently valued at amortised cost applying the effective interest rate method. Profits and losses are recognised for in the reporting period concerned if the debt has been deleted or has been amortised. As of December 31, 2009 trade accounts payable, financial liabilities and other current financial liabilities were allocated to this category.

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

Deleting financial assets and financial liabilities
A financial asset is deleted if one of the three following conditions is fulfilled:

- The contractual rights to the cash flow arising from a financial asset have elapsed
- The Group reserves the contractual right to claim the cash flow from the financial assets, assumes, however, a contractual obligation to pay the cash flow without significant delays to a third party within the framework of an agreement that fulfils the conditions of IAS 39.19 („pass through arrangement")
- The Group is to transfer its contractual rights to the cash flow arising from the financial asset and (a) is to transfer in general all risks and opportunities connected with the title to the financial asset, or (b) must neither transfer nor retain in all risks and opportunities connected with the title to the financial assets, must however transfer the disposal over the financial asset

A financial liability is deleted if the obligation is then fulfilled, or notice has been given of terminating it, or if it has elapsed.

Provisions
A provision is formed if the Group has a current obligation (legal or factual) resulting from a past event for which the use of resources with economic benefits for fulfilling the obligation is probable and a reliable estimate can be made of the amount of the obligation. Provisions are audited at every reporting date and amended according to the best estimate in each case. The amount of the provision corresponds to the present value of the probable costs required to fulfil the obligation. If the effect of interest is significant, provisions are discounted at a pre-tax interest rate which reflects any risks specific to the debt.

Currency Conversion
Within the individual financial statements of zooplus AG and its subsidiaries, foreign currency transactions are calculated on the basis of the relevant exchange rates at the time of the transaction. Subsequent currency gains and losses are recognised in income.

Foreign-currency denominated accounts (i.e. non-Euro) are converted according to IAS 21 and the functional currency principle. Foreign-currency transactions are converted into the functional currency at the date of the transaction. On the balance sheet date, monetary items are converted using the exchange rate of the reporting date. Currency conversion differences are recognised in income. Financial statements of group companies for which the functional currency is not the Group's reporting currency (EUR) are converted according to the modified closing-rate method. In the consolidated financial statements, assets and liabilities are converted based on the exchange rate prevailing on the final day of the period. Items in the income statement converted to EUR based upon average exchange rates during the period. The resulting net profit or loss is then carried in the balance sheet. Potential differences are taken directly to equity in the balance sheet.

Share-based payment
Some Group employees and the Management Board receive a share-based remuneration in the form of equity instruments. The expenses that arise as a result of granting equity instruments are valued at the fair value through profit or loss of the granted instruments on the date they are granted. Fair value is determined by applying the Black-Scholes valuation model. During this valuation, the only conditions that apply, if any, are those linked to zooplus AG's share price ("market conditions") no other performance-related conditions for exercising the option are considered.

Expenses arising from granting equity instruments are recognised for with an accompanying corresponding increase of the equity over the period in which the performance and/or service conditions are fulfilled. This period ends at the time from which the employee has an irrevocable right to exercise the option. The accumulated expenses from granting the equity instruments reflect, at every reporting date up to the time when the option may first be exercised, the elapsed part of the period between granting and exercising the option as well as the Group's best estimate of the quantity of equity instruments that become vested. The amount that is debited or credited to the income statement reflects the development of the accumulated expenses at the beginning and at the end of the reporting period.

Revenue recognition
Revenue is recognised for when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably determined. Revenue is recognised at the fair value of the compensation.

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

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

Interest income is entered when the interest payments are made.

Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred.

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and tax losses brought forward which have not yet been deducted, to the extent to which it is likely that taxable income will be available in the future against which the deductible temporary differences and the losses brought forward that have no yet been deducted can be offset, with the exception of the following:

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

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

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

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

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

Business transactions after the reporting date

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

5. Significant estimates and discretionary decisions

Preparing the balance sheet in accordance with IFRS requires making estimates and assumptions which directly impact the due-date income, expenses, assets and liabilities as well as the disclosure of contingent liabilities. However, the insecurities associated with these assumptions and estimates could result in events which might substantially affect the carrying amounts of the aforementioned items in future periods.

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

Trade receivables
The impairment of doubtful receivables mostly comprises estimates and assessments of individual receivables that are based on the creditworthiness of the respective customer and the analysis of historical defaults. To the extent that the company derives impairment from historic default rates, a downturn in the volume of receivables reduces these precautions accordingly and vice-versa. As of December 31, 2009 and 2008, the impairment for trade receivables totalled EUR 3.6 million or EUR 2.1 million.

Deferred tax
As defined by IAS 12, deferred tax assets are to be created for all unused tax losses carried forward in as far as it is probable that adequate taxable income will be generated in the future so that the tax losses carried forward can be used. When identifying the amount of the deferred tax assets that can be capitalised, the management must exercise discretion with regard to the anticipated date of occurrence and the amount of the future taxable income and also the future tax planning strategies.

The Group has tax losses carried forward in the amount of EUR 16.1 million (2008: EUR 14.8 million). These are mostly at zooplus AG, which recorded positive earnings in 2008 and 2007. zooplus AG's loss in 2009 is due to extraordinary one-off factors. As a result of the positive corporate forecast and the existing opportunities to carry forward losses, the Management Board believes that, despite the loss in 2009, it will be possible to use these losses carried forward in full. If actual events differ from the Management Board's expectations, this could have a negative impact on the financial position and results of operations. Further details on deferred taxes can be found in Note 10.

6. Segment reporting

As defined by IRFS 8 , a segment is a clearly outlined part of the Group that:

- engages in business activities from which it may earn sales and incur expenses
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available.

zooplus AG only sells and distributes 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 a single central location, independent of the geographic location of its customers. A second international distribution centre was only opened in the fourth quarter of 2009. This is operated by an external service provider. Hence there are no geographical segments. Consequently the company does not provide or produce any segment-oriented reports.

The breakdown of the sales by country is discussed in Note 22. The Group's main non-current assets are all held by zooplus AG in Germany.

7. Property, plant and equipment

in EUR	2009	2008
Acquisition costs as of January 1	**1,305,793.95**	**1,257,345.10**
Additions	423,671.83	411,882.64
Disposals	-10,472.18	-363,433.79
Acquisition costs as of December 31	**1,718,993.60**	**1,305,793.95**
Accumulated depreciation as of January 1	**687,817.90**	**761,620.72**
Depreciation for the financial year	325,626.99	232,004.92
Disposals	-10,077.05	-305,807.74
Accumulated depreciation as of December 31	**1,003,367.84**	**687,817.90**
Carrying amount	715,625.76	617,976.05

Property, plant and equipment consist exclusively of fixtures, fittings and equipment at the company's premises.

There are no finance leases.

There were no signs of impairment on the reporting date.

8. Intangible assets

in EUR	2009	2008
Acquisition costs as of January 1	**687,495.77**	**639,125.83**
Additions	367,649.97	0.00
Additions	59,567.14	166,657.15
Disposals	-89,783.71	-118,287.21
Acquisition costs as of December 31	**1,024,929.17**	**687,495.77**
Accumulated amortisation as of January 1	**306,785.06**	**198,595.28**
Amortisation for the financial year	52,243.02	0.00
Other amortisations	171,484.63	148,542.33
Disposals	-20,949.60	-40,352.55
Accumulated amortisation as of December 31	**509,563.11**	**306,785.06**
Carrying amount	515,366.06	380,710.71

Intangible assets solely comprise concessions, industrial property rights and similar rights and licences to such rights of which the remaining useful life is between one and three years. During the fiscal year, internally-generated software was capitalised for the first time in the amount of EUR 368 thousand. The internally-generated assets had a carrying amount of EUR 316 thousand on the balance sheet date. No other development costs were incurred.

There were no signs of impairment on the reporting date.

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

9. Other financial assets

in EUR	2009	2008
Participating interests	3,699.12	0.00
Loans	250,000.00	0.00
	253,699.12	**0.00**

The participating interests relate to the 49 % interest in Logistic Services Center s.r.o. which is headquartered in the Czech Republic. In addition, Logistic Services Center s.r.o. was granted a loan of EUR 250 thousand. This is categorised as a receivable and carried at amortised cost.

10. Taxes on income

The significant components of the income tax expense for the financial years 2009 and 2008 are as follows:

in EUR	2009	2008
Actual taxes on income		
Current taxes on income	-68,571.07	150,805.11
Deferred tax		
on temporary differences	109,618.08	-415,856.23
on losses carried forward	-468,366.25	-4,845,784.04
	-427,319.23	**-5,110,835.16**

As a result of a tax loss carried forward, there was non-period tax income during the fiscal year of EUR 71 thousand.

In order to identify the current taxes in Germany, a uniform corporation tax rate of 15 % (previous year 15 %) is applied, with a solidarity surcharge of 5.5 % on this amount for the distributed and retained profits. In addition to corporation tax, trade tax was charged in Germany for the profits generated in Germany. Taking into account the possibility of deducting the trade tax as an operating expense from fiscal year 2008, there is an average trade tax rate of 17.15 %. This results in a total tax rate in Germany of 32.98 %.

When calculating the deferred tax assets and liabilities, the tax rates are used that apply on the date the asset is realised or the liability is fulfilled. Deferred tax assets and liabilities are valued using the total tax rate of 32.98 %.

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 2009 and 2008 is as follows:

in EUR thousand	2009	2008
Pre-tax profit	-1,500	645
Taxes on income at the tax rate in Germany of 32.98 %	-495	192
Impact of non-deductible expenses from share options	16	26
Impact of basis of calculation for trade tax	23	0
Impact of other non-deductible operating expenses	29	9
Impact of effect from change in tax rate (deferred taxes)	0	23
Impact of subsequent capitalisation previously non-capitalised losses carried forward	0	-5,361
Taxes on income in the consolidated income statement	-427	-5,111

Deferred tax on the reporting date had the following structure:

in EUR	2009	2008
Deferred tax as assets		
Intangible assets	3,150.45	3,919.92
Inventories	46,853.10	51,696.27
Losses carried forward	5,338,321.18	4,869,954.93
	5,388,324.73	**4,925,571.12**
Deferred tax liabilities		
Internally generated intangible assets	104,005.44	0.00

The tax losses carried forwards totalled EUR 16,086 thousand on December 31, 2009 (previous year: EUR 14,846 thousand). The company believes that, as a result of its future business activities, it will be able to generate sufficient positive taxable income to realise its deferred tax assets.

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

11. Inventories

This balance sheet item is structured as follows:

in EUR	2009	2008
Raw materials, consumables and supplies	152,500.00	57,600.00
Merchandise	12,380,820.65	8,988,652.31
	12,533,320.65	**9,046,252.31**

Raw materials, consumables and supplies consist in general of packaging for the mail order trade.

At the reporting date there were no reasons for performing impairment that would have had to be considered by creating an allowance.

12. Advance payments

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

13. Trade receivables

All trade receivables 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 upon the rights to dispose over them.

The structure of overdue trade receivables as of December 31 is as follows:

in EUR thousand	Total after impairment	Impair-ment	Total before impairment	Not yet overdue	Overdue		
					< 30 days	30-90 days	> 90 days
2009	5,624	3,641	9,265	5,088	729	593	2,855
2008	4,163	2,065	6,228	2,567	899	405	2,357

As of December 31, 2009, receivables to a total of 3,641 thousand (previous year: EUR 2,065 thousand) were impaired.

This impairment is mainly in connection with receivables stemming from customers undergoing private insolvency or related moratoria. As an assessment of every single receivable would call for considerable effort with respect to time and organisation and, therefore, be impractical, the impairment was calculated on the basis of empirical evidence.

The impairment account changed as follows:

in EUR	2009	2008
Status January 1	2,065,400.00	1,205,900.00
Additions recognised in income	1,575,200.00	859,500.00
Status December 31	3,640,600.00	2,065,400.00

Amongst other operating expenses EUR 1,575 thousand (previous year: EUR 859 thousand) has been entered as an addition to impairment and EUR 314 thousand (previous year: EUR 268 thousand) as a depletion within receivables.

14. Other current assets

in EUR	2009	2008
VAT receivables	360,354.28	970,959.24
Creditors with net debit balance	2,171,405.57	1,326,399.70
Receivables from personnel	55,145.41	51,108.78
Others	403,941.82	223,254.82
	2,990,847.08	**2,571,722.54**

All other current assets have a term of up to one year.

15. Cash and cash equivalents

in EUR	2009	2008
Bank balances	1,543,478.82	463,214.52
Cash on hand	2,718.36	2,021.20
	1,546,197.18	**465,235.72**

Bank balances are subject bear variable interest for demand deposits.

The level of funds used to support the consolidated cash flow comprises the above-mentioned cash and cash equivalents net of current overdraft liabilities. Cash flows from operating activities were prepared according to the indirect method.

Lines of credit totalled EUR 6.0 million as of December 31, 2009 (previous year: EUR 3.0 million).

16. Equity

Subscribed capital

The subscribed capital corresponds to zooplus AG's equity and totals EUR 2,561,755.00 (previous year: EUR 2,406,020.00). It has been fully paid in comprises no-par bearer shares, each with a theoretical interest of EUR 1.00 in the share capital.

In fiscal year 2009, zooplus AG's subscribed capital increased as a result of the allocation of a total of 155,735 shares from the conditional capital 2004/I, 2007/I and 2007/II from EUR 2,406,020.00 by a total of EUR 155,735.00 to EUR 2,561,755.00.

Authorised capital
The Management Board is authorised, based upon the resolution of the annual general meeting of April 25, 2008, to increase the company's share capital with the consent of the Supervisory Board and no later than April 24, 2013 by up to EUR 1.193.075,00 either within one or several transactions and either against cash or non-cash and against shares with a nominal value of EUR 1,00 each (Authorised Capital 2008/I). The Management Board is entitled to finalise further details regarding the execution of capital increases from Authorised Capital 2008 in conjunction with the Supervisory Board.

Conditional capital
The company's share capital is conditionally increased by up to EUR 1,945.00 (conditional capital 2004/I). The conditional capital 2004/I currently backs rights for the subscription of up to 1,945 no-par value shares and serves to secure subscription rights from stock options for the Company's employees. The conditional capital increase is only to be executed to the extent that the holders of the subscription rights issued as a result of the authorisation resolution by the General Meeting on December 27, 2004 in the version dated March 23, 2006, November 30, 2008, April 27, 2007 and July 20, 2007 as part of the 2004 stock option program use their subscription rights for shares of the company and the Company does not grant own shares to fulfil the subscription rights.

The Company's share capital has been conditionally increased by a further EUR 11,655.00 (conditional capital 2007/I, and by EUR 30,535.00 (conditional capital 2007/II). Conditional capital 2007/I currently backs rights to the subscription of up to 11,655 no-par value bearer shares, conditional capital 2007/II currently backs rights to the subscription of up to 30,535 no-par value shares.

Conditional capital 2007/I and 2007/II serves to secure subscription rights from stock options for the Company's employees and Management Board members. The conditional capital increase is only to be executed to the extent that the holders of the subscription rights issued as a result of the authorisation resolution by the General Meeting on April 27 in the version dated July 20, 2007 as part of the 2007/I or 2007/II stock option program use their subscription rights for shares of the company and the Company does not grant own shares to fulfil the subscription rights.

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

in EUR	2009	2008
Conditional Capital 2004/I or III	1,945.00	6,760.00
Conditional Capital 2007/I	11,665.00	16,790.00
Conditional capital 2007/II	30,535.00	176,330.00
	44,145.00	**199,880.00**

Share premium

As of December 31, 2009 the share premium totalled EUR 22,284,758.36. The increase in the share premium resulted from the accounting for expenses in connection with the employee stock option program (cf. further descriptions under section 16 of these notes) as well as the premium from the conditional capital increase performed during the financial year. On the reporting date these were structured as follows:

in EUR thousand	2009	2008
Share premiums paid during financing rounds	15,003	15,003
Converted shareholder loans	4,820	4,820
Premiums gained condition capital increase	1,697	16
Debentures/employee share options	765	717
	22,285	**20,556**

Profit/loss for the period and losses carried forward

in EUR	2009	2008
Losses carried forward - status 1.1.	-13,083,113.10	-18,838,800.92
Profit/loss for the period	-1,073,096.81	5,755,687.82
Losses carried fwd – status 31.12.	-14,156,209.91	-13,083,113.10

17. Share-based payments

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

in EUR	2009	2008
Expenses for executives	21,299.28	46,638.40
Expenses for employees	26,496.52	42,184.33
Total costs	**47,695.80**	**88,822.73**

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

On the basis of the resolution of the shareholder 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.

According to the share option program 2007/I the Management Board and Supervisory Board can authorise certain employees of zooplus AG to purchase a total up to 16,790 individual shares of the company. Each option authorises the bearer to subscribe for five bearer shares of zooplus AG, each share having a nominal value of EUR 1.00. The subscription price will be EUR 1.44 per share. The options can only be converted to equity instruments of the company. The option rights can be exercised two years after the options were issued at the earliest. After this period has elapsed, 50 % of the rights in one tranche can be exercised immediately 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. Subscription rights from the share options can only be exercised if zooplus AG records sales of at least EUR 20 million (excluding its subsidiaries) in any one quarter before December 31, 2009, with total sales of at least EUR 35 million in two consecutive quarters.

The fair value through profit or loss of the granted options was determined at the time they were granted by applying the Black-Scholes method. The current price of the underlying shares was computed using internal enterprise value calculations. This yielded an average share price at the time the options were issued of EUR 7.51. The following estimates were made: volatility of the shares on the basis of market data: 30 %, a risk-free interest rate of 4.5 %, expected term of the options: 3.5 years. When determining the fair value through profit or loss no further factors in connection with the issue of the options were taken into consideration.

Option plan for executives
On the basis of the resolution of the shareholder meeting dated April 27, 2007, on June 29, 2007 zooplus AG's Supervisory Board passed the regulations of the share option program 2007/II for granting share options to members of the Management Board with the right to subscribe for zooplus AG shares.

According to the share option program 2007/II members of zooplus AG's Management Board can exercise the option of subscribing for zooplus AG shares up to a total number of 176,330 shares. Each option entitles the bearer to subscribe for five bearer shares at a nominal value of EUR 1.00. The subscription price per share is EUR 12.50. The options can only be converted into equity instruments. The option rights can only be exercised two years after the options have been granted at the earliest. The options must be exercised seven years after their issue date at the latest. The options can only be exercised if zooplus AG without its subsidiaries records quarterly sales in any quarter before December 31, 2009 of at least EUR 20 million and records total sales of at least EUR 35 million during two consecutive quarters.

The fair value of the options granted was identified in line with the stock option program 2007/I.

The stock options changed as follows:

	2009	2008
Outstanding at the beginning of the reporting period	39,076	43,739
Lapsed in the reporting period	0	689
Exercised in the reporting period	31,147	3,974
Granted in the reporting period	0	0
Outstanding at the end of the reporting period	7,929	39,076

(In each case one option authorises the purchase of five shares)

The prices for exercising the options for the shares outstanding at December 31, 2009 are between EUR 1.44 and EUR 12.50. The weighted average share price on the date the options were granted was EUR 31.80 (previous year: EUR 29.50).

At the end of the period under review, 6,204 options (previous year: 1,060) could be exercised. The weighted average remaining contractual term for the stock options outstanding on December 31, 2009 was 0.54 years (previous year: 0.54 years).

18. Trade liabilities

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

19. Financial liabilities

in EUR	2009	2008
Current account liabilities	2,119,070.19	1,203,057.54
Short-term bank loans	4,000,000.00	0.00
	6,119,070.19	**1,203,057.54**

The current account liabilities bear variable interest. The short-term bank loans are a 3-month money-market loan with interest of Euribor plus 250 bp. The loans are collateralised according to standard banking practice using the transfer of inventories, global cessions for customer receivables, assignment of insurance claims for merchandise and pledging logos and registered images. In addition, there is a covenant which includes a minimum equity ratio of 25 %.

20. Other short-term liabilities

in EUR	2009	2008
Tax liabilities		
VAT	3,577,217.72	1,547,234.57
Salary and church taxes	85,520.85	47,019.25
	3,662,738.57	**1,594,253.82**
Other sundry liabilities		
Debtors with net credit balance	1,171,663.35	749,725.00
Annual leave	187,900.00	118,000.00
Costs of preparing the annual financial statements and audit costs	69,500.00	57,100.00
Bonus payments	213,200.00	590,350.00
Other liabilities	286,145.54	248,874.35
	1,928,408.89	**1,764,049.35**
	5,591,147.46	**3,358,303.17**

The other current liabilities have a term of up to one year and are non-interest bearing.

21. Provisions

Provisions consist exclusively of provisions for expected returns of goods from customers after the reporting date. The valuation was based on past empirical data. The provisions changed as follows:

in EUR	2009	2008
Balance on January, 1	65,900.00	43,400.00
Depletion	-65,900.00	-43,400.00
Additions	100,500.00	65,900.00
Balance on December, 31	100,500.00	65,900.00

22. Sales

in EUR	2009	2008
Germany	78,485,102.31	57,014,151.97
France	14,774,254.10	8,360,208.03
UK	7,027,272.65	6,228,871.53
The Netherlands	5,723,203.35	1,858,155.53
Other countries	17,255,017.38	6,874,928.68
	123,264,849.79	**80,336,315.74**

The Group's sales relate to the sale of pet products in Germany and other European countries. Sales from other European countries mainly include Italy, Spain, Austria and Poland. In addition, the company operates on a range of smaller markets in Europe.

23. Personnel expenses

in EUR	2009	2008
Wages and salaries	5,629,601.73	3,635,826.34
Social security deductions and expenses for pension provisions and other benefits	926,682.14	535,224.01
	6,556,283.87	**4,171,050.35**

We refer to Section 17 for the personnel expenses incurred as a result of share-based payments.

On average for the year, and not including the Management Board, there were 118 (previous year: 79) employees.

24. Other income and expenses

Other income

in EUR	2009	2008
Income from marketing services	5,253,649.22	3,881,249.51
Income from reminder charges	394,549.86	237,641.55
Income from catalogue advertising	24,700.00	43,200.00
Other various operating income	770,875.55	608,468.24
	6,443,774.63	**4,770,559.30**

Other expenses

in EUR	2009	2008
Logistics & Fulfilment	28,471,051.74	17,594,794.06
Advertising	8,170,296.93	5,277,523.63
Payment transaction costs	1,279,409.03	812,284.99
Other various operating expenses	6,599,747.15	4,221,347.13
	44,520,504.85	**27,905,949.81**

Losses from currency conversion totalling EUR 165 thousand (previous year : EUR 201 thousand) were recognised in income.

In addition to the expenses totalling EUR 44,520,505.85, extraordinary expenses of EUR 430,607.41 were incurred in the year under review for the successful listing on the Regulated Market. In addition, the opening of the second international logistics centre in The Netherlands in the second half of 2009 led to one-off migration, testing and phase-in expenses of EUR 1,742,165.69.

In connection with zooplus AG's planned IPO, in previous years expenses were incurred, which were due directly to the procurement of equity. As a result of the delay in the IPO, these expenses were deferred and were to be offset against equity after the IPO. There was no capital increase as part of listing in 2008, with the result that the deferred IPO costs were recognised in income.

Financial income / Financial expenses

in EUR	2009	2008
Interest income and similar income	163.54	20,549.07
Interest payments for current liabilities	-198,850.93	-80,044.28
	-198,687.39	**59,495.21**

25. Consolidated earnings per share

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

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

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

in EUR	2009	2008
Consolidated profit/loss	-1,073,096.81	5,755,687.82
Weighted ave. no. of ordinary shares in circulation	2,419,739	2,391,485
Dilution effect		
Share options	n/a*	118,583
Weighted ave. no. of ordinary shares in circulation corrected for the dilution effect	n/a*	2,510,068
Basic consolidated earnings per share (EUR/share)	**-0.44**	**2.41**
Diluted consolidated earnings per share (EUR/share)	**-0.44**	**2.29**

**no dilution due to loss situation*

During the period between the reporting date and the date the annual financial statements were prepared there were no transactions concerning original shares or potential original shares.

26. Other financial obligations and unquantifiables affecting company profit/loss

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

in EUR thousand	
Up to one year	9,232
Longer than one year and up to five years	36,009
Longer than five years	24,159

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

The annual rental costs for zooplus AG's business premises were around EUR 601 thousand in 2009 (previous year: EUR 284 thousand).In addition, there are variable obligations for usage fees for logistics services.

Furthermore there is a possible obligation from the agreement on the participating interest in Logistics Services Center s.r.o. for a put option to acquire the remaining equity interest of 21 %.

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

27. Related party disclosures

There were no notable relationships with related parties during the year under review. The expenses from stock options for members of the Management Board are detailed in Section 17. Members of the Supervisory Board do not hold any shares of the company.

28. Financial risk management: Aims and methods

The most significant financial liabilities used by the Group are overdrafts, current money-market loans, shareholder loans, trade liabilities and other liabilities. The main purpose of these financial instruments is to constantly cover the need for financing and to ensure financial flexibility. The Group has at its disposal trade receivables and other receivables and cash and cash equivalents that result directly from its business activities. There are no derivative financial instruments. The most significant risks arising from these financial instruments for the Group are credit and liquidity risks. There are no material concentrations of credit risk. The Group also operates on foreign currency markets, which could result in exchange rate risks. The Group currently only uses current loans. There are interest rate risks if the current level of interest rates increases. No hedges have been put in place for the interest rate risk, as the impact is believed to be minor.

Controlling those risks is the duty of the Group's management.

Credit risk
Credit risk is defined as the risk that a business customer will not be able to fulfil its obligations which in turn will lead to a financial loss for the Group. The extent of the credit risk of zooplus AG is equal to the total of trade receivables as well as other receivables. There are no 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 when the debt collection agency has not been able to collect the debt, or a customer has applied for individual insolvency, or as a result of the statute of limitations.

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

Liquidity risk
The risk of a liquidity bottleneck is monitored continually by the Group taking account of the terms of the financial liabilities and receivables as well as the expected cash flow. The Group aims to preserve a balance between constantly covering its liquidity requirements and ensuring flexibility through the use of overdrafts, loans, as well as finance leases.

Equity and capital management
Primary aim of the Group's equity and capital management is to retain its high credit rating on the basis of a sound overall equity ratio. The Group actively controls its capital structure and will undertake the relevant adjustments if deemed necessary, taking the change in the underlying economic conditions into account. The Group's capital is monitored by controlling the equity ratio, which should total at least 15 % or 25 %. In 2009 the Group's equity ratio totalled 36 % compared to 43 % in the previous year.

Fair value of 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 market values of the cash and cash equivalents, trade receivables, current assets, trade payables and other current payables as of December 31, 2009 and 2008 correspond to the carrying amounts. This is due, in particular to these instruments' short-terms.

The Group's financial liabilities on December 31, 2009 and 2008 have remaining terms of less than one year. They are repaid from the cash flow from operating activities or bank overdrafts.

29. Events after the reporting date

We are not aware of any significant events after the reporting date.

30. Executive bodies

Members of the Management Board:

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

The directors' emoluments in 2009 including all perquisites are all short-term and amounted to EUR 1,286 thousand (previous year: EUR 939 thousand). An advance payment of EUR 540 thousand was paid for the bonuses for 2009. In addition, zooplus AG granted the members of its Management Board a permanent advance payment (EUR 41 thousand) to cover their expenses.

Members of the Supervisory Board:

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

In 2009, the Supervisory Board received remuneration of EUR 15 thousand (previous year: EUR 10 thousand).

31. Auditors' fees

The auditors' fees for 2009 amounted to EUR 66 thousand (2008: EUR 48 thousand) on top of additional accountancy and auditing services totalling another EUR 61 thousand (2008: EUR 8 thousand).

32. Declaration with respect to Corporate Governance

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

Munich, March 25, 2010

zooplus AG
Management Board

Dr. Cornelius Patt   Andrea Skersies   Guido Bienhaus   Florian Seubert

DECLARATION OF THE LEGAL REPRESENTATIVES

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

Munich, March 25, 2010

Dr. Cornelius Patt   Andrea Skersies   Guido Bienhaus   Florian Seubert

AUDITORS REPORT ISSUED AND ADDRESSED TO ZOOPLUS AG

We have audited the annual consolidated financial statements as of Dec. 31, 2009 prepared by zooplus AG, comprising the consolidated balance sheet, the consolidated income statement, the consolidated changes in equity, the cash flow statement, the notes to the financial statements as well as the management report for the financial year 1 January to 31 December 2009. The preparation of the annual financial statements in accordance with IFRS as applied within the EU, as well as the rules and regulations applicable under § 315 Paragraph 1 HGB and the article of incorporation, and the management report is the responsibility of the company's management.

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

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

Our audit has not led to any reservations.

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

Nuremberg, March 24, 2010

Schaffer WP Partner GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Horst Schaffer
Wirtschaftsprüfer

IMPRESSUM

Publisher
zooplus AG
Sonnenstrasse 15
80331 Munich
Germany

Tel: +49 (0) 89 95 006 - 100
Fax: +49 (0) 89 95 006 - 500

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

Investor Relations
cometis AG
Unter den Eichen 7
65195 Wiesbaden
Germany

Tel: +49 611 20 58 55 - 0
Fax: +49 611 20 58 55 - 66

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

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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 35 to 37. We do not assume any obligation to update the forward-looking statements contained in this report.

zooplus AG
Sonnenstraße 15
80331 Munich
Germany