

zooplus



Annual report

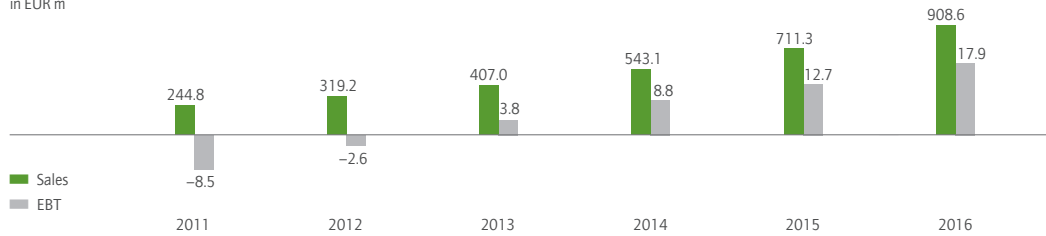
2016



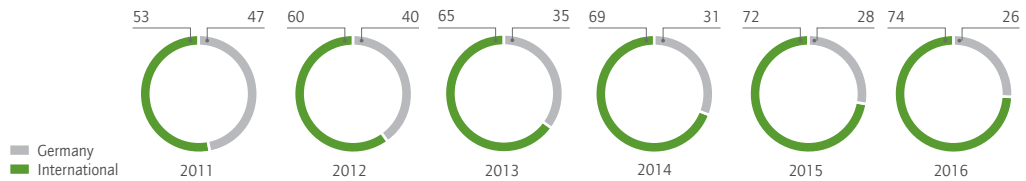
Key figures

Sales and EBT 2011-2016

in EUR m

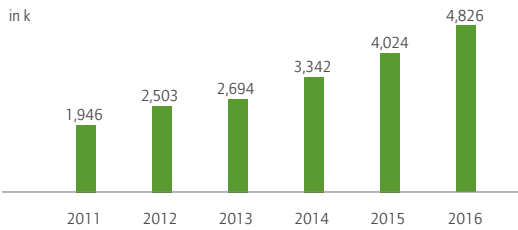


Sales by region in %



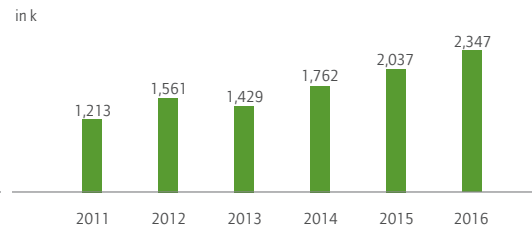
Active customers⁽¹⁾

in k



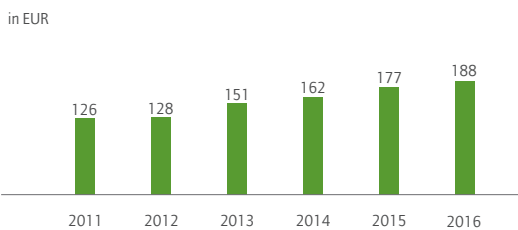
New customers

in k



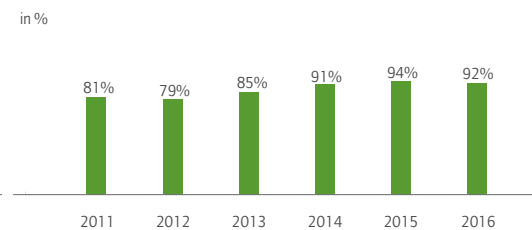
Sales per customer⁽²⁾

in EUR



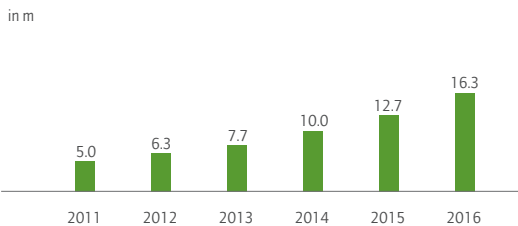
Sales retention rate⁽³⁾

in %



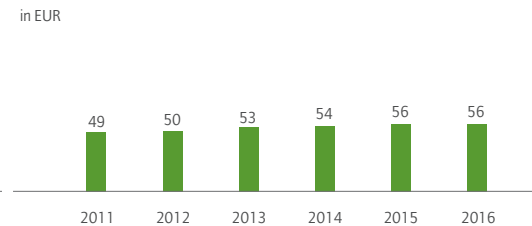
Number of orders

in m



Average shopping basket⁽²⁾

in EUR



⁽¹⁾ incl. new customers / one-time purchase

⁽²⁾ net

⁽³⁾ sales retention rate

Multi-year performance

		2011	2012	2013	2014	2015	2016
Sales	in EUR m	244.8	319.2	407.0	543.1	711.3	908.6
Other income	in EUR m	12.3	16.3	19.9	27.8	31.3	43.4
Cost of materials	in EUR m	-157.0	-214.2	-279.8	-393.0	-518.2	-681.6
Gross margin	in %	35.8	32.9	31.3	27.6	27.1	25.0
EBITDA	in EUR m	-6.8	-1.8	4.9	9.9	15.4	19.7
EBT	in EUR m	-8.5	-2.6	3.8	8.8	12.7	17.9
EPS - Earnings per share ⁽¹⁾	in EUR	-1.07	-0.35	0.29	0.83	1.13	1.63
Employees	number	191	217	253	267	313	386
Total assets	in EUR m	75.1	65.4	83.7	138.6	165.3	207.6
Inventories	in EUR m	25.5	32.3	43.7	65.0	74.5	78.8
Equity	in EUR m	35.5	33.9	36.7	86.2	93.2	107.9
Equity ratio	in %	47.3	51.9	43.9	62.2	56.4	52.0

⁽¹⁾ Basic EPS

Statement of income Q1-Q4 / 2016

		Q1 / 2016	Q2 / 2016	Q3 / 2016	Q4 / 2016
Sales	in Mio. EUR	207.8	220.6	226.9	253.3
Cost of materials	in Mio. EUR	-154.7	-167.1	-168.6	-191.3
Gross margin	in %	25.6	24.3	25.7	24.5
EBITDA	in EUR m	3.2	2.5	6.2	7.7
EBT	in EUR m	2.9	2.2	5.9	6.8

Highlights 2016

Sales increase by 28% to EUR 909 m

Market leadership in online retailing increases further;
Sales retention rate remains at a very high level of 92%

Further improvements in cost efficiency

Total cost ratio (all costs excl. cost of materials / sales) falls to 27.8%

Continued expansion of the logistics infrastructure

New fulfillment center in Antwerp focused on fast moving products and container goods successfully integrated into the zooplus logistics network in December 2016

Earnings before taxes (EBT) of EUR 17.9 m

Earnings around EUR 5.2 m higher than in previous year

Positive free cash flow reaches EUR 8.9 m

Strong growth fully financed through free cash flow due to higher earnings and improved working capital



Company profile zooplus AG

zooplus AG, founded in 1999, has been operating for more than 17 years and is today's leading online retailer in Europe for pet supplies. zooplus already ranks as the third largest retailer in terms of sales in the overall European market, which includes both bricks-and-mortar and online sales of pet supplies. The company sells around 8,000 products for the most popular types of pets. The product range includes pet food (dry and wet food and food supplements) and accessories, such as scratching posts, dog beds and baskets and toys in all price categories. zooplus customers not only enjoy an extensive product range and fast and free delivery but also benefit from a variety of interactive content and community offers. zooplus AG has already successfully launched its business model in 30 European countries. This makes zooplus AG the only genuinely pan-European online retailer for pet supplies. Since its initial public offering in 2008, the company's sales have risen from EUR 80 m to a total of EUR 909 m in the 2016 financial year.

Pet supplies are a major market segment in the European retail landscape. In 2016, gross sales of pet supplies and accessories in Europe amounted to around EUR 26 bn. Because of the higher population and progressive humanization of pets in a majority of countries, the growth of the overall market is expected to continue in the years ahead. Additionally, Europe is expected to continue to see considerable growth in the area of online retailing. zooplus AG expects these trends to continue to propel the company's strong sales momentum. The company expects to generate sales of at least EUR 1.125 m in the year 2017.

zooplus at a glance



Customer

- Present in 30 European countries
- Compelling USPs for customers include attractive pricing, broad selection and high-quality delivery
- A specialist for pet food and accessories



Company

- European-wide online market leader with a definite edge over the competition
- Excellent international logistics network for fast delivery throughout Europe
- Highly efficient and scalable cost structures
- Sales of at least EUR 1,125 m expected by the end of 2017



Market

- Gross volume of European pet supply market currently at a solid EUR 26 bn
- Growing, stable overall market
- Robust growth in online retailing in the pet supply sector

Table of contents

To the shareholders	4	Consolidated financial statement	78
Letter from the Management Board	6	Consolidated balance sheet	80
Report of the Supervisory Board	8	Consolidated statement of comprehensive income	82
Corporate Governance Report	13	Consolidated statement of cash flows	83
Group business model	24	Consolidated statement of changes in equity	85
The zooplus AG share	36		
Group management report	44	Notes	86
Business report	46	Notes to the consolidated financial statements	88
Report on events after the balance sheet date	60	Declaration of the legal representatives	138
Report on outlook, risks, and opportunities	60	Auditors' opinion	139
Key features of the internal control system and risk management system	67	Imprint	140
Remuneration report	69		
Takeover-related information	70		
Statement on corporate governance	76		
General statement	76		



Letter from the Management Board	6
Report of the Supervisory Board	8
Corporate Governance Report	13
Group business model	24
The zooplus AG share	36

To the shareholders

Letter from the Management Board



Dear Ladies and Gentlemen, Dear Shareholders,

The Management Board of zooplus AG is pleased to report another successful financial year. In the 2016 financial year, the company continued to expand its market position and benefit from the growing importance of online retailing in the field of pet supplies. Last year, over 4.8 m customers enjoyed the convenience and advantages of buying pet products online at zooplus.

In the ever-growing market for pet supplies, zooplus increased sales by 28 % in 2016 to EUR 909 m., which is equivalent to an absolute increase of EUR 197 m. The growth trend this past year was affected by the development in the UK market where the depreciation of the British pound led to a significant reduction in growth. On a currency-adjusted basis, zooplus's total growth was even as high as 30 %, making 2016 another year of above-average growth. In the fourth quarter of 2016, sales of over EUR 250 m were recorded for the first time in a single quarter, marking another record of impressive growth. At the same time, earnings before taxes (EBT) increased to EUR 17.9 m, representing an increase of EUR 5.2 m versus the previous year.

The following milestones were achieved in the 2016 financial year:

- A rise in sales of 28 % from EUR 711 m to EUR 909 m
- Very high continued customer loyalty
- Increased growth in new customer business
- A reduction in the total cost ratio to 27.8 %, thanks to added efficiency gains and economies of scale
- The opening of the fifth large-scale logistics center in Antwerp, Belgium, in the fourth quarter of 2016
- Positive earnings before taxes (EBT) of EUR 17.9 m
- The achievement of positive free cash flow of EUR 8.9 m

The year 2016 clearly demonstrated once again that the zooplus strategy, which focuses on sustainable growth and significant sales increases, is the right strategy to achieve the company's goals. The rapid growth of zooplus in 2016, allowed it to continue to reinforce its position in the overall market for pet supplies. We believe we are the clear market leader in the online retailing segment with a ubiquitous presence across 30 markets in Europe. zooplus has also been able to significantly close the gap versus the two bricks-and-mortar market leaders in the overall European market for bricks-and-mortar and online retailing. While our share of the overall market is still small, we already rank in third place. Our rapid growth forms the underlying basis for significant advances in operating efficiency and substantial economies of scale across all key cost categories.

We are pleased that despite ongoing fierce competition from both the online and bricks-and-mortar segments, we were still able to maintain a very high level of customer loyalty. We also acquired a record number of new customers.

Our focus in the year 2017 will be to continue to pursue our uninterrupted growth path. We plan to significantly exceed a level of one billion euro in sales for the first time. The following are the specific financial targets for the 2017 financial year:

- Sales of at least EUR 1,125 m
- EBT in the range of EUR 17 m to EUR 22 m

In 2017, we will also continue to align the organizational structure with the company's growing size. A particularly high priority is our ongoing investment in our employees to ensure that they receive the fullest support possible in achieving the company's planned growth and value added in all areas.

The major expansion of the IT development department, which began in 2015, was vigorously pursued in 2016. We have thereby laid the foundation for implementing new customer-oriented services at an even faster pace. With our now three proprietary locations for IT development, we have set up our development capacities over a much broader base. We also vastly expanded our logistics capacity in 2016 by opening a fifth location in Belgium and adding significant capacity to the existing logistics centers. We will also continue to expand our logistical base in 2017 to keep pace with our planned growth.

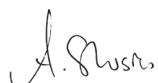
Through our zooplus and bitiba shops now in 30 countries across Europe, we offer more than 4.8 m active customers a superior, 24 / 7 shopping experience with added convenience and the best service possible in every respect. All of our activities are based on a distinct focus on the customer's needs and satisfaction – the success of which is reflected by our high degree of customer loyalty.

Our employees with their tremendous dedication, loyalty and performance are the most important guarantee of our success. We thank them all sincerely.


We would also like to thank our customers, suppliers and business partners for their support and their positive and successful cooperation during the 2016 reporting year. They are also the reason we continue to grow successfully. And finally, we would like to thank our shareholders in particular for their loyalty to the company. We appreciate their trust and will continue to work in every possible way to further the ongoing success of zooplus AG.



Dr. Cornelius Patt
(CEO)



Andrea Skersies



Andreas Grandinger

Report of the Supervisory Board

Dear Shareholders,

During the 2016 financial year, the Supervisory Board performed its duties in accordance with the law, Articles of Association and Rules of Procedure while continually monitoring and advising the Management Board in its management of the company and conducting the company's business.

Cooperation with the Management Board

Once again, the Supervisory Board can reflect on another year of very close and very effective cooperation with the Management Board. Based on the Management Board's regular, timely and extensive reporting, the Supervisory Board was able to deal in detail with the company's position and development. The Management Board informed the Supervisory Board fully, continuously and promptly by means of both written and oral reports about the current earnings development of the company and the business areas, including the risk situation, risk management and compliance. The Supervisory Board also received information on projects and transactions of particular importance or urgency outside of Supervisory Board meetings. The chairperson of the Supervisory Board maintained close contact with the Management Board, particularly with the CEO and kept itself up-to-date on the business outlook and material business transactions. The Supervisory Board was directly involved in all decisions of fundamental importance for the company and agreed in its resolutions with the proposals of the Management Board after conducting a detailed examination and discussion.

Focus of discussions

During its regularly scheduled meetings, the Supervisory Board addressed the company's operating and strategic development and kept informed of the company's business performance, financial development, and operating environment during the past financial year based on detailed written and oral reports received from the Management Board. At the Supervisory Board meetings, members discussed and made decisions on numerous issues and actions requiring approval.

During the 2016 financial year, the Supervisory Board met for five scheduled, personally attended meetings on January 22, 2016, March 17, 2016, May 31, 2016, September 15, 2016 and November 30, 2016. Several resolutions based on the written circulation of documents and via telephone were made during the financial year.

A key element of all Supervisory Board meetings was the Management Board's reports on the business situation, which included detailed information on the development of sales and earnings, the opportunities and risks of business development, the status of major ongoing and planned investment projects such as the expansion of logistics capacities, information on capital markets developments and significant measures taken by the Management Board to manage the business.

In January 2016, the Supervisory Board addressed not only general business developments but also the company's competitive environment, financial planning issues and the review of a new stock option program in addition to general personnel issues.

In its meeting on March 17, 2016, the Supervisory Board focused on the current financial year's business development and that of the 2015 financial year. The Supervisory Board reviewed the annual financial statements and management reports of zooplus AG and the Group as of December 31, 2015 presented by the Management Board. The Supervisory Board agreed with the auditor's results and approved the annual and consolidated financial statements; the annual financial statements 2015 were thus adopted. The meeting's agenda also included the expansion of the company's logistics capacity. The focal theme of the Supervisory Board was the area of "Purchasing."

In April 2016, the Supervisory Board set the agenda for the 2016 Ordinary Annual General Meeting.

Following the Ordinary Annual General Meeting of zooplus AG, the newly formed Supervisory Board assembled at its meeting on May 31, 2016 and dealt with appointments to its committees. Thereafter, the Supervisory Board and Management Board addressed strategic issues and several current operating issues.

In its meeting on September 15, 2016, the Supervisory Board resolved to extend the Management Board mandates of Dr. Patt, Mrs. Skersies and Mr. Grandinger and to conclude corresponding service agreements. Furthermore, the Supervisory Board resolved to create the Stock Option Program 2016 in accordance with the authorization issued by the Annual General Meeting of May 31, 2016. The Supervisory Board dealt in depth with the company's logistics processes.

In October 2016, the Supervisory Board addressed the judicial appointment of two further Supervisory Board members following the resignation of Dr. Treptow.

During the meeting on November 30, 2016, the Management Board reported on current business and market developments and presented the zooplus AG 2017 financial plan to the Supervisory Board. After a review and discussion, the Supervisory Board approved the plan. A further focus of the meeting was the company's strategic direction for the next several years. Also on the meeting's agenda was the compliance with the recommendations of the German Corporate Governance Code in its current version and submitting the updated Declaration of Conformity with the German Corporate Governance Code.

There were no conflicts of interest in the past financial year involving Management Board and Supervisory Board members that were to be immediately disclosed to the Supervisory Board and reported to the Annual General Meeting.

When members of the Supervisory Board were not able to participate in meetings of the Supervisory Board or its committees, these members were excused and submitted their votes usually in writing. No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

Composition of the Supervisory Board and Management Board

The members of the Supervisory Board until the Ordinary Annual General Meeting on May 31, 2016 included Mr. Michael Rohowski (Chairman), Dr. Rolf-Christian Wentz (Deputy Chairman), Mr. Moritz Greve, Dr. Norbert Stoeck, Mr. Thomas Schmitt and Mr. Stefan Winners.

At the 2016 Annual General Meeting, Mr. Christian Stahl (Chairman), Mr. Moritz Greve (Deputy Chairman), Mr. Henrik Persson, Dr. Norbert Stoeck and Dr. Felix Treptow were elected to the Supervisory Board. With effect on November 30, 2016, Dr. Felix Treptow resigned from his mandate at his own request. With effect on December 1, 2016, Mr. Karl-Heinz Holland and Mr. Ulric Jerome were judicially appointed as members of the Supervisory Board of zooplus AG until the end of the upcoming Annual General Meeting.

The Management Board consists of three members: Dr. Cornelius Patt (CEO), Mrs. Andrea Skersies and Mr. Andreas Grandinger.

Supervisory Board committees

To efficiently prepare selected topics, the Supervisory Board has formed three committees from among its members: an Audit Committee, a Personnel Committee and a Nomination Committee.

In the reporting year until the Annual General Meeting, the Audit Committee consisted of Dr. Wentz, Mr. Rohowski and Mr. Greve. Dr. Wentz, as acting chairman of the Audit Committee until the end of May 2016, fulfilled the legal prerequisites for independence and expertise in accounting and auditing. Dr. Stoeck (Chairman of the Audit Committee), Mr. Greve, Dr. Treptow (until November 30, 2016) and Mr. Holland (from December 1, 2016) have been members of the Audit Committee since the Annual General Meeting. Dr. Stoeck has special knowledge and experience in the application of accounting principles and internal controlling methods and fulfills the prerequisite for independence.

The Audit Committee held four face-to-face meetings during the year under review. The Audit Committee dealt extensively with the separate financial statements and consolidated financial statements of zooplus AG for the 2015 financial year. In the following meetings, the Audit Committee dealt in depth with the company's accounting processes; the effectiveness of the internal, Group-wide control and risk management system and its further development and IT security. Other important topics were the regulatory requirements for zooplus AG and the impact of the global financial markets. At the Supervisory Board meetings, the chairperson of the Audit Committee provided a complete report to the Supervisory Board on the committee meetings' content and results following the respective committee meeting.

The Personnel Committee, which was set up for the first time after the 2016 Annual General Meeting, includes Mr. Stahl, Mr. Greve and Dr. Stoeck (until November 30, 2016) and Mr. Jerome (from December 1, 2016). The Personnel Committee prepared the personnel decisions of the Supervisory Board plenum that on September 15, 2016 decided the reappointment of the members of the Management Board. The resolution on the extension of the appointment of the members of the Management Board, the total remuneration of the individual members of the Management Board, the individual remuneration components and the regular review of the remuneration system was the responsibility of the Supervisory Board plenum, which received recommendations from the Personnel Committee.

Until the 2016 Annual General Meeting, the Nomination Committee consisted of Mr. Greve, Mr. Schmitt and the Chairman of the Supervisory Board, Mr. Rohowski, who simultaneously also served as the Chairman of the Nomination Committee. After the 2016 Annual General Meeting, Mr. Greve, Mr. Persson and Mr. Stahl were appointed to the Nomination Committee. The task of the Nomination Committee was initially to propose suitable candidates to the Supervisory Board for its nominations to the Annual General Meeting to elect Supervisory Board members. In view of the vacancy of the sixth member of the Board after the Annual General Meeting, the Nomination Committee supported the Supervisory Board in its search for suitable candidates. The Nomination Committee will also propose suitable candidates to the Supervisory Board for nomination to the Annual General Meeting.

Corporate Governance

The Supervisory Board and Management Board are aware that good corporate governance is the basis for the company's success and is therefore in the best interest of the zooplus AG shareholders and the capital market.

The Supervisory Board and the Management Board jointly issued the Declaration of Conformity pursuant to Section 161 AktG with regard to the recommendations of the Government Commission on the German Corporate Governance Code, which was made permanently accessible on zooplus AG's website (<http://investors.zooplus.com/en/corporate-governance/corporate-governance-statement.html>). A separate section on the implementation of the Corporate Governance Code is provided as part of this annual report.

Annual and consolidated financial statements as of December 31, 2016

During the Supervisory Board's meeting discussing the financial statements on March 16, 2017, in consideration of the Audit Committees report, the Supervisory Board dealt in depth with the documents for the annual financial statements, the auditor's report, 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, 2016, the company's management report and group management report for the 2016 financial year and the proposal of the Management Board on the appropriation of retained profits. The auditor's report, the financial statements prepared by the Management Board, and the report on the situation of zooplus AG and the Group were presented to the Audit Committee and the Supervisory Board on time giving them sufficient opportunity for the documents' review.

The Munich branch office of the auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main audited the financial statements prior to the Supervisory Board's review. There are no concerns as to the auditor's independence. In the auditor's opinion, the separate and consolidated financial statements are in compliance with the respective accounting standards and give a true and fair view of the company's and Group's net assets, financial position, results of operations and cash flows. In each case, the auditor issued an unqualified opinion. In addition, in its assessment of the risk management system, the auditor stated that the Management Board has taken the steps required in accordance with Section 91 (2) AktG to ensure the early detection of any risks that could jeopardize the company's existence.

The auditor's representatives were present during the Audit Committee's and Supervisory Board's discussions about the separate and consolidated financial statements, reported on the audit's key findings and were available to furnish the Supervisory Board with additional information.

The Audit Committee recommended to the Supervisory Board to approve the financial statements prepared by the Management Board. Upon a thorough examination of the financial statements and the management report, the Supervisory Board concurred with the auditor's report. No objections were raised. The Supervisory Board approved the annual and consolidated financial statements at its meeting on March 16, 2017; the annual financial statements of zooplus AG are thus adopted. The Supervisory Board also approved the management report, the group management report and the assessment of the company's future development. The Supervisory Board agreed with the Management Board's proposal on the appropriation of retained profits after the matter was discussed in the Audit Committee and following the Supervisory Board's own review.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and the employees of the zooplus Group for their tremendous personal commitment, which greatly contributed to another successful financial year for zooplus.

Munich, March 2017

On behalf of the Supervisory Board



Christian Stahl
Chairman of the Supervisory Board

Corporate Governance Report

In accordance with the provisions of the German Corporate Governance Code, the Management Board and Supervisory Board report annually on the company's corporate governance. The Statement on Corporate Governance pursuant to Section 289a HGB can be found under the Investor Relations section on the company's website at <http://investors.zooplus.com/en> (see also the management report on page 76).

Declaration of Conformity by the Management and Supervisory Boards of zooplus AG with the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 AktG

1. The Management and Supervisory Boards of zooplus AG declare that they have complied with the recommendations of the Government Commission German Corporate Governance Code (in the version dated May 5, 2015) announced by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette since the last Declaration of Conformity on December 1, 2015, with the following exceptions:

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

Item 4.2.3(2) sentence 8: A retroactive adjustment of the comparison parameters is possible in the structure of the variable remuneration components under precisely defined conditions. The members of the company's Management Board are granted a long-term incentive program in the form of a share price-based performance share plan in annual tranches. With every tranche, the members of the Management Board of the company will be allocated a number of virtual shares in the company depending on EBT target achievement. These shares are subject to a waiting period of three years and may lead to a cash payout to members of the company's Management Board members after the waiting period expires. The program provides the option to adjust the EBT target figure of the respective current financial year and future financial years if considerable changes are to be expected due to transactions and the company and the entitled parties agree to such adjustments in writing during the financial year in question, or before the start of the financial year. A change is considered considerable if the EBT target figure changes by more than 5% compared to the EBT target figure for the financial year in question due to a transaction (purchase of companies or interests). An entitlement to an adjustment is excluded. The regulation serves to ensure the fair calculation of the EBT target figure for both sides given the case that companies or interests are acquired.

Item 4.2.3 (4) sentence 3: In the case of the premature termination of a contract of a Management Board position, the calculation of the severance payment cap is not based on the total compensation of the previous year or, if applicable, the expected total compensation of the current financial year. Management Board contracts contain a limit to the severance payment cap of two years' fixed remuneration in the case contracts are prematurely terminated. A prior agreement that calculates the severance payment cap on the basis of the total compensation for the past financial year and, if appropriate, also the expected total compensation for the current financial year, may be insufficient to take into account the specific circumstances which may later lead to a premature termination of a Management Board contract or the other circumstances of the specific case at the time of the termination.

Item 4.2.5: The company does not state individualized information on the remuneration of specific members of the Management Board as a result of the resolution by the Annual General Meeting on May 22, 2012, according to which disclosures pursuant to Section 285 no. 9 a) p. 5-8 HGB and Section 314 para. 1 no. 6a) p. 5-8 HGB are not provided.

Item 5.4.1 (2) sentence 1: The Supervisory Board has not set a standard limit for how long members can be on the Supervisory Board. The Supervisory Board believes that a standard regulatory limit does not take into account individual factors which justify a longer membership of individual members of the Supervisory Board. The Supervisory Board, therefore, would like to have the general option and flexibility to profit from the experience of longtime and experienced members of the Supervisory Board and to propose candidates to the Supervisory Board who have extensive experience with the company from their past activities on the Supervisory Board of zooplus AG and have proven themselves.

Item 5.4.3 sentence 3: Suggested candidates for the chairmanship of the Supervisory Board are not announced to shareholders as the selection of the chairperson of the Supervisory Board is an internal matter for the Supervisory Board and therefore its own responsibility. The Supervisory Board selects a chairperson and deputy chairperson from within its ranks by virtue of its own organizational provisions at the first meeting after its election by the General Meeting. A prior announcement of the candidates for the chairmanship of the Supervisory Board is therefore not appropriate in the view of the company within this context.

Item 5.4.6(1) sentence 2: The deputy chairperson of the Supervisory Board and the membership of committees are not taken into account in the remuneration structure of Supervisory Board members as the workload of the deputy chairperson and members of committees is not significantly different from that of the remaining Supervisory Board members.

Item 6.2: zooplus AG publishes the interests of Management Board and Supervisory Board members in zooplus AG in accordance with the legal requirements if the legal reporting levels pursuant to Section 21 of the German Securities Trading Act (WpHG) are reached, exceeded or fall below, as well as all "director's dealings" among this group of people in line with Section 15a of the German Securities Trading Act (WpHG) (as of July 3, 2016 "Managers' Transactions" under Art. 19 of the Market Abuse Regulation). The Management and Supervisory Boards believe that this information, which fulfills the legal obligations, is sufficient for investors and the general public.

Item 7.1.2 sentence 2: Neither the Supervisory Board or an examination committee discusses the semi-annual and quarterly reports with the Management Board before publication. A discussion could otherwise cause a time delay in the publication of capital market information.

Item 7.1.2 sentence 4: The interim reports are published two months after the end of the reporting period at the latest and therefore within the two-month period required by Frankfurt Stock Exchange's regulations for the publication of quarterly reports by issuers listed in the Prime Standard. zooplus AG believes that this deadline is sufficient to ensure proper accounting.

2. The recommendations of the Government Commission on the German Corporate Governance Code as amended May 5, 2015 are complied with barring the exceptions stated above in Section 1 and will be complied with in the future barring the exceptions stated below:

Item. 4.2.3(2). 2 sentence 4: The members of the Management Board participate in a stock option program of the company. Upon expiry of a specified waiting period and achievement of certain performance targets resolved by the Annual General Meeting, the stock options grant a right to receive shares of the company at a fixed price. The stock option program does not provide for an explicit regulation to take account of negative developments. Negative developments are taken into account indirectly by the fact that the exercise of the option rights can become economically unattractive on the basis of the stipulated reference price. Accordingly, the Management Board and Supervisory Board precautionary declare an exception.

Item. 4.2.3(2) sentence 8: The existing long-term incentive program in the form of a share price-oriented performance share plan was replaced by a stock option program. A subsequent amendment to the performance targets decided upon for the stock option plan is not possible without the involvement of the Annual General Meeting so that this recommendation will be met in the future.

Item. 4.2.3(4) sentence 3: The calculation of the severance payment cap, in the event of premature termination of the Management Board's activities, will not be based on the total remuneration of the expired and, if applicable, the expected total remuneration of the current financial year. In accordance with the provisions of the Management Board agreements, the calculation of the severance payment cap - in addition to the respective basic remuneration – also takes into account the fair value of the share options granted or, if applicable, to be granted to the respective member of the Management Board up to the termination date. The Management Board and the Supervisory Board consider this to be appropriate in order to take into account the specific circumstances leading to the premature termination of the Management Board's activities and the individual situation at the time of termination.

Munich, December 1, 2016

On behalf of the Supervisory Board



Christian Stahl
Chairman of the Supervisory Board

On behalf of the Management Board



Dr. Cornelius Patt
CEO

In accordance with Section 161 (2) AktG, the Declaration of Conformity is permanently available for shareholders and all other interested parties on the company's website at <http://investors.zooplus.com/en>.

Corporate Governance

Responsible, sustainable and value-oriented corporate governance is an overriding priority at zooplus. Good corporate governance is a central element of the company's corporate management and provides the foundation for leading and overseeing the Group, its organization, business principles and structures for direction and supervision.

The purpose of the German Corporate Governance Code is to create a transparent framework both for the company's management and control. zooplus considers good corporate governance to be an important tool for increasing the trust of shareholders, employees and customers. Therefore, the goal of zooplus AG's Management Board and Supervisory Board is to practice solid and responsible corporate management so as to create sustainable value.

Management and control structure

As a German stock corporation („Aktiengesellschaft“ or “AG”), the company is subject to German stock corporation Act and has a dual management and control structure, which is characterized by a strict separation between the Management Board as the management body and the Supervisory Board as the supervisory body.

Management Board

zooplus AG's Management Board manages the company under its own responsibility free from third-party interference in accordance with statutory provisions, the company's Articles of Association, Rules of Procedure, Schedule of Responsibilities and the resolutions of the Annual General Meeting. The Management Board develops the company's strategic plans, obtains the agreement of the Supervisory Board and subsequently ensures the plans' implementation.

The Management Board consists of three members: Dr. Cornelius Patt (CEO), Mrs. Andrea Skersies, and Mr. Andreas Grandinger.

The members of the Management Board have clear and separate duties. Management Board members are responsible for their own specific area as outlined in the Management Board's Schedule of Responsibilities and within the context of the Management Board's Rules of Procedure and resolutions. They should keep their fellow Management Board members continually informed of important issues in their respective areas. The CEO directs the overall management and guides the company's business strategy. In the company's interest, the members of the Management Board, as the governing body, are jointly responsible for the company's overall management.

Supervisory Board

The Supervisory Board oversees and advises the Management Board when conducting business. The Supervisory Board reviews the annual financial statements, management report, proposal for the appropriation of retained profits, consolidated financial statements and group management report. Taking the auditor's audit report into consideration, the Supervisory Board approves the zooplus AG annual financial statements and the consolidated financial statements. The Supervisory Board's duties also include appointing Management Board members as well as preparing and concluding employment contracts with Management Board members.

The Supervisory Board of zooplus AG consists of six members, all of whom are to be elected by the Annual General Meeting. The change to the composition of the Supervisory Board in the reporting year is as follows: Until the end of the Annual General Meeting on May 31, 2016, the Supervisory Board consisted of Mr. Michael Rohowski (Chairman), Dr. Rolf-Christian Wentz (Deputy Chairman), Mr. Moritz Greve, Mr. Thomas Schmitt, Dr. Norbert Stoeck and Mr. Stefan Winners. Their terms of office were identical and ended with the 2016 Annual General Meeting.

The 2016 Annual General Meeting first elected Mr. Christian Stahl (Chairman), Mr. Moritz Greve, Mr. Henrik Persson, Dr. Norbert Stoeck and Dr. Felix Treptow as members of the Supervisory Board of zooplus AG. The Supervisory Board took into account the set of targets for its composition mentioned below when making its election proposals to the Annual General Meeting. Effective November 30, 2016, Dr. Treptow resigned from his office at his own request. Mr. Karl-Heinz Holland and Mr. Ulric Jerome were judicially appointed to the Supervisory Board effective December 1, 2016 until the end of the 2017 Annual General Meeting.

The Supervisory Board and the Management Board discuss business development, planning, the company's strategy and its implementation at regular intervals. Within the scope of the company's strategic evaluation, risk management and reporting, the Management Board communicates with the entire Supervisory Board, not just its chairperson, to ensure that it can carry out its tasks as efficiently as possible.

The Supervisory Board has outlined its own Rules of Procedure. These define the Supervisory Board's tasks, obligations and internal organization and specify details regarding non-disclosure requirements, the handling of conflicts of interests, and the constitution and work of the committees.

In line with the recommendation in Item 5.6 of the Code, the Supervisory Board reviewed the efficiency of its activities in 2016 without the Management Board being present. The efficiency review focused in particular on procedures within the Supervisory Board and the flow of information between Supervisory Board members.

The members of the Supervisory Board do not have any board functions or advisory tasks at any of the company's key competitors, nor do they have any professional or personal connection with zooplus AG or its Management Board. The Supervisory Board does not consist of any former Management Board members.

The Supervisory Board of zooplus AG has formed an audit committee, a personnel committee and a nomination committee. The committees report on their activities regularly in detail to the Supervisory Board.

The main task of the Audit Committee is to assist the Supervisory Board in fulfilling its supervisory obligation with respect to the accuracy of the annual and consolidated financial statements, and the auditor's activities. It also monitors the effectiveness of the internal control system (ICS), internal auditing, organizational arrangements for compliance with legal provisions, and internal corporate guidelines (compliance), and the risk management system.

During the reporting year until the 2016 Annual General Meeting, the Audit Committee consisted of Dr. Wentz, Mr. Rohowski and Mr. Greve. The Chairman of the Audit Committee until that point, Dr. Wentz, fulfilled the legal prerequisites for independence and expertise in accounting and auditing. Since the 2016 Annual General Meeting, the Audit Committee has consisted of Dr. Stoeck (Chairman of the Audit Committee), Mr. Greve, Dr. Treptow (until November 30, 2016) and Mr. Holland (from December 1, 2016). Dr. Stoeck has special knowledge and experience in the application of accounting principles and internal controlling methods and fulfills the prerequisite for independence.

The Personnel Committee, which was set up for the first time in the reporting year after the 2016 Annual General Meeting, includes Mr. Stahl, Mr. Greve, Dr. Stoeck (until November 30, 2016) and Mr. Jerome (from December 1, 2016). The Personnel Committee prepares the personnel decisions of the Supervisory Board that decided the appointment and revocation of appointment of the members of the Management Board. The resolution on the extension of the appointment of the members of the Management Board, the total remuneration of the individual members of the Management Board, the individual remuneration components and the regular review of the remuneration system are the responsibility of the Supervisory Board, which receives recommendations from the Personnel Committee.

Until the 2016 Annual General Meeting, the Nomination Committee consisted of Mr. Moritz Greve, Mr. Thomas Schmitt and the Chairman of the Supervisory Board, Mr. Michael Rohowski, who was also the Chairman of the Committee. After the 2016 Annual General Meeting, Mr. Greve, Mr. Persson and Mr. Stahl were appointed to the Nomination Committee. The task of the Nomination Committee is to recommend suitable candidates to the Supervisory Board for its election proposal to the Annual General Meeting.

In doing so, special attention should be paid to the statutory requirements and the recommendations and suggestions of the German Corporate Governance Code. In consideration of Item 5.4.1 of the Code, the Supervisory Board has specified the following objectives for its composition:

- **Professional qualifications:** Among the prerequisites for a seat on the Supervisory Board are first and foremost a candidate's professional qualifications and personal abilities. When proposing candidates for Supervisory Board membership, the primary criteria is the candidate's ability to perform the duties of a Supervisory Board member at an internationally operating company and to safeguard the zooplus Group's public reputation based on the candidate's knowledge, skills and professional experience.
- **International representation:** In view of the company's international orientation, it is particularly important that the Supervisory Board has a sufficient number of members possessing extensive experience in international business.

- **Avoidance of potential conflicts of interest / Number of independent members:** The Supervisory Board should consist of an adequate number of independent members as defined by the German Corporate Governance Code. The Supervisory Board believes it is adequate when two members of the board are independent members. Material and lasting conflicts of interest, for example, from holding positions in executive bodies or taking consulting roles with key competitors to zooplus AG, should be avoided. Particularly in the case of candidate proposals to the Annual General Meeting, it should be ensured that the respective candidate does not have an active management or consultancy role or is a member of a supervisory body of competitors, suppliers, lenders or customers in order to preclude any conflicts of interest. Members of the Supervisory Board should have sufficient time available to carry out their duties, ensuring that they can perform these duties with the due care and regularity required.
- **Age limit:** The Supervisory Board has ruled that its members should generally be no older than 70 years of age.
- **Defined length of service:** The recommendation of the Corporate Governance Code to adopt a regular limit of length of service for membership in the Supervisory Board has been abandoned in order to retain the option to benefit from the expertise of long-term and experienced board members.
- **Diversity:** The Supervisory Board's aim when composing the Supervisory Board is to enable its members to optimally execute their monitoring and advisory functions supported by the diversity of its members. Diversity primarily refers to international background, upbringing, education and career path and not nationality or diversity in the context of gender or age. This means that the composition of the Supervisory Board should appropriately reflect the diversity of an open, innovative and internationally operating company such as zooplus AG. However, it also means that no one person should be ruled out or proposed as a candidate for the Supervisory Board solely due to the fulfillment or non-fulfillment of any of the characteristics mentioned. Women should be properly taken into consideration based on their qualifications and suitability. For this reason, the Supervisory Board strives to propose an appropriate share of women candidates for election, even though the Supervisory Board is aware that the targeted appropriate share of women on the Supervisory Board cannot be achieved immediately. Nonetheless, the Supervisory Board intends to include qualified women in its selection process and election proposals, starting with the examination of potential candidates for new appointments or as replacements for vacant Supervisory Board positions. A prerequisite for the proposed election of female Supervisory Board members should be their qualification and concrete suitability for the company. The Supervisory Board is striving to ensure that there is, at least, one female member of the Supervisory Board.

The aims relating to "professional qualifications," "internationality," "avoiding potential conflicts of interest," and the "age limit" have all been implemented. In the opinion of the Supervisory Board, three members of the Supervisory Board and, following the judicial appointment of two further members, a total of five members were independent as defined by the German Corporate Governance Code, thereby ensuring the independence of the Supervisory Board for the 2016 financial year. The goal of diversity will also be taken into account in the search for suitable Supervisory Board candidates. When including female candidates for election to the Supervisory Board, the candidate's abilities and qualifications will remain the key criteria for proposals. The Supervisory Board ensures that its proposals to the Annual General Meeting for candidates for the Supervisory Board have the adequate time necessary to serve on the Supervisory Board.

Information on targets for the representation of women on the Supervisory Board, Management Board and senior executive levels of zooplus AG

The "Law for Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors," which took effect on May 1, 2015, stipulates targets to be determined for the representation of women on the Supervisory Board, Management Board, Board of Directors and the next two management levels that are to be met by June 30, 2017.

Female representation on the Supervisory Board

For the zooplus AG Supervisory Board, the share of female representation in the form of a set target level to be achieved by the statutory deadline on June 30, 2017 has not been established. The Supervisory Board believes that despite its desire to have at least one woman on the Supervisory Board, the best candidate for the Supervisory Board must be determined based on a variety of criteria.

Female representation on the Management Board

The Management Board of zooplus AG currently consists of three members. One of these members is a woman. In September 2015, in accordance with Section 111 (5) AktG, the zooplus AG Supervisory Board decided that this ratio should be maintained as the target ratio until June 30, 2017. This target is currently being met.

Female representation in the first and second level of management

In September 2015, in accordance with Section 76 (4) AktG, the zooplus AG Management Board established a target level of female representation of 33 % each for the first and second management levels below the Management Board. This target is to be maintained until June 30, 2017. The two levels of management, as defined by Section 76 (4) AktG, were established based on the existing reporting lines below the Management Board at zooplus AG. Based on the existing levels of female representation of 35 % and 52 %, the above target level is being exceeded, and in one level significantly.

Cooperation between the Management Board and Supervisory Board

In-depth discussions between the Management Board and Supervisory Board provide the basis for responsible corporate management.

The Management Board informs the Supervisory Board in a periodic, timely and comprehensive manner of all relevant company issues relating to strategy, planning, business development, the risk situation, risk management and compliance. This includes information on any deviations in the company's business development versus previously formulated plans and targets and the reasons for these deviations. In a monthly meeting, the chairmen of the Management Board and Supervisory Board discuss important issues concerning business development and other current topics. Critically assessing the course of business is one of the Supervisory Board's main tasks.

The Management Board's concrete tasks and duties towards the Supervisory Board are set out in the Management Board's Rules of Procedure. The Rules of Procedure specify the Management Board's obligations with respect to informing and reporting to the Supervisory Board and the provision that the Supervisory Board must approve any transactions of fundamental importance to the business.

Avoiding of potential conflicts of interest

Under its Rules of Procedure, Management Board members are obliged to inform the Supervisory Board immediately of any conflict of interest and inform the other members of the Management Board of this conflict. Under the Supervisory Board's Rules of Procedure, Supervisory Board members must immediately disclose conflicts of interest to the Supervisory Board, particularly those that may result from a consulting role or a directorship with customers, suppliers, lenders or other business partners. Substantial and not merely temporary conflicts of interest of a member of the Supervisory Board shall result in the termination of the mandate. In the 2016 financial year just ended, there were no conflicts of interest with members of the Management Board or Supervisory Board in the carrying out of duties for zooplus AG.

Remuneration

The Supervisory Board is responsible for establishing the remuneration system's structure and the individual remuneration of members of the Management Board. The Supervisory Board regularly reviews the remuneration structure for its appropriateness. The company does not provide information on the remuneration of individual members of the Management Board as a result of the resolution of the Annual General Meeting on May 22, 2012 pursuant to Section 286 (5) sentence 1 HGB. The exemption from the obligation to disclose individualized information extends to and includes the 2016 financial year.

Until May 31, 2016, the members of the Supervisory Board received fixed annual remuneration of EUR 25,000.00 for each completed financial year in accordance with the Articles of Association in addition to reimbursement of their expenses. The chairperson of the Supervisory Board received EUR 37,500.00 and the deputy chairperson received EUR 30,000.00. Fixed remuneration is paid out after the end of the financial year. Members of the Supervisory Board do not receive variable or share-based remuneration. The chairpersons of the committees receive remuneration of EUR 5,000.00. The Annual General Meeting on May 31, 2016, resolved a change in remuneration. In addition to reimbursement for expenses for the completed financial year, members of the Supervisory Board receive fixed annual remuneration of EUR 40,000.00 and the chairperson of the Supervisory Board now receives fixed annual remuneration of EUR 80,000.00. The chairpersons of the committees continue to receive remuneration of EUR 5,000.00. The new remuneration structure took effect with the registration as of June 10, 2016 of the corresponding amendments to the Articles of Association in the company's commercial register.

Shareholders and the Annual General Meeting

Shareholders can exercise their rights and voting rights at the Annual General Meeting. Each share is entitled to one vote. Shares with multiple voting rights or preferential voting rights do not exist for any shares nor does a cap in voting rights. The Annual General Meeting, in which the Management Board and Supervisory Board give an account of the preceding

financial year, takes place annually. At the Annual General Meeting, shareholders have the option to exercise their voting rights in person, be represented by an authorized proxy of their choice or by a proxy appointed by the company. The Management Board presents the Annual General Meeting with the annual financial statements and consolidated financial statements. The Annual General Meeting decides on the appropriation of any retained profits, approves the discharge of the members of both the Management Board and the Supervisory Board and elects the auditor. When required, the Annual General Meeting resolves changes to the company's Articles of Association, elects members to the Supervisory Board, and adopts other resolutions on the agenda.

Systematic risk management

Using the established internal control system, the company is in a position to identify possible operating and financial risks early so that it can take the appropriate action. This control system is conceived in such a way that prompt risk supervision is possible, which ensures the correct accounting of all business transactions and the continuous availability of reliable data regarding the company's financial situation.

Transparency

In order to ensure the greatest degree of transparency possible, the company informs its shareholders, financial analysts, shareholder associations, the media, and interested members of the public regularly and promptly of the company's situation and any material business changes. This is done with the aim to strengthen investor confidence in the value potential of zooplus AG.

The company keeps stakeholders continually informed of relevant events in a timely and reliable manner. Insider information directly affecting the company is published immediately by the company in line with legal provisions. The company takes part in regular discussions with private and institutional investors at its Annual General Meeting and capital market events such as roadshows and conferences. In keeping with the principle of fair disclosure, the company treats all shareholders and key target groups equally when it comes to valuation-relevant information. The company promptly provides information to the general public on important new circumstances.

The company website <http://investors.zooplus.com/en> serves as the central platform for providing the latest information on the company. The company's financial reports, presentations from analyst and investor conferences, and press and ad-hoc announcements are also available on the company's website. The key dates of recurring publications and events (such as annual reports, interim reports, the Annual General Meeting) are published well in advance.

Interested parties can also view the notifications for the reportable securities transactions of the Management Board and Supervisory Board of zooplus AG and persons closely associated with them (directors' dealings and now that the Market Abuse Regulation has taken effect, executive transactions) on the company's website at <http://investors.zooplus.com/en>. Such notifications are published by the company immediately after receiving the information pursuant to Section 15a German Securities Trading Act (WpHG) and Article 19 Market Abuse Regulation (MAR) since July 1, 2016. The same applies for voting right notifications received by the company pursuant to Section 21 ff. WpHG.

Accounting and auditing

Since the 2005 financial year, Group accounting has been conducted in accordance with International Financial Reporting Standards (IFRS), while the financial statements of the parent company are prepared pursuant to German standards (German Commercial Code – HGB). Reporting is conducted in accordance with statutory requirements and stock market regulations by means of the annual financial statements and quarterly interim reports. The annual report and company website are also published in English in accordance with international standards. The annual and interim reports are published online on the company's website at <http://investors.zooplus.com/en>.

The Management Board prepares the consolidated financial statements, and these are reviewed by the auditor and the Supervisory Board. The Munich branch office of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected as the auditor by the 2016 Annual General Meeting. The auditor has submitted a declaration of independence to the Supervisory Board as evidence of its independence. The auditor took part in the consultation of the Audit Committee on March 9, 2017 and that of the Supervisory Board on March 16, 2017 with respect to the 2016 annual financial statements and consolidated financial statements. At these meetings, the auditor reported the results of the audit of the zooplus AG annual financial statements and management report as of December 31, 2016 (HGB) and the zooplus Group consolidated financial statements and group management report as of December 31, 2016 (IFRS) to the Audit Committee and Supervisory Board.

The auditors of zooplus AG agreed that the Chairman of the Supervisory Board should be promptly informed of any possible disqualifying reasons or reasons for exclusion discovered in the course of the audit when these issues cannot be resolved immediately.

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

Group business model

Business model

zooplus AG is Europe's largest specialized online retailer for pet supplies in terms of sales and is the clear market leader in its segment by a wide margin. In 2016, the European market for both online and bricks-and-mortar retailers reached gross sales of EUR 26 bn. zooplus operates in this market as a pure Internet-based retailer in currently 30 countries. The product range features roughly 8,000 items and focuses on pet food and accessories in all of the major pet categories.

Track record

From the time the company commenced operations in June 1999, it has successfully used the Internet as a platform for selling pet supplies. zooplus has continually expanded its business activities for the past several years. Some of the key milestones the company has achieved on its dynamic growth path include broadening its product portfolio, penetrating new European markets through early targeted international expansion, going public in 2008 and its subsequent inclusion in the SDAX. In 2016, zooplus surpassed a level of sales of EUR 900 m for the first time.

International presence

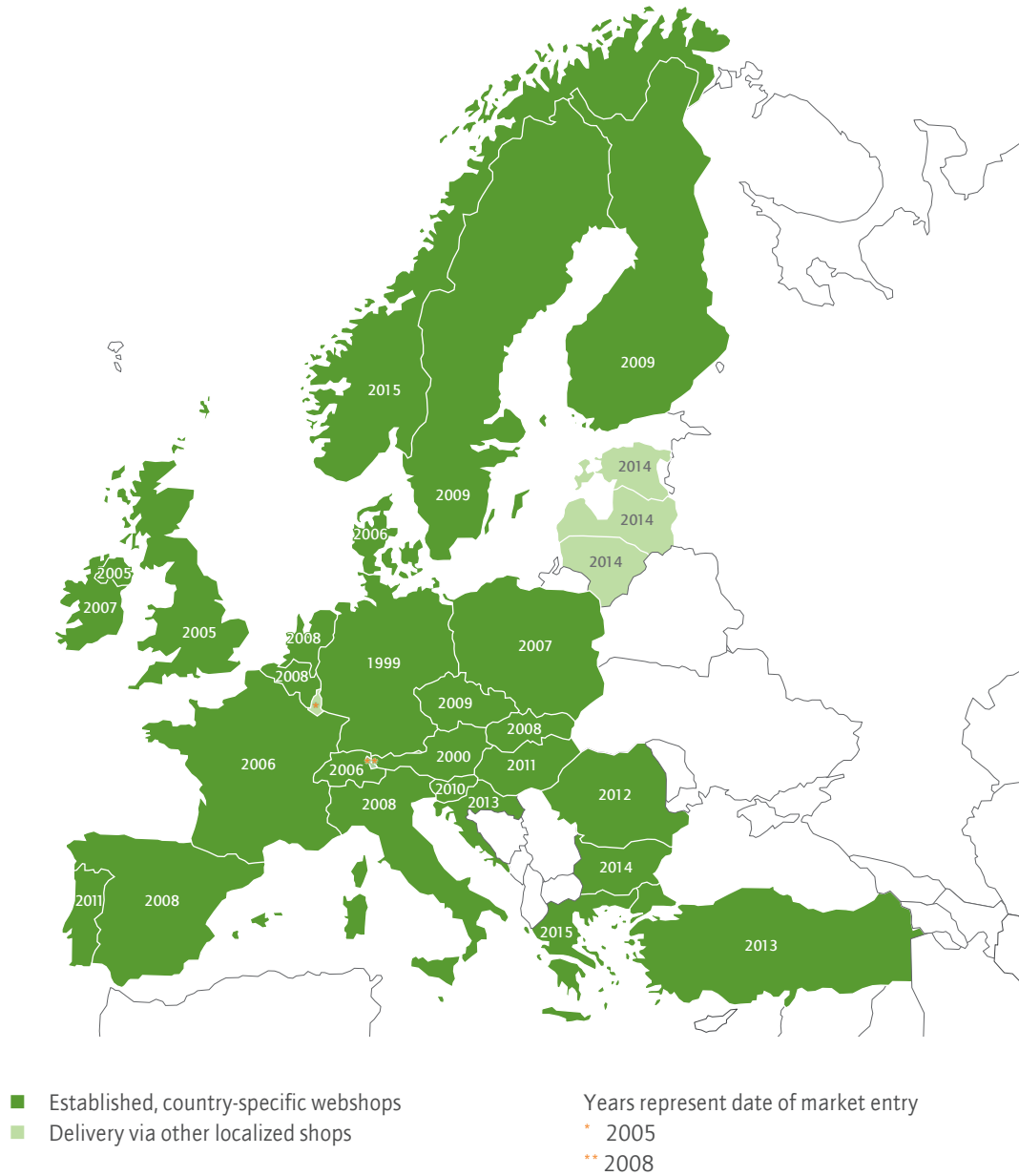
Since 2005, the company has been pursuing a growth-oriented internationalization strategy. This approach has allowed the company to firmly establish itself and achieve critical size in the core German-speaking market as well as in France, Italy, Spain, the Netherlands, Great Britain and Poland. These countries represent the seven largest European markets in terms of volume, which makes them of key importance to zooplus AG. Based on the company's own estimates, it believes it is the online leader in these markets. In addition to the markets mentioned, zooplus AG also operates in 23 other European markets. The company's pan-European structure with sales activities in 30 countries and a European-wide logistics network for delivering pet supplies clearly differentiates it from the major competitors.

Products are shipped to customers from five large central logistics hubs: Hörselgau in Germany, Tilburg in the Netherlands, Wrocław in Poland, Chalon-sur-Saône in France and, since December 2016, Antwerp in Belgium. This advanced European-wide logistics and fulfillment network serves international markets quickly and efficiently. In light of the company's future growth plans, zooplus AG will continue to expand the existing logistics capacity in the years ahead to provide the logistics necessary to achieve the growth planned and further accelerate the speed of deliveries to customers.

Past experience shows how important it is to have a localized Internet presence – customers have grown to expect this. This is the reason zooplus AG operates local language websites in 25 markets offering a broad range of regionally oriented pet products. In addition to the company's website and its comprehensive range of 8,000 products, zooplus also operates under its bitiba brand, which is based on a discount concept offering a narrower range of products alongside the zooplus brand in thirteen countries.

zooplus served more than 4.8 million active customers in 2016. An enormous product range, attractive prices and reliable, fast delivery, guaranteed by a high-performance infrastructure, position the company as the clear no. 1 in the online retailing of pet supplies.

zooplus's European market presence



The zooplus value chain



The year 2016 was another year in which zooplus AG achieved double-digit sales growth in all markets. The focus of the company's growth strategy will continue to be on systematically penetrating existing international markets while continuing to expand its market position in Germany. With operations in 30 countries, zooplus AG covers nearly all of Europe and intends to keep Europe the focus of its activities. Because zooplus is already present in almost all of Europe, there are no plans to penetrate any new countries in 2017.

The core of the zooplus internationalization strategy is multi-lingual, tailored customer service combined with a variety of international payment systems and access to an advanced logistics infrastructure through parcel service providers. This model has proven to be efficient, capable and highly scalable at the same time. zooplus AG can rely on highly motivated, well-trained employees at all locations who guarantee the sustained success of the business model.

Creating flexible, high-performance and efficient operating structures that accommodate the company's strong growth has been and will continue to be a key consideration in structuring the business model. zooplus AG always takes these objectives into account in all of its core operating areas.

Human resources

zooplus knows that its success largely depends on the commitment, knowledge and performance of its employees. Which is why the company invests steadily in creating a work environment that encourages innovation, team spirit, commitment and initiative. The Human Resources Department supports the zooplus corporate strategies using specially designed tools and campaigns.

In an environment where there is intense competition for outstanding employees in every area, zooplus AG ensures that its salaries are always competitive. Employee compensation consists of fixed and variable components as well as intangible benefits that may vary depending on country-specific standards.

zooplus recognized early on that diversity in hiring is a key factor for success. The interaction of people with different ideas, strengths, skills and cultural backgrounds can lead to the best solutions for the challenges ahead. zooplus employs 45 different nationalities across all locations. In 2016, the company's proportion of female employees was 50%.

zooplus's management tools combine an overall performance evaluation with an individual assessment of target achievement, the employee's personal growth curve in their current role and their opportunities for development. Personal meetings between supervisors and their employees are held at least once or twice a year to foster a performance culture and at the same time individually motivate employees as best as possible to achieve their goals.

zooplus key personnel data

45
Nationalities



50%
Women



386
Employees

50%
Men



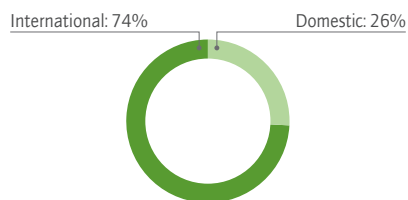
35
Years



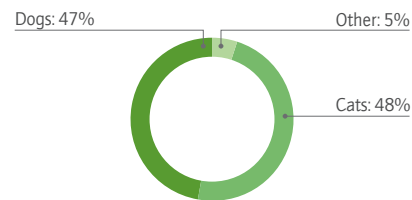
Procurement and product range

The company has built extensive international procurement operations, which have played a key role in creating its expansive product range. From a customer perspective, zooplus AG offers a broad and compelling product range across all pet types and product categories, which also addresses local aspects of the individual European markets. zooplus offers an extensive selection of pet supplies consisting of around 8,000 food and accessory products for dogs, cats, small animals, birds, fish and horses. This vast range of brands and products includes everyday staples such as recognized brands of pet food augmented by the company's private label and specialty articles such as care products, litter, toys and other accessories. Because cats and dogs represent the most popular categories of pets, the company focuses on branded products for dog and cat food and related accessories.

Share of domestic / international sales



Product portfolio (share of sales)



It is important for the company to maintain close strategic relationships with all key suppliers and manufacturers throughout Europe so that it can offer this extensive product range at the highest degree of value for money available. zooplus AG sources all key products directly from the respective manufacturers. Procurement is carried out internationally using more than 200 suppliers. zooplus AG will continue to expand its localized product offers and appeal to the tastes of local customers by working closely together with its suppliers. zooplus AG places a high importance on the strength of the brands and the innovation of its suppliers because having a portfolio of leading domestic and international brands is a key factor for consumer acceptance.



Private label business

zooplus augments its product range in key areas with its continually evolving private label strategy. The company sells an exclusive range of its own private label brands offering customers a compelling range of products. This range includes premium dry and wet foods for dogs and cats under the Concept for Life, Rocco, Cosma and Smilla brands, as well as the company's other private brands (Lukullus, MyStar, Tigerino and others). The company places special strategic importance on consistently differentiating products within existing private label brands to create robust, long-term core brands. The products and brands already launched have received a high level of acceptance from customers and increase customer loyalty. Private labels play a prominent role in the company's overall strategy. In the 2016 financial year, sales of private label products continued to grow at an extraordinary pace reaching sales of almost EUR 100 m continuing to contribute roughly 10% to overall sales. In addition to private label pet food and cat litter – which constitutes this 10% figure – zooplus also sells pet accessories created especially for zooplus. For the next several years, the company plans to continue to disproportionately grow its private label business and increase the percentage share of its sales of private labels. The margin advantage of private labels is likely to become the key driver of the gross margin in the medium term, as a majority of the margin advantage is being reinvested in the further expansion of zooplus's private label brands.

Dogs



Rocco

Wet food and snacks – Premium food made of 100% fresh meat for breed-specific diets



Dry and wet food and snacks – Premium nutrition that harnesses the power of nature: high-quality, natural ingredients, manufactured in a conscientious manner

WOLF
OF
WILDERNESS

Dry and wet food and snacks – wild and free! Pet food inspired by the wolf's natural instincts and ancestral diet

briantos
PREMIUM DOG FOOD

Dry food – Developed by experienced dog experts based on the latest scientific knowledge offering superior value for money



Snacks – Experts in snacks: A large selection of highly popular snacks

DOG Mio

Dry food and snacks – Dog food and snacks offering unbeatable value for money

zooplus
classic

Wet food – From pure muscle meat and quality innards for a special meaty taste



Wet food – like homemade! Unprocessed wet food with a high proportion of choice meat enhanced with fruits and vegetables

Cats



my star

Wet food – Perfectly tailored to a cat's variety of tastes from the contents and the composition to the decorative packaging

cosma

Wet food and snacks – High-premium food made of 100% fresh meat for breed-specific diets

smilla

Dry and wet food and snacks – Premium food developed with experts based on the latest scientific data



Wet food and snacks – A varied product range with unusual flavors and always at low prices



Dry and wet food – Premium food: made with love, just like homemade and grain-free

Tigerino

Cat litter – Various types of cat litter offering excellent value for money

Dogs and cats



Dry food – With Concept for Life, dogs and cats receive nutrition optimally adjusted for their lifestyle, age and special needs. Tailored to life!

Purizon
Nähr in der Inspiration

Dry food – High-premium nutrition containing 70% protein / meat, 30% fruits and vegetables and is grain-free



Dry and wet food and snacks – Hypoallergenic pet food with the best ingredients for a breed-specific diet



Food, snacks and accessories – Helping can be so simple: 10% of the purchase price of the zooLove products is donated to animals in need

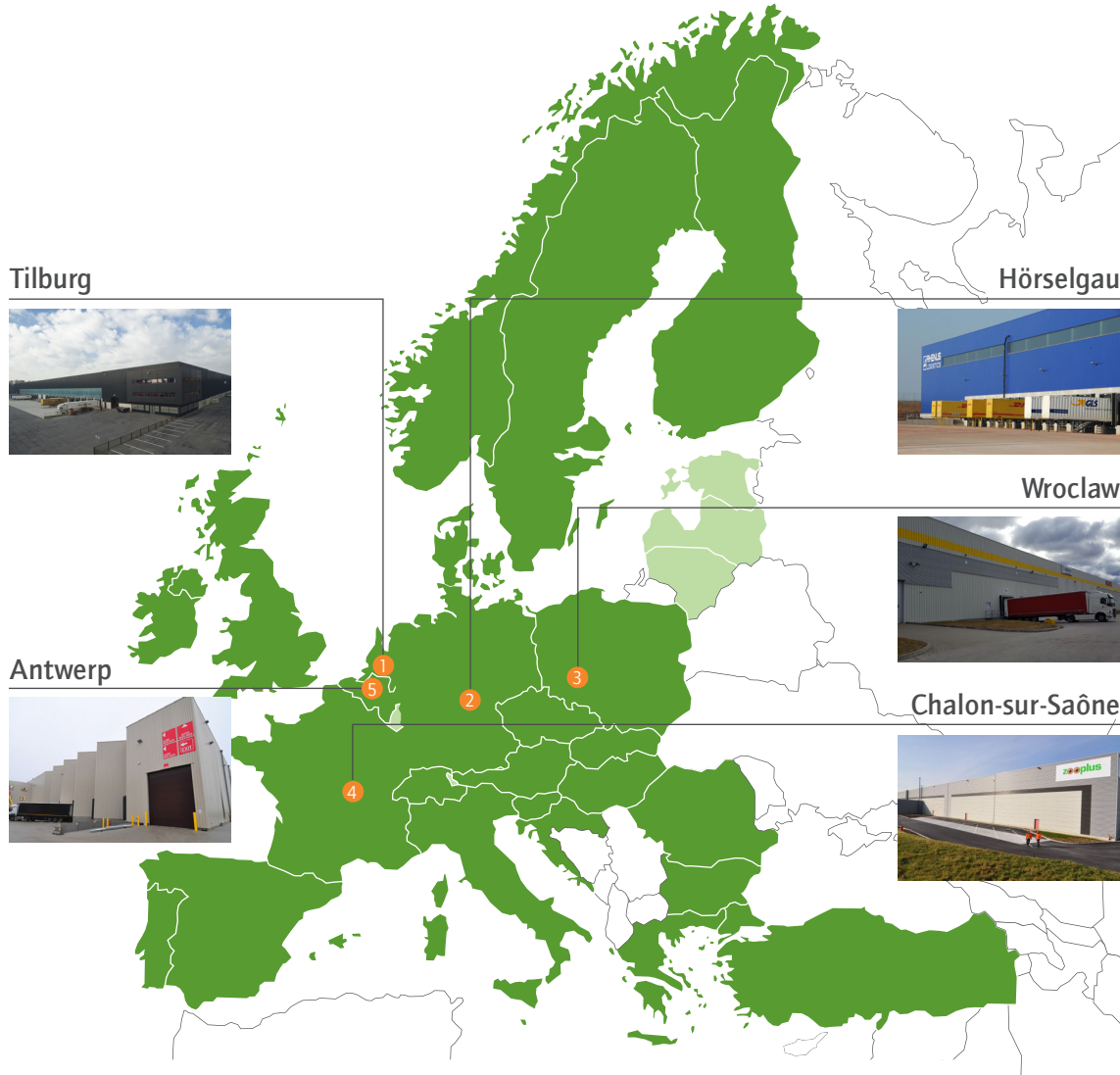
Logistics

zooplus AG has central logistics centers located in Hörselgau, Germany; Tilburg, the Netherlands; Wrocław, Poland; Chalon-sur-Saône, France; and a fifth large fulfillment center in Antwerp, Belgium, opened in the fourth quarter of 2016. A smaller fulfillment center in Strasbourg is responsible for certain types of orders in France and Germany. All locations operate in cooperation with today's three international logistics partners who are responsible for the operative handling of fulfillment activities. The logistics partners provide the investment necessary to set up the logistics centers so that zooplus does not incur any investment costs (CAPEX). The compensation paid to logistics partners is mostly variable and depends on the level of volumes handled. The operations of all logistics centers are closely synchronized within a production network, which is a key driver of efficiency.

Even though the logistics operations have been outsourced, all core fulfillment processes are still managed centrally by zooplus AG and represent proprietary expertise. The company employs a designated in-house team to coordinate and develop the logistics and distribution operations. Smooth material flows, packaging efficiency and quality, as well as the speed of delivery offer important leverage for improving cost efficiency and maximizing customer satisfaction – two factors crucially important for the company's commercial success. Merchandise and inventory management are handled by the company's proprietary systems. Deliveries to customers across Europe are dispatched via domestic and international parcel service providers. Together with the respective service providers, zooplus is continuously working on optimizing efficiency in the logistics centers and improving the flow of goods.

In contrast to online retailers in other segments, zooplus AG rarely experiences customer returns. Customers know what their pets want – size and a customer's individual taste play a subordinate role. This is the reason the customer returns rate is at a very low level of around 2% – keeping the cost pressure from this area low.

Logistics centers



- Established, country-specific webshops
- Delivery via other localized shops
- ① 34,000 m²
- ② 30,000 m²
- ③ 27,000 m²
- ④ 21,000 m²
- ⑤ 16,000 m²

Tilburg



Hörselgau



Wrocław



Antwerp



Chalon-sur-Saône



Technological infrastructure

The basis of zooplus AG's performance capabilities lies in the company's back-end operations. These include European central logistics operations, international merchandise management and an integrated pan-European technology platform for the targeted management of single local markets. All of the company's core areas including logistics and distribution, marketing, payments, selection, price management, procurement and finance are controlled centrally from the corporate headquarters in Munich. The existing international locations also facilitate individual, regional fine tuning. These structures enable the company to generate significant economies of scale from its continued dynamic growth.

zooplus AG is a technology-oriented Internet retailer. The new and ongoing development of core processes and other systems important for the business model is initiated almost exclusively in-house and carried out on a proprietary basis or with external help. This approach yields customized, highly flexible solutions for a scalable business model. External partners are always used to augment internal expertise and implementation capacity when in-house expertise is insufficient or unavailable. Highly specific software solutions in all major areas of the company have been crucial to building zooplus AG's success and will continue to play a significant role in the company's achievement of its goals in the future. Business areas where highly specialized systems are used include:

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

A smooth and reliable link to domestic and international payment systems is of monumental importance for zooplus AG as an online retailer. Customers can choose to pay for their orders using almost any leading European payment system. Sophisticated credit checks have helped the company to keep default rates at a low level.

Marketing and customer acquisition

Marketing and customer acquisition play a major role in the company's dynamic growth. zooplus customers can access the online shop via desktop, tablet, smartphone or by using the zooplus app, placing the company in an ideal position to increase the share of its sales via mobile platforms. In 2016, more than 20% of the company's total sales were via mobile platforms. To be effective, it is crucial that there is no interruption in the media during the potential customer's search. This is the reason the company focuses on online marketing because the Internet is where the potential customers are and where they have easy, direct access to zooplus. The spectrum of classic online advertising, search engine marketing and optimization through affiliate networks, price comparisons and sector-specific online activities offer sufficient online marketing options. The company also employs a wide variety of social media channels, such as Facebook, Twitter and YouTube. All activities are adapted to specific countries and regions so that zooplus, as a pan-European company, can acquire customers in the most effective way possible. The success of this approach is shown by the customer acquisition costs of just 1.4% of sales at zooplus AG. Considering the fact that business with new customers is growing rapidly at the same time, zooplus AG appears much more effective at acquiring customers than its competitors.



These efforts attracted a total of 2.3 million new customers in 2016. Customer acquisitions are expected to remain high to support the projected growth. It is not only important how many new customers are acquired but also how many of these new customers will go on to become long-term repeat customers. To promote repeat business, it is crucial that existing relationships with customers are maintained and that they receive outstanding service. zooplus AG's commercial success is ultimately based on turning new customers into satisfied repeat customers and establishing itself in the minds of these customers as the preferred supplier of pet products. The stable and attractive sales retention rate of loyal customers – driven by the recurring need for pet food – is a major source of long-term business success. In 2016, zooplus AG was able once again to maintain a very high level of customer loyalty reaching a sales retention rate of 92%. The slight decline in this rate compared to the previous year is the result of changes in currency exchange rates, particularly for the British pound. The activities already mentioned contributed to strong customer loyalty as did periodic special offers, loyalty programs, reactivation programs for dormant customer accounts and, above all, a thoroughly attractive price structure for an outstanding range of products and services.

Overwhelming customer satisfaction

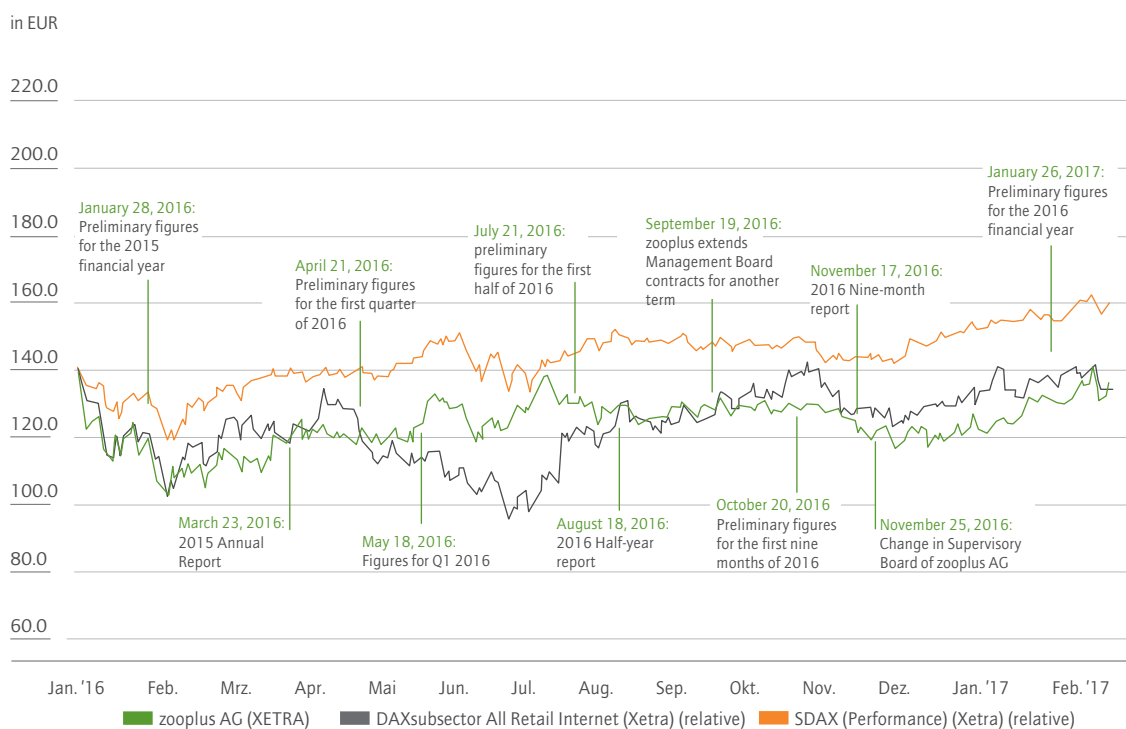
The company wants to maintain its position as the unmistakable quality and service leader among competitors in terms of customer satisfaction and is continuously enhancing its range of products and services. According to a survey of over 8,000 online shoppers conducted by the Cologne-based e-commerce Center (ECC) in January 2017, zooplus was ranked the number one out of 79 online stores in Germany. The criteria in this survey included price/performance, website design, user-friendliness, product range, customer service, payment options and shipping and delivery. The survey also analyzed customer satisfaction and loyalty.

Summary

Since its foundation, zooplus has grown to become the clear leader in online pet supplies in Europe. The company already ranks number 3 in the overall European market (bricks-and-mortar and online retailing) after Fressnapf and Pets at Home and was able to further close the gap to its competitors in 2016. zooplus customers benefit from the significant value created by the company's business model and particularly its attractive prices and fast and typically free delivery. zooplus benefits from the strong degree of customer loyalty and a high sales retention rate. zooplus AG has also become much more cost efficient in the past several years achieving considerable economies of scale in major cost items due to strong growth. zooplus AG believes it is today's cost leader in the pet supply segment versus bricks-and-mortar and major online competitors. The company plans to add new chapters to its success story by further expanding its unique market position and building its reputation under the current growth strategy. zooplus AG plans to continue participating in the online market's projected ongoing strong growth.

The zooplus AG share

Stock chart zooplus AG: January 4, 2016 to February 28, 2017



Source: Deutsche Börse

The share

zooplus AG shares were listed for trading on the Frankfurt Stock Exchange's Entry Standard segment on May 9, 2008. Almost one and a half years later, on October 22, 2009, the company successfully moved to the Prime Standard segment, which has the most stringent transparency and disclosure requirements in Germany. After an uninterrupted rise in the company's market capitalization and trading volume, zooplus AG entered the SDAX on June 29, 2011.

2016 / 17 share performance

Following a sharp rise of 121.4% in the prior year, zooplus shares registered a moderate decline in the 2016 financial year. zooplus shares reached their high for the year of EUR 141.10 on Xetra already at the end of the year's first trading day, January 4, 2016. The share price subsequently declined in the weeks that followed amid a generally nervous market environment marking their low for the year on February 8 of EUR 104.70. The shares then increased strongly and crossed the EUR 120 mark at the end of March.

At the end of the first half-year on June 30, 2016, shares of zooplus AG closed at EUR 127.60 on Xetra. On July 11 at EUR 137.15, the shares again approached their record high for the year. The shares closed at EUR 129.00 at the end of the third quarter on September 30, 2016. The closing price of zooplus shares on the last trading day of 2016 was EUR 121.50.

This amounted to a decline in the share price for the year 2016 of 13.9%. The DAX subsector All Retail Internet sector index, which includes zooplus shares, also declined by 7.5% in the same period. This performance contrasts with the 6.5% rise in the SDAX index, which also includes zooplus shares, during the same period.

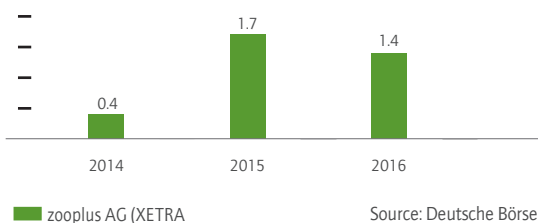
Since the start of the 2017 financial year until the editorial deadline of this report on February 28, 2017, zooplus shares have again outperformed their benchmark indices. The shares' closing price of EUR 134.95 at the end of February was 11.1% higher than the shares' closing price for the year 2016. In this same period, the SDAX increased only 5.3%, and the sector index rose by just 2.5%.

Capital measures and market capitalization

zooplus started 2016 with a total of 6,995,182 shares outstanding. By the year's end, this number had increased to 7,060,902 due to the exercise of stock options. The company's share capital rose accordingly to EUR 7,060,902.00 as of December 31, 2016. Based on a share price of EUR 134.95, the market capitalization of zooplus AG as of the editorial deadline of this report (February 28, 2017) amounted to EUR 952.9 m.

zooplus share liquidity remains at a high level

Average daily trading volume in EUR m



The trading volume in zooplus shares in 2016 was below the previous year but still at an elevated level. The average daily trading volume in the shares in 2016 was EUR 1.4 m compared to EUR 0.4 m in 2014. This amounts to more than a three-fold increase in trading volume in the 2016 financial year.

Key data

WKN	5111 70
ISIN	DE0005111 702
Ticker symbol	Z01
Trading segment	Regulated market (Prime Standard)
Class of shares	No-par-value ordinary bearer shares
Share capital in EUR as of December 31, 2015	6,995,182.00
Share capital in EUR as of December 31, 2016	7,060,902.00
Number of shares as of December 31, 2016	7,060,902
Initial listing	May 9, 2008
Initial issue price*	EUR 13.00
Share price as of January 4, 2016	EUR 141.10
Share price as of December 31, 2016	EUR 121.50
Percentage change	-13.9%
Period high	EUR 141.10
Period low	EUR 104.70

Closing prices in Deutsche Börse AG's Xetra trading system

*Taking into account the capital increase from company resources in July 2011

Investor Relations

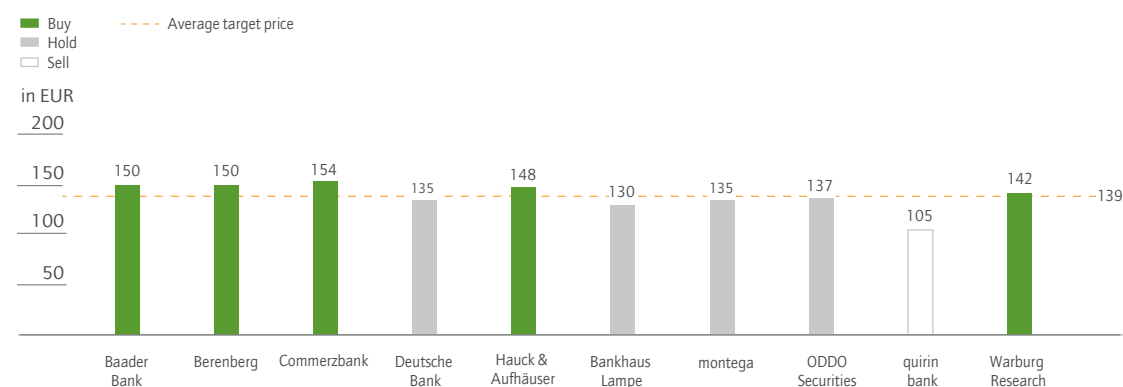
Maintaining and increasing the trust of shareholders, analysts and other capital market participants is a top priority for zooplus AG and its management team. The aim of zooplus' investor relations activities is to routinely communicate important corporate information to shareholders and interested parties in a timely manner and ensure that they are kept as up to date as possible on the company's development.

To achieve this, the investor relations department and the Management Board are available at all times for all those interested. To provide even greater access to information, the company holds conference calls and webcasts when it publishes its final quarterly results. Following these events, the public is given access to the corresponding documents on the zooplus website under the investor relations section.

In 2016, the Management Board participated in 13 investor conferences in Germany and abroad as part of its involvement in investor relations activities. In addition, the company held roadshows in Frankfurt, London, Paris, Zurich, Copenhagen, Helsinki and New York, among others. The Management Board and investor relations department were also available to investors and analysts for questions and private meetings. Ten investment banks currently follow zooplus AG and publish research regularly on the company.

Analysts

Analyst recommendations for zooplus AG as of February 28, 2017



Latest updates

Institution	Analyst	Latest update
Baader Bank	Bosse, Volker	Feb. 8, 2017
Berenberg	Scheufler, Julia	Nov. 17, 2016
Commerzbank	Riemann, Andreas	Jan. 26, 2017
Deutsche Bank	Kohnke, Benjamin	Jan. 26, 2017
Hauck & Aufhäuser	Dannenberg, Lars	Sept. 21, 2016
Bankhaus Lampe	Schlienkamp, Christoph	Jan. 26, 2017
montega	Buss, Timo	Jan. 24, 2017
ODDO Securities	Decot, Martin	Jan. 26, 2017
quirin bank	Marinoni, Ralf	Jan. 12, 2017
Warburg Research	Kleibauer, Thilo	Jan. 23, 2017

Annual General Meeting

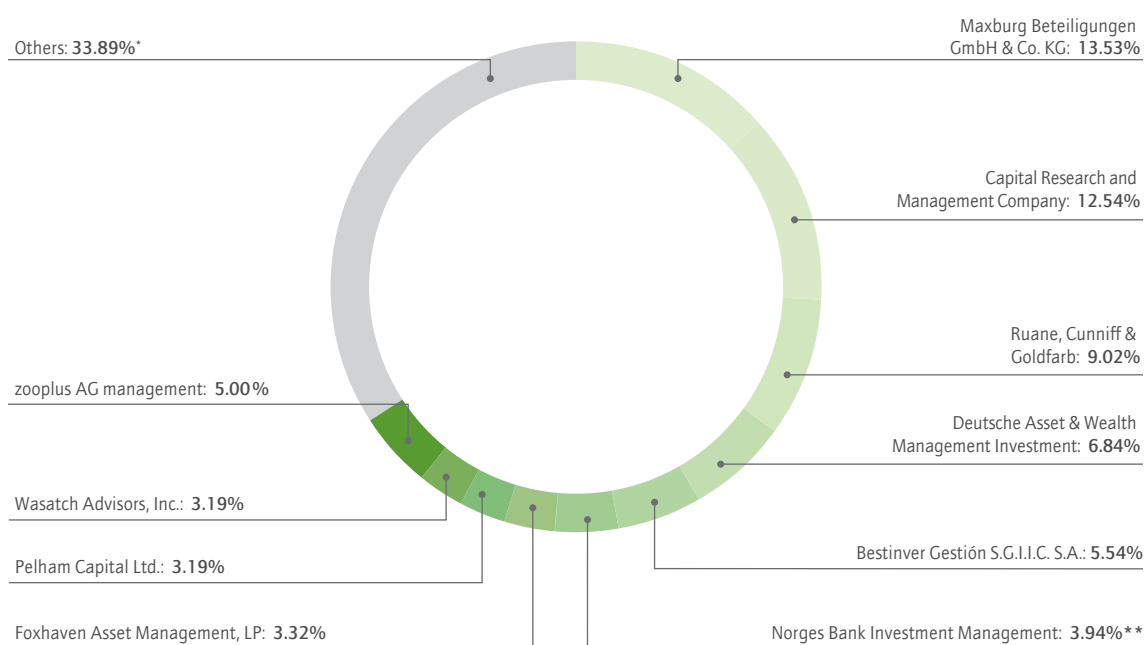
The zooplus AG Annual General Meeting was held May 31, 2016 in Munich and was again widely attended. A total of 73.41 % of the voting capital was represented. The CEO of zooplus AG, Dr. Cornelius Patt, described the company's business development in 2015 and provided an outlook for the 2016 financial year. The topics on the agenda included

- the presentation of the adopted annual financial statements and the approved consolidated financial statements including the management reports, report of the Supervisory Board and the explanatory report of the Management Board
- the resolution on the discharge of the Supervisory Board and Management Board
- the election of the auditor and group auditor for the 2016 financial year
- the elections to the Supervisory Board
- the authorization to grant subscription rights to members of the Management Board of zooplus AG and selected executives and employees under the Stock Option Program 2016, the creation of Conditional Capital 2016 and the corresponding amendment of the Articles of Association.

The zooplus AG shareholders adopted all resolutions by a large majority. Moritz Greve, Henrik Persson, Christian Stahl, Dr. Norbert Stoeck and Dr. Felix Treptow were elected to the Supervisory Board by way of separate elections. Their terms of appointment each expire at the end of the Annual General Meeting that resolves their discharge for the fourth financial year after the beginning of their terms of office but does not include the financial year in which their terms began.

Effective as of December 1, 2016, a change took place in the Supervisory Board after Dr. Treptow resigned from his mandate at his own request. Karl-Heinz Holland and Ulric Jerome have been judicially appointed to the Supervisory Board until the end of the upcoming Annual General Meeting.

zooplus shareholders



As of February 28, 2017

Share ownership according to the published voting rights notifications

*Free float of 86.47% according to the definition of Deutsche Börse

**including equity instruments

Disclaimer: The shareholder structure depicted is based on the published notifications of voting rights and company information. zooplus AG does not assume responsibility for the accuracy, completeness and timeliness of this information.

Shareholder structure

There were changes in the zooplus AG shareholder structure in the 2016 financial year. The largest buyer of the company's shares in the reporting period was Bestinver Gestión S.G.I.I.C. S.A., Spain. Foxhaven Asset Management, LP, USA, emerged as a new shareholder with a shareholding exceeding the reporting threshold of 3 %. The high free float of 86.47 % as of February 29, 2017, has a positive effect on the shares by increasing their liquidity and broadening the shareholder base.

2017 Financial calendar

April 20, 2017	Preliminary sales figures for Q1 2017
May 18, 2017	Publication of the 2017 3M report
May 31, 2017	2017 Ordinary Annual General Meeting
July 20, 2017	Preliminary sales figures for H1 2017
August 22, 2017	Publication of the 2017 Half-year report
October 19, 2017	Preliminary sales figures for Q3 2017
November 15, 2017	Publication of the 2017 9M report

zooplus – A sustainable growth story

Continued growth in 2016

Sales increase 28 % to EUR 909 m
EBT of EUR 17.9 m (+EUR 5.2 m compared to prior year)

Attractive market with further growth potential

Gross market volume in Europe around EUR 26 bn
with strong growth in online retailing

Strong sales growth

Sales driven by an ever-growing and loyal customer base in 30 countries across Europe

The cost leader

Lower costs compared to both online and bricks-and-mortar competitors

Positive outlook for 2017

Sales expected to reach at least EUR 1,125 m
EBT expected in the range of EUR 17 to 22 m

Unmistakable market leader in online retailing for pet supplies in Europe

Already **no. 3** in the total market for both online and bricks-and-mortar retailing

Integrated logistics infrastructure

Currently five large logistics centers for pan-European sourcing and fulfillment

Experienced management team with a clearly focused strategy

Management owns **roughly 5 %** of the company
Stock option program provides an additional incentive to increase the company's value



Business report	46
Report on events after the balance sheet date	60
Report on outlook, risks and opportunities	60
Key features of the internal control system and risk management system	67
Remuneration report	69
Takeover-related information	70
Statement on corporate governance	76
General statement	76

Group management report

Group management report of zooplus AG

Financial year 2016

1. Business report

A. Business performance and economic environment

a. Group structure and business activities

i. Business divisions

zooplus AG, the parent company of the Group, was founded in Munich in 1999. The Group operates in the e-commerce segment as a web-based retailer of pet supplies to private end consumers. The zooplus Group is the distinct market leader in Europe in this segment measured in terms of sales and active customer base.

The overriding business objectives are sustained growth, the systematic penetration of existing markets and the further expansion of the company's online market leadership in Europe. zooplus is working to achieve these objectives by continually expanding its infrastructure so that it can maintain its technological edge in the segment.

Altogether, zooplus offers customers roughly 8,000 different food and accessory products for dogs, cats, small animals, birds, fish and horses. These products include everyday staples such as brand name foods generally available at specialty retailers; zooplus's private labels; specialty articles like toys, care and hygiene products; and other accessories. zooplus also offers a wide range of free content and information on its websites, including veterinary and other animal-related advice and interactive features such as discussion forums and blogs.

zooplus generates its sales from selling products out of its central fulfillment centers located in Hörselgau, Germany; Tilburg, Netherlands; Wrocław, Poland; and Chalon-sur-Saône, France. In addition, a smaller fulfillment center in Strasbourg processes certain types of orders for the French and German markets. The Group began operating a fulfillment center in Antwerp, Belgium, in the fourth quarter of 2016 and a smaller fulfillment center in Coventry, Great Britain, in the first quarter of 2017. This expansion in capacity provides zooplus a logistical infrastructure it needs to achieve its planned future growth.

The locations of the central warehouses enable the company to ensure fast and efficient deliveries and maintain a high degree of general product availability for its customers across Europe. "Final-mile" deliveries to end customers are made using national and international parcel service providers.

From a customer perspective, zooplus sets itself apart from the competition by means of its business model, which combines a broad product range, attractive prices and an efficient flow of goods with simple and convenient handling.

ii. Markets

zooplus operates in 30 countries across Europe through a variety of localized and cross-national online shops. The company estimates that the gross total market volume in the European pet supplies segment in 2016 was roughly EUR 26 bn. According to the company's proprietary estimates, zooplus AG is the clear online market leader in terms of sales and active customer base by a wide margin in both the European high-volume markets of Germany, France, the Netherlands, Spain and Italy and across Europe as a whole. The company also estimates that it is the fastest growing company in its sector.

At the end of March 2017, zooplus operated a total of 25 localized online shops. In addition to the five high-volume markets mentioned above, the company also operates online shops in the United Kingdom, Belgium, Denmark, Finland, Ireland, Croatia, Austria, Poland, Romania, Slovakia, Switzerland, Slovenia, Sweden, the Czech Republic, Hungary, Portugal, Bulgaria, Norway, Greece and Turkey. This effectively makes zooplus the sector's dominant provider in the online segment across Europe by a substantial margin compared to smaller local and national competitors.

Next to its zooplus brand, the Group also operates under its bitiba brand, which is a discount concept with a limited range of products already available in 14 countries.

iii. Key influential factors

Two critical influential factors define the online retailing business for pet supplies: the evolution of the overall European pet supplies market and the general and sector-specific development of Internet users' online purchasing behavior.

Evolution of the European pet supplies market

According to the German Pet Trade & Industry Association (Zentralverband zoologischer Fachbetriebe Deutschland e.V.), the European pet supplies market currently equals a total gross market volume of approximately EUR 26 bn. The high-volume markets of Germany, France, the United Kingdom, Spain, the Netherlands and Italy alone account for some EUR 18 bn of this total.

In all European countries, the primary sales channels for pet supplies are the bricks-and-mortar pet stores, garden centers, DIY stores, conventional supermarkets and discounters. The key differences among the individual bricks-and-mortar retail concepts for pet supplies are the product range and product positioning: While large-scale supermarkets and discounters usually limit themselves to a product range of approximately 150 – 200 smaller, typically lower-priced pet food products, larger pet store chains offer a complete product range of pet food (from entry-level to premium prices) and accessories (including toys, hygiene products, pet furniture and equipment). zooplus has defined its relevant market segment as the conventional specialty retailer segment, including the related specialty product areas of the core supermarket segment.

zooplus expects the market's overall volume to remain stable or increase slightly in the years ahead.

For 2017, zooplus forecasts market growth of roughly 2% to 3% in Europe. In Germany, around one-third of all households own one or more pets. zooplus assumes that the other key high-volume European markets are at a similar level. Changes in the market are brought about by changes in the animal population, the shift in sales towards higher value products and categories within the food and accessories segments ("premiumization") and the increasing "humanization" of pets.

Thanks to recurring patterns of demand, especially in the pet food segment, the pet supplies market has very low seasonality. For example, around 82% of the total demand at zooplus relates to pet food itself, which means the Group enjoys exceptionally stable medium to long-term demand.

Development of online retailing

The Internet's development as a distribution channel for pet supplies is critically important to the Group. The availability of fast and reliable Internet access to large segments of the population is a basic prerequisite for European online retailing to consumers. The primary drivers are the availability of high-speed fixed Internet access and growing mobile access. zooplus customers, for example, can access the zooplus websites using their desktop computers, tablets, smartphones or by using the zooplus app. Expanded access has driven the number of Internet users sharply higher in recent years, which in combination with the higher everyday use of search engines and other Internet platforms, such as price information services and sites offering product comparisons, has prompted a significant increase in the general interest and participation in online shopping.

Over the past several years, e-commerce has continued to gain significance as an ever more important distribution channel for retailers. According to publications by the German Retail Federation (Handelsverband Deutschland), B2C e-commerce sales in Germany will amount to roughly EUR 44 bn in 2016, corresponding to a year-on-year increase of 11 %. Further growth in European online retailing appears more than likely, particularly given the inherent advantages of online retailing compared to existing bricks-and-mortar retail concepts such as a broader product range and more convenient shopping. In addition, logistics service providers and parcel services are making a significant effort to make their services more flexible and further improve their quality of service for end customers, which will also provide an added boost to the online market's growth momentum. Based on these trends, independent market observers such as Statista expect online retailing to continue to enjoy annual double-digit percentage growth rates in the years to come.

The share of products sold over the Internet in the pet supply segment is still relatively low compared to other product categories and largely driven by the sales zooplus itself generates across Europe. The company's internal estimates show that until now only around 7 % of the total European pet market has migrated online.

This means zooplus, as the market leader, is in a unique position to benefit from these lasting shifts in the existing distribution and retailing structures.

iv. Competitive position

Advantage over online competitors

Generally, there are lower barriers to market entry in online retail than in bricks-and-mortar retail. As a result, zooplus not only faces international (online) retailers in the European market but also a number of mostly regional providers such as independent pet stores with their own web shops and local delivery alternatives. A growing number of larger bricks-and-mortar retailers are also setting up online retail infrastructure while other local online retailers are entering new countries. These trends increase the number of retailers coming into direct competition with zooplus.

In contrast to both of these groups, zooplus has the advantage that its size and market leadership in Europe give it the structural capacity to reap crucial benefits from higher efficiency and economies of scale that are not equally available to smaller providers. This structural advantage in areas such as purchasing, private label development, logistics, technology, customer service and marketing is the basis for zooplus's confidence in its competitive position. Other relative advantages such as brand recognition and the Group's financial strength also play a role.

In addition, the company's existing base of active European customers also helps ensure that there is substantial momentum for acquiring new customers through word-of-mouth recommendations.

Advantages over bricks-and-mortar competitors

zooplus's business model is based on a lean, technologically efficient, and scalable value creation chain combined with an outstanding shopping experience in terms of selection, price and convenience and particularly in terms of convenient home delivery.

zooplus does not operate any physical stores or outlets. Instead, from seven fulfillment centers, it supplies customers throughout Europe with a significantly larger product range than existing bricks-and-mortar retailers. At the same time, the Group's centralized structure and related efficiency advantages combined with predominantly automated business processes help offset certain size-based advantages still enjoyed by the larger bricks-and-mortar pet store chains, particularly in product procurement. zooplus assumes that it is already today's cost leader in the online retailing of pet supplies.

zooplus's goal is and will continue to be to solidify and expand its lead in the online segment while strengthening its position in the overall online and bricks-and-mortar markets and profiting substantially from the continued high growth of online retailing.

Business report

Report on events after the balance sheet date
 Outlook, risks and opportunities
 Remuneration report
 Takeover-related information

v. Group structure

As of December 31, 2016, the Group's scope of fully consolidated companies included zooplus AG, Munich, and the following subsidiaries:

Subsidiary	Interest in share capital	Business activity
MATINA GmbH, Munich, Germany	100 %	private label business
BITIBA GmbH, Munich, Germany	100 %	secondary brand business
zooplus services Ltd., Oxford, Great Britain	100 %	service company for Great Britain
zooplus italia s.r.l., Genoa, Italy	100 %	service company for Italy
zooplus polska Sp. z o.o., Krakow, Poland	100 %	service company for Poland
zooplus services ESP S.L., Madrid, Spain	100 %	service company for Spain
zooplus france s.a.r.l., Strasbourg, France	100 %	service company for France
zooplus Nederland B.V., Tilburg, The Netherlands	100 %	service company for the Netherlands
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100 %	sales company for Turkey

The consolidated financial statements as of December 31, 2016 included for the first time the wholly owned subsidiary zooplus Nederland B.V., Tilburg, the Netherlands, with share capital of kEUR 10 and founded in November 2012. The company commenced operating activities in the 2017 financial year.

The following companies are not included in the consolidated financial statements:

- the wholly owned subsidiary zooplus EE TOV, Kiev, Ukraine, founded in the second quarter of 2011 with share capital of kEUR 10
- the wholly owned subsidiary zooplus d.o.o., Zagreb, Croatia, founded in February 2013 with share capital of kEUR 3
- the wholly owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013 with share capital of kEUR 25

These three companies did not conduct any business activities during the financial year and were not included in the consolidated financial statements because of their minor importance.

zooplus AG was managed by the following Management Board members during the 2016 financial year and as of December 31, 2016:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT, Logistics, Supply Chain Management and HR)
- Andrea Skersies (Sales & Marketing, Category Management)
- Andreas Grandinger (Finance, Controlling, Legal, Investor Relations, Internal Audit and Procurement)

In its meeting on September 15, 2016, the Supervisory Board of zooplus AG extended the periods of office by a further term for Chairman of the Management Board Dr. Cornelius Patt and Management Board members Andrea Skersies and Andreas Grandinger.

The Management Board is advised and controlled by the Supervisory Board. During the 2016 financial year and as of December 31, 2016, the Supervisory Board consisted of the following members:

- Michael Rohowski (Chairman of the Supervisory Board), Spokesperson for the management board of Burda Direkt Services GmbH, Offenburg, Germany (until May 31, 2016)
- Dr. Rolf-Christian Wentz (Deputy Chairperson), freelance business consultant, Bonn, Germany (until May 31, 2016)
- Moritz Greve, Partner and Managing Director of Maxburg Capital Partners GmbH, Munich, Germany (Deputy Chairperson, from May 31, 2016)
- Thomas Schmitt, Member of the Management Board for contract logistics / SCM of Schenker AG, Essen, Germany (until May 31, 2016)
- Dr. Norbert Stoeck, freelance corporate consultant, Munich, Germany
- Stefan Winners, Member of the Management Board responsible for national digital brands at Hubert Burda Media Group, Munich, Germany (until May 31, 2016)
- Christian Stahl (Chairman of the Supervisory Board), freelance entrepreneur in the investment business, London, United Kingdom (as of May 31, 2016)
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom (as of May 31, 2016)
- Dr. Felix Treptow, Authorized Officer at Maxburg Capital Partners GmbH, Munich, Germany (from May 31, 2016 to November 30, 2016)
- Karl-Heinz Holland, freelance business consultant, Oberstenfeld, Germany (as of December 1, 2016)
- Ulric Jerome, Director of MatchesFashion Limited (MatchesFashion.com), London, United Kingdom (as of December 1, 2016)

The average number of employees during the financial year, excluding the Management Board, was 386 (previous year: 313).

Employees play a key role in the company's success. Regular internal training and widespread participation in external training courses have improved employees' work quality and their potential to create added value.

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

The Group's aim is to maintain and significantly expand its market leadership in the European online pet supplies segment and, thereby, dramatically increase the company's medium and long-term earnings potential. From the company's standpoint, both the Internet and Internet retailing in Europe continue to offer excellent growth opportunities. This is the reason it is important that the Group set up the necessary structures and position itself today to generate significant medium- and long-term positive returns by virtue of its size and market leadership.

With this in mind, the following goals stand at the core of the company's activities:

- Continuing sales growth in all European markets
- Further penetrating existing regional markets
- Defending and expanding market leadership
- Expanding the customer base and securing high customer loyalty in all European markets
- Further improving the total cost ratio

The overriding priority is to continue generating high growth while maintaining and increasing lasting operating profitability. Management sees this as the most logical strategy for the long-term appreciation in the company's value in the quarters and years to come based on the excellent growth opportunities for the Group still available throughout Europe.

Targets are managed and monitored in all areas using key performance indicators that are reviewed regularly and modified over the short- to medium-term when necessary. The company places special importance on clearly communicating its goals to employees and the public.

c. Technology and development

zooplus views itself first and foremost as a technology-driven Internet retailing group. The new and ongoing development of the core processes and key components of the company's business model is usually initiated and executed internally. External partners are brought in when they can make a meaningful contribution to the company's internal expertise and implementation capacity.

In the past, proprietary systems and highly specialized software solutions in all key company segments have played a decisive role in the success of zooplus AG and the zooplus Group. From today's perspective, these systems and solutions will remain a fundamental building block to reaching the company's goals. The existing proprietary systems will be enhanced using standardized systems to meet the Group's specific requirements at all times.

B. Net assets, financial position and results of operations

a. Financial and non-financial performance indicators

i. Financial performance indicators

The zooplus Group analyzes sales, gross margin, fulfillment and marketing costs to manage and monitor the earnings situation.

The yardstick for gauging the Group's growth and business success is sales. The key earnings indicator for measuring the Group's success is earnings before taxes (EBT).

The performance indicator for the financial position is the equity ratio.

The key ratios are calculated at the Group level in accordance with IFRS.

ii. Non-financial performance indicators

In addition to financial performance indicators, the Group also steers its activities using non-financial performance indicators. The key non-financial performance indicator is the company's degree of market leadership in the European online pet supplies segment.

Two other key performance indicators are the sales retention rate and the number of new customers – both of which have an influence on zooplus AG's sustained growth and stand at the center the company's corporate management.

b. 2016 Business performance

i. The economy and overall market

There continues to be a risk that the euro debt crisis and currency exchange risks within and outside of Europe will have a considerable adverse impact on Europe's real economy. It is also not yet clear what the additional risks and consequences might be from the Brexit vote and its aftermath. Although the German economy has largely been able to decouple from the rest of the eurozone, it cannot be ruled out that negative economic developments may have an impact on zooplus AG's business in the future. It is also not yet clear how protectionist tendencies will affect the international trade in goods and, consequently, overall economic growth and consumer purchasing power. The management believes that the development of the specific industry and online retailing environment in the respective individual markets will still have a much stronger influence on zooplus AG than the general economic environment described above.

ii. 2016 Guidance

At the start of the 2016 financial year, zooplus initially guided for an increase in sales of up to at least EUR 875 m. Earnings before taxes (EBT) were expected in the range of EUR 14 m to EUR 18 m.

The Management Board also anticipated a slight fall in the gross margin in relation to sales.

A slight reduction in fulfillment expenses in relation to sales was expected to result from better efficiency and economies of scale.

The Management Board expected marketing costs as a component of customer acquisition costs to decline slightly as a percentage of sales during the 2016 financial year.

The equity ratio was budgeted to be in the range of 40 % to 60 %.

In terms of market share, the aim was to maintain the company's market leadership in online pet supplies.

The sales retention rate was expected at the prior year's level.

iii. Actual performance in the 2016 financial year versus guidance

The zooplus Group delivered very positive performance in the 2016 financial year. Sales rose to EUR 909 m. Based on the positive business development and the sustainability of growth, the Management Board decided in August to increase its sales forecast for the 2016 financial year from a minimum of EUR 875 m to at least EUR 900 m, which the company ultimately surpassed. The revision was motivated by the solid performance of business with new and existing customers combined with further internationalization and the continued penetration of existing markets.

As projected, the gross margin declined in the 2016 financial year mainly due to the higher share of sales from the lower-margin but more sustainable pet food business and as a result of the competitive e-commerce environment. In addition, the marked weakening of the British pound had a negative impact on the gross margin, which was only partially offset by favorable forward exchange transactions and better purchasing conditions.

EBT reached a level of EUR 17.9 m and was at the upper end of the original forecast. This positive performance resulted from a drop in the cost ratio (consisting of fulfillment, marketing, payment transaction, personnel and other costs, depreciation / amortization and financial expenses) and a rise in other operating income in relation to sales. Together these effects more than compensated for the decline in gross margin. It was possible to reduce the cost ratio in the 2016 financial year from 29.8% in the previous year to 27.8%. This decline was mainly a result of continued efficiency gains in logistics, marketing and customer acquisitions, as well as from economies of scale in personnel costs and other operating expenses. zooplus was within its expectations for a slight decline in fulfillment and marketing costs.

With respect to the balance sheet ratios, the equity ratio as of December 31, 2016 was 52%, which was below the previous year's level of 56% but within the planned range of 40% to 60%. This decline resulted from an increase in total assets.

The company was able to maintain its leading market position in European online pet retailing. The year-on-year sales retention rate remained at a high level but was below the previous year due to exchange rate fluctuations.

c. Results of operations

i. Sales development

As the European online market leader based on proprietary estimates, zooplus was able to significantly increase its sales by 27.7% year-on-year from EUR 711.3 m in 2015 to EUR 908.6 m in 2016.

This growth was driven primarily by a significant expansion in the customer base in all of the Group's geographic markets combined with double-digit growth in new and existing customer business in all 30 countries.

Strong existing customer loyalty and the high quality of new customers resulted in a continued high sales retention rate of 92% in 2016, which was only slightly below the prior year (2015: 94%) due to exchange rate fluctuations. Both trends underscore the sustainability of the business model.

Other operating income increased significantly from EUR 31.3 m to EUR 43.4 m in the reporting period reaching a level of 4.8% in 2016 based on sales versus 4.4% in the previous year. Sales consist solely of the sale of merchandise. Other operating income contains mainly customary industry refunds for marketing and other compensation.

Sales of pet supplies are largely immune to seasonal fluctuations.

Sales and other operating income clearly show that zooplus, as the market leader, is profiting disproportionately more from the migration of demand from the traditional bricks-and-mortar sales channels to online retailing. Based on continued double-digit growth in all regional markets, the company's strategic market position is well-established and represents a good basis for further growth.

ii. Expense items

The following section provides a brief overview of the development and amount of the key expense items. Please refer to the consolidated financial statements and the notes to the consolidated financial statements for detailed figures. All of the percentages provided in the following section are approximate figures and may be subject to slight rounding differences compared to the figures presented in the consolidated financial statements. The expense items are in relation to sales, which is the key performance indicator.

Cost of materials

The company's cost of materials increased at a slightly faster pace year-on-year than sales. The ratio of the cost of materials to sales of 75.0% in 2016 was 2.1 percentage points higher than in the previous year (72.9%). This increase reduced the company's gross margin from 27.1% in 2015 to 25.0% in 2016. This decline resulted from the high share of sales from the lower-margin but more sustainable pet food business and the highly competitive e-commerce environment. In addition, the marked weakening of the British pound had a negative impact on the gross margin, which could only be partially offset by favorable forward exchange transactions and better purchasing conditions. The increase in the cost of materials in relation to sales was once again more than offset by operating progress in almost all cost items as well as by the improvement in other operating income in the form of higher refunds for marketing.

Personnel costs

Personnel costs rose from EUR 25.0 m in 2015 to EUR 29.1 m in 2016. This represents a year-on-year decline in the personnel costs ratio of 0.3% (in relation to sales) for a total of 3.2%.

The average number of employees during the financial year, excluding the Management Board, was 386 (previous year: 313). This rise was derived mainly from an expansion in proprietary IT development capacity.

Depreciation and amortization

Scheduled depreciation / amortization in the 2016 financial year totaled EUR 1.6 m compared to EUR 2.6 m in the prior year. The prior year's figure was impacted by unscheduled amortization of intangible assets.

Other expenses

During the reporting period, other expenses increased year-on-year from EUR 184.0 m to EUR 221.5 m. Other expenses are largely made up of logistics/ fulfillment, marketing and payment transaction costs. However, as a percentage share of the Group's sales, they declined from 25.9% to 24.4%. This change can largely be explained by the efficiency gains achieved in the areas of logistics, marketing and customer acquisition, among others, which more than offset the fall in the gross margin.

Logistics and fulfillment costs

The zooplus business model requires the warehousing, order picking and shipping of products sold to customers. Additional expenses arise from activities such as the processing of returns, storage and other costs related to logistics and distribution.

Total costs for logistics and fulfillment are largely attributable to distribution (e.g. parcel service providers), packaging, and variable and fixed costs for the logistics centers, and are therefore mostly variable in relation to the Group's sales. Costs as a percentage of sales reached a level of 19.4% compared to 20.1% in the previous year's period and thus improved despite the higher number of international shipments and the start of operations of the new logistics center in Antwerp, Belgium, in the fourth quarter of 2016. The improvement resulted, among others, from higher efficiency at existing logistics centers combined with improvements made throughout the entire logistics network. The start of operations at the new logistics center in Antwerp further increased the Group's overall logistics capacity. This expansion allows zooplus's logistics activities to keep pace with the company's ongoing rapid growth and enables the company to serve its customers faster and more efficiently.

Marketing expenses

Marketing expenses are essentially driven by the acquisition of new customers in all European markets. This is particularly the case for online marketing, where the effectiveness of individual acquisition activities is measured constantly and activities adjusted accordingly. This is true for the entire spectrum of search engine optimization and marketing through affiliate marketing, other online partnerships and online direct marketing. Additional minor activities are also carried out in conventional and offline-based marketing. zooplus attaches significant importance to keeping all of the Group's core marketing expertise in-house, although it does occasionally work with third parties to implement these projects.

Despite the year-on-year rise in sales of 27.7%, expenses related to customer acquisitions and marketing were reduced as a percentage of sales from 1.5% in the prior year to 1.4% in the reporting year. This improvement was made possible through targeted efficiency gains and further enhancements in the marketing approach. Both the new and existing customer businesses continued to grow with a total of 2.3 m new customers acquired in the year 2016. The acquisition cost per customer declined at the same time. The sales retention rate in the 2016 financial year remained at a high level of 92% and was down compared to the prior year only due to currency fluctuations.

Payment transaction costs

Total payment transaction costs amounted to EUR 9.6 m compared to EUR 7.8 m in the previous year and, at 1.1 % of sales, comprised a lower percentage of sales than in the previous year.

Other costs

In addition to the costs for logistics and fulfillment, marketing, and payment transactions described above, other costs in the reporting year included customer relationship service, office rentals, general administrative expenses, technology and other expenses incurred as part of the ordinary operating activities. Other costs as a percentage of sales were 2.5 % compared to 3.1 % in 2015. Economies of scale had a notable impact on this cost item.

Financial expenses

zooplus AG has access to credit lines it can draw on when needed from two independent credit institutions. Credit facilities continued to amount to a total of EUR 40.0 m in the 2016 financial year without the need to provide additional collateral. These credit lines were not utilized in 2016. The fees for credit line availability are the main source of the company's financial expenses. There were no liabilities to credit institutions at the year's end.

iii. Earnings development

In the 2016 financial year, zooplus generated earnings before taxes (EBT) of EUR 17.9 m for a year-on-year rise of EUR 5.2 m (previous year: EUR 12.7 m). This solid performance was driven primarily by the operating efficiency improvements, optimized marketing strategy, continued strong sales growth and the rise in other operating income described above.

The consolidated net profit / loss reached EUR 11.4 m (previous year: EUR 7.9 m). At EUR 12.5 m (previous year: EUR 6.3 m) total comprehensive income differed from the consolidated net profit / loss due to the hedge reserve of EUR 1.6 m and currency translation differences of EUR -0.5 m.

d. Net assets

Non-current assets at the end of 2016 totaled EUR 25.0 m compared to EUR 11.3 m at the end of 2015. This rise is mainly the result of the capitalization of property, plant and equipment of EUR 13.1 m under a finance lease related to the fulfillment center in Wrocław, Poland. Deferred tax assets on tax loss carryforwards in the amount of EUR 1.8 m could be fully utilized in financial year due to the positive earnings performance.

Within current assets, the rise in inventories from EUR 74.5 m at the end of 2015 to EUR 78.8 m as of December 31, 2016 was sharply below the growth in sales. It is important to note that the crucial drivers of sales per customer are sufficient inventory levels and, consequently, high product availability, especially when it comes to general product availability and private label and direct import products which are subject to longer procurement cycles.

Accounts receivable amount to EUR 19.2 m at the end of 2016 (previous year: EUR 13.6 m). A total of EUR 2.6 m (previous year: EUR 2.6 m) of fully impaired accounts receivable were derecognized in the 2016 financial year.

Cash and cash equivalents increased year-on-year by EUR 9.4 m to EUR 54.9 m as of the end of the 2016 financial year. This increase was driven mainly by the strong business performance in the 2016 financial year and the accompanying positive cash flows.

Equity at the end of 2016 totaled EUR 107.9 m compared to EUR 93.2 m at the end of 2015. This rise mainly resulted from the exercise of stock options in the context of a conditional capital increase and the excellent earnings development in the 2016 financial year. The equity ratio as of December 31, 2016 was 52%, which was within the company's target range.

Accounts payable totaled EUR 47.0 m as of December 31, 2016 compared to EUR 35.3 m at the end of 2015 and were mainly influenced by a rise in inventories at the year's end. zooplus is not in the habit of exhausting the maximum payment periods available. This practice is considered logical from a business perspective given the company's readily available financing options. zooplus will continue to utilize possible discounts and early payment options in the future as much as possible in an effort to maximize its margins and earnings potential.

Most of the company's liabilities are denominated in EUR. Other liabilities are denominated in other European currencies originating from VAT obligations and product purchases. Other liabilities in US dollars stem from products purchased in Asia, mainly accessories.

In the 2016 financial year, the company used derivative financial instruments in the form of forward exchange transactions for hedging the GBP, PLN and USD. Off-balance-sheet financial instruments were not used.

Other liabilities marginally declined in the reporting period from EUR 23.4 m at the end of 2015 to EUR 22.9 m as of December 31, 2016 and mainly concern VAT liabilities.

All current liabilities are due within less than one year mainly because of the type of the most important liability items (accounts payable and VAT liabilities).

Provisions and deferred income for the 2016 financial year remained close to the previous year's level and concern mainly provisions for issued but not yet redeemed bonus points from the customer loyalty program, provisions for outstanding invoices and provisions for employee bonuses. One provision in the amount of EUR 1.5 m is long-term in nature.

Finance lease liabilities totaling EUR 13.1 m are related to future lease payments for leased items at the fulfillment center in Wrocław, Poland. A total of EUR 10.9 m of these liabilities is long-term in nature.

The company's total assets amounted to EUR 207.6 m at the end of the reporting period compared to EUR 165.3 m as of December 31, 2015.

e. Financial position

Cash flows from operating activities totaled a positive EUR 12.5 m in 2016 compared to EUR 16.2 m in 2015. The operating cash flow was mainly the result of the positive earnings before taxes for the 2016 financial year and the development in working capital. The decline in operating cash flow is largely due to a reporting date-related rise in accounts receivables.

Cash outflows from investing activities (EUR –3.6 m in 2016 compared to EUR –2.7 m in 2015) were impacted by investments made in both hardware and software as well as operating and office equipment.

Cash flows from financing activities (EUR 0.7 m in 2016 compared to EUR 0.0 m in 2015) included proceeds of EUR 1.5 m from a capital increase from conditional capital. Repayments of finance lease liabilities had a negative impact on cash flows from financing activities of EUR -0.5 m as did interest expenses.

As a retail group, zooplus experiences substantial volatility in balance sheet and cash flow items such as inventories, liabilities and VAT. This means there is considerably more fluctuation in these figures during the year than what is indicated in the earnings figures presented.

The overall changes in cash and cash equivalents during the year were primarily the result of the company's strong growth and improvements in working capital.

Available liquidity based on the Group's available lines of credit significantly exceeded the level required to secure business operations at all times. During the past financial year, zooplus was able to meet all payment commitments at all times.

The Group has access to flexible lines of credit totaling EUR 40.0 m. The company did not utilize these credit lines in 2016. Because of zooplus AG's solid net assets, financial position and result of operations, additional collateral was not required for credit lines. A covenant stipulating a minimum amount of equity of 30% was concluded and covers the entire credit line of EUR 40 m. There was also a covenant concluded for half of the credit line (EUR 20 m) that stipulates a maximum net leverage ratio for the financial year of 4.0 times and a covenant in the form of a positive EBITDA for the remaining EUR 20 m. The Group's Management Board expects to continue to meet the covenants' terms in the future.

The interest rate on the credit lines is linked to the Euribor rate and, including the premium over the reference rate, currently lies in the lower single-digit percentage range. A rise in current interest rates would naturally cause an increase in the Group's financing costs, which, from the current standpoint, are considered entirely manageable. The Group's management does not expect any significant change in the credit conditions.

Based on the Group's strong equity base, current liquidity situation, dynamic growth momentum and major efficiency improvements in the 2016 financial year, the Group believes it is well equipped to finance its projected strong growth and the associated effects on working capital (mainly related to inventories and accounts receivable) in the 2017 financial year.

f. Overall statement on the financial situation

With sales increasing roughly 28 % to EUR 909 m and earnings before taxes improving from EUR 12.7 m in the prior year to EUR 17.9 m, the 2016 financial year can be considered a very successful year.

2. Report on events after the balance sheet day

After the end of the 2016 financial year, no events of particular importance occurred that impact the net assets, financial position and results of operations.

3. Report on outlook, risks and opportunities

A. Outlook

In view of the latest forecasts, the underlying economic conditions are not expected to change materially in 2017. It remains to be seen what impact the Brexit decision will have on the EU member states and companies operating across Europe. Furthermore, it is impossible at this time to foresee the effect of protectionist tendencies on international trade in goods and therefore on overall economic growth and the purchasing power of consumers.

Irrespective of these factors, the company anticipates that the Internet will continue to grow in its importance as a sales channel (e-commerce) in the years ahead and expand at a faster rate than the market overall. zooplus will benefit substantially from these trends. The expectation for our pet supply segment is for slightly higher sales overall in 2017.

In summary, the company expects to achieve the following financial targets in the 2017 financial year:

- Sales growth up to a level of at least EUR 1.125 bn
- Earnings before taxes (EBT) in a range of EUR 17 m to EUR 22 m

In terms of the year-on-year development of the key factors influencing the net assets, financial position and results of operations, zooplus expects

- a slight decline in the 2017 gross margin (in relation to sales)
- logistics and fulfillment costs as a percentage of sales in 2017 to remain at the prior year's level
- marketing expenses related to customer acquisitions remain stable in 2017 as a percentage of sales
- an equity ratio of between 40 % and 60 %
- another year in which the company maintains its leading market position in the online retailing of pet supplies
- a stable sales retention rate.

As in previous years, growth will be the priority in 2017. Sustainable positive earnings development will also remain a key element of the Group's strategy.

B. Risk report

a. Risk management system

In accordance with Section 91 (2) AktG, the Management Board of zooplus AG has set up a risk management system as a central component of zooplus's corporate management that is intended to ensure the principles of good corporate governance and the compliance with legal provisions. The risk management system and internal controls enable zooplus to identify, analyze and assess risks in all segments and areas of the Group and take appropriate countermeasures. The aim of the system is to identify potential events that could jeopardize the Group's existence. It is also designed to ensure that the Group's financial, operating and strategic goals can be attained as planned. To achieve this, the zooplus AG Management Board issued a risk management guideline that governs how to deal with risk within the zooplus Group. The guideline specifies the responsibilities for carrying out the tasks in risk management and outlines the reporting structures. The guideline is subject to periodic reviews and adjustments when necessary.

The risk management system of the zooplus Group differentiates between risk officers and risk managers. Risk officers are usually the responsible departmental heads who prepare periodic risk notifications. Risk managers direct the risk management process and are responsible for providing monthly risk reports to the Management Board and Supervisory Board.

The risk manager and respective risk officer jointly identify risks and record these in a risk catalog specifying the respective subject of the risk. Periodic reporting criteria are defined for every risk. When these criteria are met, the respective risk officer must submit a risk notification; otherwise, a negative notification is made. Ad-hoc reporting criteria that trigger a direct risk notification to the Management Board are also defined. The risk notifications contain the monetary effects and probability of occurrence so that the risks can be assessed as to whether they could pose a threat to the Group. The result of the monetary effects and probability of occurrence derives the estimated risk. The risk assessments correspond to the guidance period of one year.

To determine the probability of occurrence, the following factors should be taken into account:

Description	Stated probability
Risk does not exist	Negative notification
Risk exists, occurrence improbable	2 %
Risk exists, occurrence possible	20 %
Risk exists, occurrence probable	40 %
Risk exists, occurrence expected	75 %
Risk exists, occurrence almost certain	90 %

The risk management system classifies the risks according to their potential damage using the following categories:

Low: No tangible effect on the net profit/loss for the period and/or the company's value.

Moderate: A negative effect on the net profit/loss for the period and/or the company's value.

Significant: A significant effect and/or risk that leads to a significant impact on the net profit/loss for the period and/or on the company's value.

Serious: A risk that could jeopardize the company's existence.

The combination of monetary effects and probability of occurrence results in the following matrix. The allocation to low, medium and high risk categories represents the impact on the financial position and results of operations.

Possible effect						
serious	medium risk	high risk	high risk	high risk	high risk	high risk
significant	medium risk	medium risk	high risk	high risk	high risk	high risk
moderate	low risk	medium risk	medium risk	high risk	high risk	high risk
low	low risk	low risk	medium risk	medium risk	high risk	high risk
	improbable	possible	probable	expected	almost certain	Probability of occurrence

Subsequent risk control and monitoring are based on these findings. Risk control and monitoring include all measures used to influence the risk situation that either result in a reduction of the probability of occurrence or reduce the impact to an acceptable level. Optimal risk management is managing risk in a manner that facilitates a rise in the company's value.

A regular internal audit ensures that the risk management system continually evolves and that it can be adjusted for possible changes at all times. There were no material changes made to the risk management system compared to the prior year.

b. Risks

i. Strategic risk (market risk)

The success of zooplus depends essentially on the continued acceptance of the Internet as a channel for purchasing pet supplies:

Should the growth of online retailing slow, or should there be a drop in online retailing overall, this would have a direct impact on the zooplus business model. However, from the current perspective – which is also illustrated by the current growth rates – all indicators suggest that the acceptance of the Internet as a sales channel will continue to increase. This risk is classified as low.

Average order sizes and the sales retention rate could be subject to negative changes in more difficult economic periods:

During a recession, existing and new customer purchasing behavior could change to the company's detriment. If customers stop buying non-food products not seen as a necessity, or if they switch to lower-priced alternative products or alternative suppliers, this could have an overall negative impact on zooplus. However, the fact that zooplus has been able to maintain its sales retention rate from year to year, acquire a significant number of customers in all of the key European markets, and offer customers superior value for money compared to its competitors gives a strong indication that the business model will continue to be successful, even in economic challenging times. This risk is classified as low.

New or existing competitors could establish a successful online presence and negatively affect zooplus's market opportunities:

zooplus is the unmistakable market leader in Germany and Europe. If competition were to intensify and be accompanied by a general fall in prices, this would have a significantly negative impact on zooplus's sales and operating margin. The company continues to expect the level of competition to remain high, as large bricks-and-mortar providers increasingly expand their online shops and sell their products over the Internet. The largest share of the sales growth of bricks-and-mortar competitors in the online sector is expected to reflect more of a migration from their existing bricks-and-mortar business to online sales. Nevertheless, the e-commerce market will continue to grow and expand significantly, which means this development would represent only a limited risk. The assessed risk amounts to a low single-digit million euro figure and is classified as medium.

ii. Operating risk

Unforeseen events could endanger the stability of key business systems in the areas of IT, logistics and procurement:

The company's operations are heavily reliant on the uninterrupted availability of all of its technical systems. Should these systems be jeopardized, for example, by force majeure or other system defects, this would have a substantially negative overall impact on zooplus. This risk also includes the risk of the manipulation of software applications, cyberattacks, data loss and data manipulation. zooplus has taken appropriate measures to avoid these risks to the greatest extent possible. However, given the stability of the business systems in the past, zooplus believes that this risk should be manageable. The assessed risk amounts to a low single-digit million euro figure and is classified as medium.

zooplus is currently designing a new transaction system (ERP and shop system). This could result in the potential risk that the project's goals are not achieved or not fully achieved, the system is inoperable after its completion, or that there are difficulties in implementing the system that could impact the operating business. In addition, other business projects may have to be postponed, which would result in the failure to achieve the planned level of efficiency. zooplus is aware of these risks and has taken the appropriate measures to ensure that these risks are controlled and kept to a minimum. The implementation of the new system will be carried out step-by-step. The assessed risk amounts to a low single-digit million euro figure and is classified as medium.

Long-term agreements for the fulfillment centers have been concluded with three contract partners. The structure of the international logistics and distribution networks in the shipments area allow the company to quickly substitute service providers if necessary. The risk in procurement of being dependent on any one supplier is mitigated through diversification and sufficient controlling instruments. zooplus usually relies on dependable partners with a solid reputation, which in turn should lead to a substantial reduction in risk. The assessed risk of dependency on suppliers and service providers amounts to a low single-digit million euro amount and is classified as medium.

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

To lead its employees and departments, zooplus relies on a number of important key employees who are difficult to replace. If these employees were to leave the company, this could have a negative impact – at least temporarily – on the company's success. This risk is classified as low.

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

Material planning errors can generally result in overstocking the warehouses. Should it be difficult or impossible to sell this merchandise, this could result in potential damage. Through the use of suitable control instruments, the product's low seasonality and the relatively strong visibility regarding customers' buying behavior, the Group believes that these risks can be controlled. This is coupled with the fact that the average shelf-life of a typical zooplus food product is around one to two years, which would also make accelerated destocking of slow-moving products significantly easier. This risk is classified as low.

iii. Financial risk

The main financial instruments used by the Group consist of credit lines, accounts receivable, forward exchange transactions, cash and cash equivalents and short-term deposits. The main purpose of these financial instruments is to consistently cover financing needs and ensure financial flexibility. Since the 2012 financial year, the Group has been using derivative financial instruments to hedge foreign currency risks.

a) Currency risk

The Group operates internationally and is therefore subject to currency risk based on changes in the exchange rates of various foreign currencies, including primarily the US dollar, British pound, Czech koruna, Polish zloty, Danish krone, Swedish krona and Swiss franc. Currency risk arises from expected future transactions, recognized assets and liabilities. As a result, the management has introduced a guideline defining how currency risk should be managed effectively in relation to the functional currency. The Group hedges foreign currency risk from expected future transactions, recognized

assets and liabilities through forward exchange transactions entered into by the Group's finance department. The Group is increasingly trying to limit this currency risk by purchasing products locally in foreign currency regions. Exchange rate risk occurs when future business activities or recognized assets or liabilities are recorded in a different currency than the Group's functional currency. The Group's risk management policy provides for hedging of between 0% and 70% of the transactions expected within the following twelve months (consisting mainly of export sales and inventory purchases). As of the December 31, 2016 reporting date, forward exchange transactions were entered into solely for the USD and GBP for purchasing inventories. The expected sales and purchases that will be settled using hedging instruments correspond to the hedge accounting criteria of a "highly probable" forecast transaction. The assessed risk amounts to a low single-digit million euro figure and is classified as medium.

b) Credit risk

Credit risk is defined as the risk that a business partner will not be able to fulfill its obligations with respect to a financial instrument or customer contract and lead to a financial loss for the Group.

The extent of zooplus AG's credit risk is equivalent to the total of accounts receivable and other receivables. There are no credit concentration risks.

Credit limits are set for all customers based on internal risk classification characteristics. Outstanding customer receivables are monitored regularly. Lump-sum valuation allowances are recognized based on past experience to reduce credit risk. In addition, after the collection procedure has been completed the underlying receivables are sold. Receivables are impaired when it is impossible to collect on the debt, a customer has filed personal insolvency or as a result of the statute of limitations.

For the Group's other financial assets such as cash and cash equivalents, the maximum credit risk corresponds to the carrying amount of these assets if the counterparty defaults.

This fact may result in sustained risks for zooplus's business model. In the past, total receivables defaults were around 0.2% of overall sales. From today's perspective, the company does not anticipate any deterioration in credit risk based on the company's strict credit assessment system and the growing share of business with existing customers. The company classifies its credit risk as low.

c) Liquidity risk

Although zooplus is not currently subject to any borrowing restrictions, it could become restricted as a result of another banking and / or financial crises. However, from today's perspective, zooplus does not expect this to be the case in the short or medium term. zooplus presently has access to credit lines of EUR 40 m at two reputable credit institutions. As of the December 31, 2016 reporting date, the Group has not utilized any of these credit lines and, therefore, classifies this risk as low.

d) Interest rate risk

The Group uses overdrafts and current money market loans with variable interest rates for financing. The credit lines are linked to the Euribor. A general increase in interest rates or inter-bank rates could lead to a significant rise in financing costs. The central finance department constantly monitors current interest rates to reduce the company's interest rate risk. The Group does not currently use hedging instruments against interest rate risk because the impact is considered negligible. This risk is classified as low.

C. Opportunity report

i. Opportunity management

Through opportunity management, zooplus strives to identify and assess potential future success in advance so that it can take the right action and make use of this potential. Identifying and making use of opportunities is an ongoing task to ensure the Group's long-term success.

ii. Market opportunities

zooplus's dominant position in pet supplies in all key European markets has given the company a lead in terms of competition and size compared to other industry-specific online retailers. zooplus believes that the Group can expand this position and generate long-term sustainable earnings. zooplus is also confident that its existing competitive advantage will allow it to permanently maintain its market leadership based on its superior operating systems and processes. The company's existing market share, experience in penetrating new markets and steadily growing efficient infrastructure offer it the opportunity to specifically establish barriers to market entry in the face of growing competition. The existing infrastructure also facilitates the rapid penetration of new markets and presents an opportunity for further growth. zooplus also believes that it can realize additional economies of scale in terms of processes and logistics.

Further opportunities for zooplus are linked to the trend towards "humanizing" pets. This trend is being enhanced, among others, by the long-discernable trend in the growth of single households.

iii. Development of the e-commerce market

The trend towards greater e-commerce at the expense of bricks-and-mortar retailing appears to be uninterrupted. zooplus believes, as do a number of studies, that the e-commerce market will continue to see annual double-digit percentage growth. zooplus should continue to profit from this trend for many years to come and to an inordinate extent given its dominant position in the European market.

iv. Employees and potential of expertise

zooplus assumes that the company's key employees are loyal to zooplus and expects that if certain key employees leave it would still be possible in the medium term to find adequate replacements. The company promotes employee loyalty by creating a positive work environment, offering opportunities for training and advanced education and providing an incentive-based remuneration system.

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

Overall statement on risks and opportunities

In view of the opportunities presented and the Group's positive overall development, it appears that both the risks and potential dangers are limited and can be controlled. The risk management systems and processes have proven themselves. There have been no major changes to the risks and opportunities compared to the previous year. The Group does not see any individual risks that could pose a danger to its continued existence either at present or in the foreseeable future. The individual risks combined also do not jeopardize the Group's continued existence.

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

The key features of zooplus's internal control and risk management systems with respect to the (Group) accounting process can be described as follows:

zooplus AG is characterized by its clear organizational, corporate, control and monitoring structures. Forecasting, reporting, controlling and early warning systems and processes are in place throughout the Group to extensively analyze and control the risks to earnings and the company's continued existence. The functions in all areas of the (Group) accounting process (e.g., accounting, financial bookkeeping and controlling) are clearly assigned. Due to its relatively small size and complexity, zooplus AG does not have a separate internal auditing department and occasionally uses external service providers for auditing purposes in addition to its own employees.

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

The IFRS consolidated financial statements are prepared on the basis of a uniform reporting format coordinated centrally from the Group's head office in Munich. The validation processes and additional plausibility checks performed at the Group's head office ensure the accuracy and integrity of the annual financial statements of the subsidiaries and zooplus AG.

A sufficient internal risk management system has been implemented. The accounting data is reviewed periodically to ensure that it is accurate and complete using random spot and plausibility checks carried out by means of manual reviews and the software employed at the company. The key accounting processes are subject to regular analytical reviews. The existing risk management system is continuously adjusted in response to current developments and subject to ongoing reviews for functionality.

The Supervisory Board deals with major accounting issues, risk management, the audit mandate and the audit's areas of focus, among others.

The internal control and risk management systems used in relation to the accounting process ensure that business events are properly accounted for and prepared and assessed correctly so that they can be included in external financial reporting.

The order process is carried out on a standardized basis using a procurement system. Payments are only executed when invoices and documents are correctly initialed and presented. Invoicing and the invoice review process are both carried out electronically with all approvals documented and archived. Payment transactions are made electronically using established control mechanisms (four-eye principle among a selected group of individuals). Wage and salary processing is outsourced to external service providers.

Quantitative stock accounting is carried out by external service providers and is monitored and checked by zooplus continually via interfaces set up automatically. In addition, zooplus is contractually granted sufficient control mechanisms.

The sales process ensures that the services provided are invoiced properly and accounted for in line with the provisions for revenue recognition by recording the products sold in the upstream shop system and making an automatic transfer into accounts receivable accounting.

The clear organizational, corporate, control and monitoring structures, and the fact that the accounting department has the sufficient staff and materials available, make it possible for the departments and employees involved in the (Group) accounting process to work efficiently. Clear statutory and internal requirements and guidelines ensure that the accounting process is uniform and correct. The clearly defined review procedures in departments that participate in the accounting process, as well as the review by internal controlling and early recognition of risks by risk management, should all ensure error-free (Group) accounting.

The internal control and risk management system within the zooplus Group ensures that the Group's accounting is in compliance with the legal and statutory requirements and internal guidelines. The company's uniform risk management system, which complies with the statutory requirements, is designed to recognize risks in ample time and measure and communicate them appropriately. This immediately provides the report's recipients with accurate, relevant, reliable and timely information.

From the balance sheet date to the date of the publication of the group management report, no changes have been made to the accounting-related internal control and risk management systems.

5. Remuneration report

The Supervisory Board is responsible for establishing the remuneration system and the individual remuneration of members of the Management Board. The Supervisory Board regularly reviews the remuneration structure for its appropriateness. The Management Board's remuneration comprises three components:

1. Fixed base salary paid monthly

Fixed remuneration consists of a contractually agreed non-performance-related annual salary that is paid in twelve equal installments. In the 2016 financial year, fixed remuneration including fringe benefits amounted to EUR 1.0 m.

2. Performance-related remuneration components

The variable remuneration component rewards the Management Board's performance according to the company's development over the preceding financial year and is linked to the sales, earnings and personal targets in the corresponding area of responsibility achieved in the financial year. The variable remuneration component has been eliminated completely as of the end of the third quarter of 2016 with the extension of the Management Board contracts for all members. Variable remuneration for the Management Board members in the 2016 financial year amounted to EUR 0.3 m.

3. Variable components with long-term incentives

In accordance with the company's planning, the Management Board is granted options for shares of zooplus AG as well as virtual shares as remuneration for its long-term performance. The fair value of the stock options and virtual shares granted is calculated in accordance with the valuation model recognized under IFRS 2.

Until the extension of the Management Board's contracts at the end of the third quarter of 2016, Management Board members were entitled to a long-term incentive program in the form a share price-based performance share plan in annual tranches as a means of performance incentive. As of the December 31, 2016 reporting date, the members of the Management Board are entitled to a total of 14,412 subscription rights from this program with a fair value of EUR 1.7 m.

On the basis of the resolution of the Annual General Meeting on May 31, 2016, the Management Board, with the consent of the Supervisory Board, approved the creation of the Stock Option Program 2016 for issuing stock options with subscription rights to shares of zooplus AG to members of the company's Management Board. Under the Stock Option

Program 2016, members of the company's Management Board can receive a total of up to 100,000 of the company's shares. Each option entitles the holder to subscribe to a no-par-value bearer share of zooplus AG with a notional interest in the share capital of EUR 1.00 per share. The exercise price per share corresponds to the volume-weighted, 6-month average price of the zooplus share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange prior to the issue date of the stock options, or at least the lowest issue price as defined under Section 9 (1) AktG. In the 2016 financial year, a total of 100,000 stock options were issued to members of the zooplus AG Management Board. The subscription price for the options issued in September 2016 amounts to EUR 124.45 per share. The earliest the options can be exercised is four years after the options were granted. Subscription rights to stock options can only be exercised if certain performance targets have been achieved. The exercise of the subscription rights is possible within two years, beginning with the end of the vesting period. The fair value at the grant date was EUR 2.5 m.

The total remuneration of the Management Board for all components amounted to EUR 3.8 m (previous year: EUR 2.2 m) in the 2016 financial year mainly due to the granting of stock options. Of this amount, approximately 27% was attributable to non-performance-related basic remuneration. In the 2016 financial year, 7% of the total remuneration was attributable to performance-related components. The variable components with long-term incentives represent 66% of the total expenses in 2016 due to the granting of stock options.

The company refrains from disclosing the individual payments to members of the Management Board. The Management Board has been made exempt from providing the disclosures under Section 314 (1) no. 6a, sentences 5 through 8 of the German Commercial Code (HGB) for a period of 5 years by resolution of the Annual General Meeting on May 22, 2012. Further details on the remuneration structures can be found in the notes to the consolidated financial statements.

Members of the Supervisory Board receive fixed remuneration paid annually. In the 2016 financial year, the Supervisory Board received a total of kEUR 226 (previous year: kEUR 176) as remuneration. Mr. Rohowski received fixed remuneration of kEUR 16 as Chairman of the Supervisory Board (until May 31, 2016), and Dr. Wentz received kEUR 13 as Deputy Chairman of the Supervisory Board (until May 31, 2016). Mr. Greve and Dr. Stoeck each received fixed remuneration of kEUR 34. Mr. Thomas Schmitt and Mr. Winners each received kEUR 10. As chairman of the Supervisory Board (as of May 31, 2016), Mr. Stahl received fixed remuneration of kEUR 47. Mr. Persson received fixed remuneration of kEUR 23, Dr. Treptow received fixed remuneration of kEUR 20 and Mr. Holland and Mr. Jerome received fixed remuneration in the amount of kEUR 3 each. In addition to receiving remuneration for their activities on the Supervisory Board, the following members received remuneration for chairing a committee: Dr. Rolf-Christian Wentz, kEUR 2 (Audit Committee); Dr. Stoeck, kEUR 3 (Audit Committee); Mr. Rohowski, kEUR 2 (Nomination Committee); Mr. Greve, kEUR 3 (Nomination Committee); and Mr. Stahl kEUR 3 (Personnel Committee).

6. Takeover-related information and explanations pursuant to Section 315 (4) HGB

Composition of subscribed capital

As of December 31, 2016, subscribed capital totaled EUR 7,060,902.00 and consisted of 7,060,902 no-par value ordinary bearer shares, each with a notional interest in the company's share capital of EUR 1.00. Each share grants one vote at the Annual General Meeting.

Restrictions affecting voting rights and the transfer of shares

The Management Board is not aware of any restrictions with respect to the voting rights or the transfer of shares.

Interests in the share capital exceeding 10% of voting rights

As of December 31, 2016, the following shareholders held more than 10% of the voting rights:

- Maxburg Beteiligungen GmbH & Co. KG, Grünwald, Germany. The voting rights of Maxburg Beteiligungen GmbH & Co. KG are to be attributed to RAG-Stiftung, Essen, Germany pursuant to Section 22 (1) sentence 1 no. 5 WpHG in conjunction with Section 22 (1) sentence 2 WpHG.
- The Capital Group Companies, Inc., Los Angeles, USA / Capital Research and Management Company, Los Angeles, USA. The voting rights are to be attributed to The Capital Group Companies, Inc., Los Angeles, USA pursuant to Section 22 (1) sentence 1 no. 6 WpHG in conjunction with Section 22 (1) sentences 2 and 3 WpHG.

The voting rights are to be attributed to Capital Research and Management Company pursuant to Section 22 (1) sentence 1 no. 6 WpHG.

Shares with special rights / voting right control in the case of employee participation

There are no shares with special rights conferring powers of control. In addition, there is no employee participation in capital that prohibits employees from directly exercising their controlling rights.

Appointment or dismissal of members of the Management Board, amendments to the Articles of Association

The appointment or dismissal of Management Board members is conducted in compliance with Sections 84 and 85 of the German Stock Corporation Act (AktG). The Supervisory Board appoints Management Board members for a maximum of five years. Members may be reappointed, or their term of office extended for a maximum of five years in each case. In addition, Section 7 of the Articles of Association stipulates that the number of Management Board members is determined by the Supervisory Board and that the Management Board can consist of just one member.

Prerequisites for amending the Articles of Association are primarily governed by Sections 179 through 181 AktG. In accordance with Sections 119 (1) no. 5 and 179 (1) AktG, changes to the Articles of Association require a resolution of the Annual General Meeting. Section 179 (2) AktG requires such resolution to be passed by a majority of three-quarters of the capital represented unless the Articles of Association stipulate a different majority. Under Section 19 (2), zooplus AG's Articles of Association make use of the option provided for in Section 179 (2) AktG and specifies that, to be passed, resolutions generally require a simple majority – provided the law does not require another majority – and, if a capital majority is required, with the simple majority of the capital represented. Under Section 24 of the zooplus AG Articles of Association, the Supervisory Board is authorized to make changes to the Articles that affect only their wording.

Authorization of the Management Board to issue shares

1. Authorized capital

With the approval of the Supervisory Board, the resolution of the Annual General Meeting on June 11, 2015 authorized the Management Board to increase the company's share capital on one or several occasions until June 10, 2020 by up to a total of EUR 3,492,225.00 (in words: three million four hundred and ninety-two thousand two hundred and twenty-five euros) by issuing new no-par value bearer shares (Authorized Capital 2015).

The capital increases can be executed against cash contribution and / or contribution in kind. Shareholders are principally entitled to subscription rights. The new shares can also be subscribed for by one or more credit institutions or similar institutions with the obligation to offer the new shares to the shareholders for subscription (indirect subscription right).

With the Supervisory Board's approval, the Management Board is also authorized once or several times to exclude shareholders' subscription rights in the following cases: (1) to the extent required to exclude fractional shares from the subscription rights of shareholders; (2) to the extent required to grant holders of option and / or conversion rights, or option and / or conversion obligations from bonds with option and / or conversion rights, or option and / or conversion obligations issued by the company or a company in which the company holds a direct or indirect majority shareholding, a subscription right or conversion option for new shares in the amount due to them after exercising option and / or conversion rights or fulfilling option and / or conversion obligations as a shareholder; (3) to the extent that the new shares are issued against contributions in kind, particularly in the form of companies, parts of companies, interests in companies or other assets; and (4) to the extent that the new shares are issued against cash contributions, the issue price of the newly issued shares is not significantly below the market price of the already listed shares of the company of the same class at the time of the final determination of the issue price, and the total notional interest in share capital of the new shares to be issued under the exclusion of subscription rights does not exceed 10 % of the share capital existing at the time this authorization becomes effective or at the time of exercising this authorization. The limitation takes into account the notional interest in the company's share capital attributable to shares that were issued or sold during the term of this authorization excluding shareholder subscription rights in accordance with, as defined by or in direct application of Section 186 (3) sentence 4 AktG as well as the notional interest in the share capital attributable to shares that will be issued or are to be issued to fulfill option rights and / or conversion rights, or option obligations and / or conversion obligations from bonds provided the bonds will be issued during the term of this authorization excluding shareholder subscription rights as defined by Section 186 (3) sentence 4 AktG.

The notional interest of share capital attributable to the new shares for which subscription rights will be excluded under the above items or based on other authorizations during the term of this authorization may not exceed 20 % of the share capital either at the time it becomes effective or at the time that this authorization is exercised.

With the consent of the Supervisory Board, the Management Board is authorized to determine additional details regarding the capital increase and the conditions of the share issue. The Supervisory Board is authorized to make amendments to the version of the Articles of Associations corresponding to the scope of a capital increase from Authorized Capital 2015.

2. Conditional capital

a. According to Section 5 (5) of the Articles of Association, the company's share capital has been conditionally increased by EUR 100,000.00 through the issue of up to 100,000 no-par value bearer shares with a notional interest in share capital of EUR 1.00 per share (Conditional Capital 2012 / I). Conditional Capital 2012 / I serves to secure subscription rights from stock options issued by zooplus AG under the authorization of the Annual General Meeting of May 22, 2012 under Agenda Item 10 lit. a) as part of the Stock Option Program 2010 / I in the period from the date of the registration of Conditional Capital 2012 / I until December 31, 2013. The conditional capital increase will only be executed to the extent that stock options are issued, and the holders of these stock options exercise their subscription rights for the company's shares, and the company does not grant its own shares to fulfill the subscription rights. The issue of the shares from Conditional Capital 2012 / I is to be carried out at the exercise price defined in Item (5) of the authorization resolution. The new shares will bear dividend rights from the beginning of the financial year for which no resolution of the Annual General Meeting was made on the appropriation of retained profits at the time when the subscription right is exercised.

b. According to Section 5 (7) of the Articles of Association, the company's share capital has been conditionally increased by a further EUR 72,776.00 through the issue of up to 72,776 no-par value bearer shares (Conditional Capital 2010 / I). Conditional Capital 2010 / I serves to secure subscription rights from stock options issued by zooplus AG under the authorization of the Annual General Meeting of May 27, 2010 under Agenda Item 5 lit. I) as part of the Stock Option Program 2010 / I in the period from the date of the registration of Conditional Capital 2010 / I until Wednesday, December 31, 2014. The conditional capital increase will only be executed to the extent that stock options are issued, and the holders of these stock options exercise their subscription rights for the company's shares, and the company does not grant its own shares to fulfill the subscription rights. The issue of the shares from Conditional Capital 2010 / I will be carried out at the exercise price defined in Item I. (5). The new shares will bear dividend rights from the beginning of the financial year for which no resolution of the Annual General Meeting was made on the appropriation of retained profit at the time when the subscription right is exercised.

c. According to Section 5 (4) of the Articles of Association, the company's share capital has been conditionally increased by EUR 250,000.00 by issuing up to 250,000 no-par-value bearer shares with a notional interest in share capital of EUR 1.00 per share (Conditional Capital 2016) in accordance with the authorization of the Annual General Meeting of May 31, 2016 under Agenda Item 6, letter a). Conditional Capital 2016 serves to secure subscription rights from stock options that, under the authorization of the Annual General Meeting of May 31, 2016 under Agenda Item 6, letter a), can be issued by zooplus AG under the Stock Option Program 2016 from the registration date of Conditional Capital 2016 until December 31, 2018. The conditional capital increase is only executed to the extent that stock options are issued, and the holders of these stock options exercise their subscription right to shares of the company. The shares from Conditional Capital 2016 are issued at the exercise price determined in accordance with Item (7). The new shares will participate in the profits from the beginning of the financial year for which no resolution of the Annual General Meeting has been made on the appropriation of retained profits at the time when the subscription right is exercised. The Management Board and, insofar as members of the Management Board of the Company are affected, the Supervisory Board are authorized to determine the further details of the conditional capital increase and its execution.

Authorization for the Management Board to repurchase shares

a) The Annual General Meeting of June 11, 2015 authorized the Management Board, with the consent of the Supervisory Board, until June 10, 2020 to acquire the company's own shares in an amount up to 10% of the share capital existing at the time of the Annual General Meeting's resolution, subject to the condition that the shares acquired under this authorization together with other shares of the company, which the company either holds or which are to be attributable to it pursuant to Sections 71d and 71e AktG, do not total more than 10% of the company's share capital at any point in time. The purchase of shares can also be executed by controlled Group companies as defined by Section 17 AktG or by third parties acting on behalf of the company or controlled Group companies.

The authorization may be exercised for all legally permissible purposes, in particular in pursuit of one or more of the purposes named under letter b) (1) to (6). Trading in own shares is not allowed. The authorization may be exercised in whole or in part, and in the latter case also several times. Purchases may take place within the authorization period until the maximum purchase volume is achieved in partial tranches, distributed over different purchase dates.

The purchase is effected by way of the principle of equal treatment (Section 53a AktG) via the stock market or by means of a public purchase offer addressed to all shareholders.

If the shares are purchased over the stock exchange, the consideration paid by the company per no-par value share (excluding incidental costs) may not exceed the volume-weighted average price of the company's shares in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange during the last five trading days before the date of the commitment to purchase the shares by more than 5% and or be more than 5% below that price.

If the purchase is made by means of a public purchase offer addressed to all shareholders, the offered purchase price or the limits of the offered purchase price range per share (excluding incidental costs) shall not exceed the volume-weighted average price of the company's shares in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange by more than 10% or be more than 10% below that price during the last five trading days prior to the date of publication of the offer. The volume of the offer can be limited. If the total number of tendered shares is greater than this volume, the purchase may be made proportionately according to the ratio of tendered shares; in addition, there may be preferred acceptance for lower numbers of up to 100 tendered shares per shareholder and figures may be rounded according to commercial principles to avoid fractional shares. Any further rights of tender are not permitted to shareholders.

b) With the consent of the Supervisory Board, the Management Board is authorized to use the shares acquired on the basis of this authorization for all legally permissible purposes, in particular to

- (1) resell the shares on the stock exchange while upholding the principle of equal treatment (Section 53a AktG);
- (2) offer the shares for subscription to shareholders based on an offer directed at all shareholders while upholding their subscription rights and the principle of equal treatment (Section 53a AktG);
- (3) use the shares as (partial) consideration in the context of business combinations or for the purpose of purchasing companies, parts of companies, or interests in companies, including increasing existing interests in companies;

(4) sell the shares for a cash payment at a price (excluding incidental selling costs) that does not significantly fall below the market price of the company's shares at the time of sale as defined by Section 186 (3) sentence 4 AktG. The number of shares sold in this manner may not exceed 10% of the share capital, neither at the time this authorization takes effect, nor at the time of utilizing this authorization. This limit includes shares that were issued or sold as defined by or in direct application of Section 186 (3) sentence 4 AktG during the effective period of this authorization until the time the shares were issued or sold. Also to be included are shares that were issued or are to be issued to service convertible bonds / bonds with warrants, provided these bonds were issued during the effective period of this authorization in accordance with Section 186 (3) sentence 4 AktG;

(5) redeem them without a further AGM resolution. The redemption results in a capital reduction. The Management Board may alternatively stipulate that the share capital remains unchanged subsequent to the redemption and that instead, the notional interest of the remaining shares in the share capital is increased in accordance with Section 8 (3) AktG. In this case, the Management Board is authorized to adjust the number of no-par value shares stated in the Articles of Association; or

(6) offer the shares for purchase or transfer them to company employees, employees of affiliated companies or members of senior management, and / or to use them to fulfill commitments or obligations to purchase shares of the company that were or will be granted to employees of the company, employees of affiliated companies or members of senior management. The shares may be used, in particular, to fulfill purchase obligations or purchase rights for the company's shares that were agreed with employees or members of senior management in connection with employee participation programs. If members of the company's Management Board are beneficiaries, it is the responsibility of the Supervisory Board to select these beneficiaries and determine the amount of shares these members should be granted.

The above authorizations can be utilized for their whole amount or in several partial amounts to pursue one or several purposes. Shareholder subscription rights for company treasury shares are excluded insofar as these shares are used pursuant to the above authorizations in Items (1), (3), (4), and (6). If shares are sold as part of a sales offer pursuant to Item (2), the Management Board, with the consent of the Supervisory Board, is authorized to exclude the shareholders' subscription rights for fractional amounts.

Material agreements of the company that are subject to a change of control following a takeover bid

The company has no material agreements that are subject to a change of control following a takeover bid.

Compensation agreements of the parent company with members of the Management Board or employees in the event of a takeover bid

In case of a change in control, all stock options granted to members of the Management Board as of the time of the change in control will be vested.

A change of control within this meaning occurs if either (i) a shareholder has acquired control pursuant to Section 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30 % of the voting rights in the company or (ii) a corporate agreement has been concluded with the company as a controlled company pursuant to Section 291 AktG (iii) the company has merged with another legal entity pursuant to Section 2 of the German Transformation Act (UmwG).

7. Statement on corporate governance pursuant to Section 289a HGB

The statement on corporate governance pursuant to Section 289a HGB can be found on the company's website <http://investors.zooplus.com> under corporate governance in the investor relations section.

8. General statement

The European online pet supplies market will continue to enjoy sustained growth and become an even more attractive market. zooplus is in an excellent position to reap significant gains from these developments. Based on these trends, the Management Board expects positive business performance in 2017.

The Management Board



Dr. Cornelius Patt



Andrea Skersies



Andreas Grandinger

Munich, March 16, 2017



Consolidated balance sheet	80
Consolidated statement of comprehensive income	82
Consolidated statement of cash flows	83
Consolidated statement of changes in equity	85

Consolidated financial statements

Consolidated balance sheet

Consolidated statement of comprehensive income
 Consolidated statement of cash flows
 Consolidated statement of changes in equity

Consolidated balance sheet as of December 31, 2016 according to IFRS

Assets

in EUR	Note no.	31.12.2016	31.12.2015
A. NON-CURRENT ASSETS			
I. Property, plant and equipment	5	15,908,695.76	1,373,161.41
II. Intangible assets	6	9,026,342.57	8,049,517.78
III. Other financial assets	7	37,708.71	47,708.71
IV. Deferred tax assets	8	0.00	1,849,223.00
Non-current assets, total		24,972,747.04	11,319,610.90
B. CURRENT ASSETS			
I. Inventories	9	78,781,088.50	74,507,693.18
II. Advance payments	10	1,622,257.78	1,449,171.98
III. Accounts receivable	11	19,177,730.94	13,621,488.45
IV. Other current assets	12	25,642,573.18	18,255,442.75
V. Derivative financial instruments	13	2,455,023.80	609,168.69
VI. Cash and cash equivalents	14	54,923,661.37	45,530,788.75
Current assets, total		182,602,335.57	153,973,753.80
		207,575,082.61	165,293,364.70

Equity and liabilities

in EUR	Note no.	31.12.2016	31.12.2015
A. EQUITY			
I. Subscribed capital	15	7,060,902.00	6,995,182.00
II. Capital reserves	15, 16	94,810,944.46	92,769,312.66
III. Other reserves	13, 15	1,147,161.06	5,868.77
IV. Profit / loss for the period and losses carried forward	15	4,851,179.83	-6,543,888.23
Equity, total		107,870,187.35	93,226,475.20
B. NON-CURRENT LIABILITIES			
I. Provisions	16, 20	1,503,549.71	1,780,232.32
II. Deferred tax liabilities	8	689,068.25	0.00
III. Finance lease liabilities	28	10,948,431.91	0.00
Non-current liabilities, total		13,141,049.87	1,780,232.32
C. CURRENT LIABILITIES			
I. Accounts payable	17	46,987,788.05	35,266,274.27
II. Derivative financial instruments	13	0.00	526,561.75
III. Other current liabilities	19	22,861,443.11	23,370,191.04
IV. Tax liabilities	8	4,086,935.55	693,616.79
V. Finance lease liabilities	28	2,151,426.24	0.00
VI. Provisions	20	8,051,104.12	8,385,853.93
VII. Deferred income	21	2,425,148.32	2,044,159.40
Current liabilities, total		86,563,845.39	70,286,657.18
		207,575,082.61	165,293,364.70

Consolidated statement of comprehensive income from January 1 to December 31, 2016 according to IFRS

in EUR	Note no.	2016	2015
Sales	22	908,609,838.48	711,305,948.26
Other income	23	43,355,486.31	31,345,384.43
Cost of materials		-681,631,589.07	-518,216,525.89
Personnel costs	24	-29,111,482.67	-25,002,638.67
of which cash		(-28,470,070.87)	(-24,421,794.95)
of which stock-based and non-cash	16	(-641,411.80)	(-580,843.72)
Depreciation and amortization	5, 6	-1,616,967.85	-2,590,737.62
Other expenses	25	-221,526,202.03	-184,008,572.56
of which logistics / fulfillment costs		(-175,988,814.15)	(-143,150,374.15)
of which marketing costs		(-12,823,168.20)	(-10,757,717.03)
of which payment transaction costs		(-9,583,571.71)	(-7,793,219.13)
of which other costs		(-23,130,647.96)	(-22,307,262.25)
Earnings before interest and taxes		18,079,083.18	12,832,857.95
Financial income	26	1,311.52	32,960.84
Financial expenses	26, 28	-213,441.12	-195,103.02
Earnings before taxes		17,866,953.58	12,670,715.77
Taxes on income	8	-6,471,885.52	-4,743,589.06
Consolidated net profit / loss		11,395,068.06	7,927,126.71
Other gains and losses (after taxes)			
Differences from currency translation	15	-448,820.11	-174,454.83
Hedge reserve	13, 15	1,590,112.40	-1,487,525.00
Items subsequently reclassified to profit or loss		1,141,292.29	-1,661,979.83
Total comprehensive income		12,536,360.35	6,265,146.88
Earnings per share			
basic	27	1.63	1.13
diluted	27	1.60	1.11

Consolidated statement of cash flows from January 1 to December 31, 2016 according to IFRS

in EUR	Note no.	2016	2015
Cash flows from operating activities			
Earnings before taxes		17,866,953.58	12,670,715.77
Adjustments for:			
Depreciation and amortization	5, 6	1,616,967.85	2,590,737.62
Non-cash personnel costs	16	641,411.80	580,843.72
Other non-cash business transactions or business transactions with payments relating to other periods	15	-448,820.11	-174,454.83
Interest paid	26	213,441.12	195,103.02
Interest received	26	-1,311.52	-32,960.84
Changes in:			
Inventories	9	-4,273,395.32	-9,476,893.49
Advance payments	10	-173,085.80	-924,965.14
Accounts receivable	11	-5,556,242.49	-1,570,838.87
Other current assets	12	-7,387,130.43	-5,141,158.92
Accounts payable	17	12,225,191.54	11,872,929.78
Other liabilities	19	-508,747.93	3,271,987.74
Provisions	20	-334,749.81	4,255,751.14
Non-current liabilities	20	-276,682.61	542,358.83
Deferred income	21	380,988.92	542,704.59
Income taxes paid		-1,442,429.45	-2,986,587.16
Interest received	26	1,311.52	32,960.84
Cash flows from operating activities		12,543,670.86	16,248,233.80
Cash flows from investing activities			
Payments for property, plant and equipment / intangible assets	5, 6	-3,620,940.04	-2,674,178.87
Cash flows from investing activities		-3,620,940.04	-2,674,178.87
Cash flows from financing activities			
Proceeds from capital increase	15	1,465,940.00	187,810.00
Payments for the redemption of finance lease liabilities	28	-503,677.76	0.00
Interest paid	26	-213,441.12	-195,103.02
Cash flows from financing activities		748,821.12	-7,293.02

(Continued on next page)

in EUR	Note no.	2016	2015
Currency effects on cash and cash equivalents		-278,679.32	-2,208.12
Net change of cash and cash equivalents		9,392,872.62	13,564,553.79
Cash and cash equivalents at the beginning of the period	14	45,530,788.75	31,966,234.96
Cash and cash equivalents at the end of the period		54,923,661.37	45,530,788.75
Composition of cash and cash equivalents at the end of the period			
Cash on hand, bank deposits		54,923,661.37	45,530,788.75
		54,923,661.37	45,530,788.75

Consolidated statement of changes in equity as of December 31, 2016 according to IFRS

in EUR	Subscribed capital	Capital reserves	Other reserves	Net profit / loss for the period and profit / loss carried forward	Total
As of January 1, 2016	6,995,182.00	92,769,312.66	5,868.77	-6,543,888.23	93,226,475.20
Increase from stock options	65,720.00	2,041,631.80	0.00	0.00	2,107,351.80
Currency translation differences	0.00	0.00	-448,820.11	0.00	-448,820.11
Net profit for 2016	0.00	0.00	0.00	11,395,068.06	11,395,068.06
Hedge reserve	0.00	0.00	1,590,112.40	0.00	1,590,112.40
As of December 31, 2016	7,060,902.00	94,810,944.46	1,147,161.06	4,851,179.83	107,870,187.35
As of January 1, 2015	6,984,450.00	92,011,390.94	1,667,848.60	-14,471,014.94	86,192,674.60
Increase from stock options	10,732.00	757,921.72	0.00	0.00	768,653.72
Currency translation differences	0.00	0.00	-174,454.83	0.00	-174,454.83
Net profit for 2015	0.00	0.00	0.00	7,927,126.71	7,927,126.71
Hedge reserve	0.00	0.00	-1,487,525.00	0.00	-1,487,525.00
As of December 31, 2015	6,995,182.00	92,769,312.66	5,868.77	-6,543,888.23	93,226,475.20



Notes to the consolidated financial statements	88
Declaration of the legal representatives	138
Auditors' opinion	139
Imprint	140

Notes

Notes to the consolidated financial statements

as of December 31, 2016, according to International Financial Reporting Standards (IFRS)

1. General information

zooplus AG (the "company") is a stock corporation with limited liability as defined under German law, whose shares have been publicly traded since 2008. The company's principal corporate offices are located at Sonnenstrasse 15, 80331 Munich, Germany.

zooplus AG and its subsidiaries, together are referred to as "the Group," are active in the online retailing of pet supplies in Germany and other European countries. Pet supplies are generally defined as food and accessories. The company's business operations are carried out via the company's websites.

The consolidated financial statements and group management report as of December 31, 2016 were prepared in accordance with Section 315a (1) HGB and are submitted to and published in the electronic version of the German Federal Gazette (Bundesanzeiger).

The Management Board prepared the consolidated financial statements as of March 16, 2017 and in doing so approved them for publication as defined under IAS 10. The company's Annual General Meeting has the option to change the consolidated financial statements.

2. Summary of key accounting and valuation methods

The key accounting and valuation methods applied in preparing these consolidated financial statements are described below. These methods have been consistently applied to the reporting periods presented unless stated otherwise.

2.1 Basis of preparation

zooplus AG is a parent company as defined by Section 290 HGB. Because zooplus AG has issued equity instruments on the capital market, it is required under Section 315a (1) HGB in conjunction with Article 4 of the Regulation of the European Parliament dated July 19, 2002 to prepare the company's consolidated financial statements according to the International Financial Reporting Standards (EU IFRS) as adopted by the EU. These consolidated financial statements for the 2016 financial year have been prepared in accordance with these IFRSs and interpretations of the IFRSIC.

The consolidated financial statements have been prepared on a historical cost basis, except in the case of financial assets and financial liabilities (including derivative instruments) which are measured at fair value through profit or loss. The consolidated financial statements have been prepared using the euro (EUR), which serves both as the functional and reporting currency. The functional currency of the subsidiaries may differ depending on the business environment. Unless otherwise indicated, all amounts are expressed in whole amounts in euro thousands in accordance with commercial rounding practices. The financial year for all Group companies is the calendar year.

Balance sheet items are grouped together according to the maturity of the assets and liabilities. Assets that are to be sold, exhausted in the ordinary course of business, or settled within twelve months are classified as current. Liabilities to be settled within twelve months after the balance sheet date are classified as current.

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

Preparing consolidated financial statements that are consistent with IFRS requires the use of estimates. In addition, when applying company-wide accounting and valuation methods, management is required to make judgments. The areas involving a greater margin of judgment or higher complexity, or areas where assumptions and estimates are critically important to the consolidated financial statements are disclosed in Note 4 "Significant Estimates and Accounting Judgments."

2.1.1 Amendments to the accounting and valuation methods and disclosures

The following table lists the mandatory new or revised standards and interpretations for this financial year and their impact on the Group:

Standard	Interpretation	Mandatory application	Effect
IAS 19	Amendments to IAS 19 Employee Benefits	Feb. 1, 2015	None
IAS 16 and IAS 41	Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants	Jan. 1, 2016	None
IFRS 11	Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	None
IAS 16 and IAS 38	Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization	Jan. 1, 2016	None
IFRS 11	Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative	Jan. 1, 2016	None
IAS 1	Annual Improvements to IFRSs (2012-2014 cycle)	Jan. 1, 2016	None
IAS 27	Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements	Jan. 1, 2016	None
IAS 39	Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception	Jan. 1, 2016	None

New standards and interpretations that will come into force only in later reporting periods were not applied early by zooplus AG. The following table lists published standards and interpretations applicable only to financial years commencing after January 1, 2016:

Standard	Interpretation	Mandatory application	Anticipated effect
IFRS 15	Revenue from Contracts with Customers incl. change in the date of first-time application (IFRS 15 supersedes all current standards and interpretations for revenue recognition, in particular IAS 18 Revenue and IAS 11 Construction Contracts.) IFRS 15 is based on the principle that revenue is to be recognized at the point in time when the control over the goods or services is transferred to the customer. The standard can be applied either entirely retrospectively or on the basis of a modified retrospective approach.)	Jan. 1, 2018	The effects of the new standard for the zooplus Group cannot yet be estimated. zooplus will provide information on the effect in the coming twelve months.
IFRS 9	Financial Instruments (IFRS 9 includes the classification, measurement and derecognition of financial assets and financial liabilities as well as new regulations in the area of hedge accounting, impairment of financial assets, extension of hedge accounting designation, simplified effectiveness checks and the extension of the disclosures in the notes).	Jan. 1, 2018	The effects of the new standard for the zooplus Group cannot yet be estimated. zooplus will provide information on the effect in the coming twelve months.
IAS 7	Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative	Jan. 1, 2017	Preparation of a reconciliation statement for liabilities from financing activities; disclosure of information on liquidity restrictions
IAS 12	Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 1, 2017	None
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts With Customers	Jan. 1, 2018	None
IAS 40	Amendments to IAS 40 – Investment Properties – Transfers of investment properties	Jan. 1, 2018	None
IFRS 2	Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions	Jan. 1, 2018	The effects of the new standard for the zooplus Group cannot yet be estimated. zooplus will provide information on the effect in the coming twelve months..
IFRS 16	Leases (IFRS 16 leads to the elimination of the classification in finance and operating leases for lessees and, in principle, to the recognition of all leases in the form of a right of use and a lease liability) except for short-term leases and the leasing of low-value assets. The new standard applies essentially to the recognition of operating leases).	Jan. 1, 2019	As of the reporting date, the zooplus Group had non-cancellable operating lease obligations of EUR 45 m (see Note 28). The effect of the recognition of rights of use and leasing liabilities and the effect on earnings and cash flows cannot yet be estimated. In addition, existing leases may be subject to exemption provisions or will no longer be classified as leases as defined by IFRS 16.

IFRS	Annual Improvements to IFRSs (2012-2014 cycle)	Amendments to IFRS 12: Jan. 1, 2017; Amendments to IFRS 1 and IAS 28: Jan. 1, 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018	None
IFRS 4	Amendments to IFRS 4 Insurance Contracts – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4	Jan. 1, 2018	None
IFRS 10 und IAS 28	Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed to a date still to be determined by the IASB	None
IFRS 14	Regulatory Deferral Accounts	Jan. 1, 2016	None

2.2 Scope of consolidation

The Group's scope of fully consolidated companies comprised zooplus AG and the following subsidiaries:

Subsidiary	Interest in share capital	Share of equity (IFRS) in kEUR	Business activity
MATINA GmbH, Munich, Germany	100%	1,294	Private label business
BITIBA GmbH, Munich, Germany	100%	209	Secondary brand business
zooplus services Ltd., Oxford, Great Britain	100%	903	Service company for Great Britain
zooplus italia s.r.l., Genoa, Italy	100%	83	Service company for Italy
zooplus polska Sp. z o.o., Krakow, Poland	100%	168	Service company for Poland
zooplus services ESP S.L., Madrid, Spain	100%	119	Service company for Spain
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100%	2,790	Sales company for Turkey
zooplus france s.a.r.l., Strasbourg, France	100%	254	Service company for France
zooplus Nederland B.V. Tilburg, the Netherlands	100%	19	Service company for the Netherlands

The consolidated financial statements as of December 31, 2016 included for the first time the wholly owned subsidiary zooplus Nederland B.V., Tilburg, the Netherlands, with a share capital of kEUR 10 and founded in November 2012. The company commenced operating activities in the 2016 financial year.

The following companies are not included in the consolidated financial statements:

- the wholly owned subsidiary zooplus EE TOV, Kiev, Ukraine, founded in the second quarter of 2011, with share capital of kEUR 10
- the wholly owned subsidiary zooplus d.o.o., Zagreb, Croatia, founded in February 2013, with share capital of kEUR 3
- the wholly owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013, with share capital of kEUR 25

These three companies did not conduct any business activities during the financial year and were not included in the consolidated financial statements because of their minor importance.

2.3 Consolidation methods

Subsidiaries are all entities whose financial and business decisions can be influenced by the Group. The Group controls a subsidiary when it is exposed to risk through variable economic returns or has rights to these variable returns based on its involvement with the subsidiary and when the Group has the ability to exert power over a subsidiary in such a manner that it influences the subsidiary's returns. Subsidiaries are included in the consolidated financial statements (full consolidation) from the point in time control has been transferred to the Group. Subsidiaries are no longer consolidated from the point in time when this control ends. Any gains / losses from deconsolidation are recognized in the consolidated statement of comprehensive income.

Purchased subsidiaries are accounted for using the purchase method. The consideration transferred for the purchase is equivalent to the fair value of the assets transferred, the equity instruments issued, and the liabilities incurred and / or assumed at the time of the acquisition. The consideration also contains the fair value of any recognized assets or liabilities that resulted from a contingent consideration agreement. Under a business combination, the identifiable assets, liabilities and contingent liabilities are measured at their fair value at the time of purchase upon initial consolidation. For each company acquisition, the Group decides on an individual basis whether the non-controlling interests of the purchased company are recognized at fair value or based on the proportional interest in the purchased company's net assets. Acquisition-related costs, if incurred, are recognized as an expense.

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

Any contingent consideration is measured at fair value on the acquisition date. Subsequent changes to the fair value of a contingent consideration that is classified as an asset or liability are measured in accordance with IAS 39 and the resulting profit or loss recognized either in profit or loss or other comprehensive income. A contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized in equity.

If the sum of the transferred consideration for the purchase, the amount of the non-controlling interests of the purchased company and the fair value of any previously held equity interests exceed the Group's interest in the fair value of the net assets as of the purchase date, this difference is recognized as goodwill. If the acquisition costs are lower than the fair value of the purchased subsidiary's net assets, the difference is recognized directly in the income statement.

No subsidiaries were purchased or sold in the 2016 financial year.

Group-internal transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated. The accounting and valuation methods of subsidiaries were changed when necessary to ensure uniform accounting practices throughout the Group.

2.4 Segment reporting

An operating segment under IFRS 8 is defined as a component of an entity that engages in business activities from which it can earn income and incur expenses, whose operating results are reviewed regularly by the company's chief operating decision-maker (the Management Board) to make decisions concerning the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The zooplus Group's business activities comprise the sales and distribution of pet supplies. The products offered are homogenous in themselves and cannot be sub-divided. As an e-commerce retailer, the Group offers its products on the Internet regardless of the customer's geographic location. All key corporate processes are defined on a pan-European basis. Suppliers, brands and price structures apply European-wide and are the reason the Management Board controls the company based on key figures for the business as a whole. The Group does not prepare segment reporting because the business is not split into segments.

No individual customer accounts for more than 10% of overall sales.

The breakdown of sales by country and product group is described in Note 22. The Group's key non-current assets are all held in their entirety by zooplus AG in Germany.

2.5 Foreign currency translation

2.5.1 Functional currency and reporting currency

The items contained in the financial statements of each Group company are measured using the currency that represents the currency of the primary business environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, which is also the reporting currency of zooplus AG.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the time of the transaction or in the case of revaluations, at the time of valuation. Gains and losses resulting from these transactions and the translation of foreign currency-denominated monetary assets and liabilities are recognized in the income statement unless they are to be recognized in equity as qualified cash flow hedges and qualified net investment hedges. There were no net investment hedges in the 2016 financial year.

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

2.5.3 Group companies

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

- For each balance sheet date, assets and liabilities are translated using the exchange rate on the reporting date.
- Income and expenses are translated at average exchange rates in the income statement unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the date of the transactions.
- All resulting translation differences are recognized as a separate item in "other reserves" under equity.
- Goodwill and adjustments to fair value arising from the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and translated at the current exchange rate on the balance sheet date. All resulting translation differences are recognized in equity.

2.6 Property, plant and equipment

The majority of property, plant and equipment consists of operating and office equipment, hardware and leasehold improvements. Property, plant and equipment is carried at cost less cumulative scheduled depreciation and/or cumulative impairment losses. The acquisition and production costs of property, plant and equipment consist of expenses directly attributable to the acquisition that are incurred to bring the asset into an operational state. Reductions in the purchase price such as rebates, bonuses and early payment discounts are deducted from the purchase price.

Subsequent acquisition and production costs are only recognized as part of the asset's acquisition / production costs or, if relevant, as a separate asset when it appears likely that the Group will retain an economic benefit from the asset in the future and the asset's costs can be reliably determined. All ongoing repair and maintenance costs are recognized through profit or loss in the period they are incurred.

Acquisition and production costs do not include any borrowing costs because borrowing costs that can be capitalized under IAS 23 were not incurred. Advance payments for property, plant and equipment not yet delivered or accepted are recognized under property, plant and equipment.

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

- | | |
|----------------------------------|------------|
| • Operating and office equipment | 3–10 years |
| • Hardware | 3–7 years |
| • Leasehold improvements | 5–8 years |

Both residual carrying amounts and useful lives are reviewed at each balance sheet date and adjusted when necessary. In accordance with IAS 36, an asset's carrying amount is impaired as soon as the carrying amount exceeds the asset's recoverable amount.

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

2.7 Intangible assets

2.7.1 Software licenses

Purchased software licenses are capitalized on the basis of the acquisition costs incurred upon purchase and the expenses for preparing the software for its intended use. These costs are amortized on a straight-line basis over an estimated useful life of 3 to 5 years. In subsequent years, software licenses are measured at acquisition cost less accumulated amortization and impairment.

2.7.2 Proprietary software

Expenses for internally generated intangible assets are recognized through profit and loss in the period they were incurred, with the exception of development costs that can be capitalized. Development costs from individual projects are only capitalized as intangible assets when the following criteria have been met:

- Completion of the software product is technically feasible.
- Management has the intention and ability to use or sell the software product.
- It can be shown that the software product will likely provide a future economic benefit.
- Sufficient technical, financial and other resources are available to complete development and use or sell the software product.
- The expenses attributable to the software product during its development can be assessed reliably.

The costs directly attributable to the software product include the personnel costs for the employees involved in the development and a reasonable portion of the corresponding overhead costs.

Development expenses that do not fulfill these criteria are recognized as expenses in the period they are incurred. Development costs already recognized as expenses will not be capitalized in a subsequent period.

Capitalized software development costs are amortized using the straight-line method over the software's estimated useful life (maximum of three years).

2.8 Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not subject to scheduled depreciation or amortization; instead, they are tested annually for impairment. Assets subject to scheduled depreciation or amortization are tested for impairment when relevant events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of either the fair value less sales costs or the value in use. To conduct the impairment test, assets are pooled at the lowest level at which cash flows can be identified separately (CGUs). Non-monetary assets, except for goodwill, for which impairment losses were recognized in the past, are assessed at each balance sheet date to determine whether a reversal of the impairment up to the amortized cost is required.

2.9 Financial assets

2.9.1 Classification

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

2.9.1.1 Assets measured at fair value through profit or loss

Assets measured at fair value through profit or loss are financial assets held for trading purposes. A financial asset is allocated to this category when it was primarily purchased for the purpose of selling it in the near term. Derivatives are also allocated to this category unless they qualify as hedges. Assets in this category are reported as current assets if the realization of the asset is expected within twelve months. All other assets are classified as non-current. In the financial years 2015 and 2016, there were no financial assets in this category.

2.9.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments that are not traded in an active market. They are classified as current assets when their maturity is no longer than twelve months after the balance sheet date. If their maturity is longer than twelve months after the balance sheet date, they are recognized as non-current assets. The Group's loans and receivables are recorded in the balance sheet under "Accounts receivable and other receivables" (Note 2.14).

2.9.1.3 Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial assets either allocated to this category or no other category presented. Financial assets available-for-sale are allocated to non-current assets when management does not intend to sell them within twelve months after the balance sheet date and the asset does not mature within this period. In the financial years 2015 and 2016, other non-current financial assets were allocated to this category.

2.9.2 Recognition and measurement

Regular purchases or sales of financial assets are recognized on the trading day that the Group committed to the asset's purchase or sale. Financial assets that do not belong to the category "Measured at fair value through profit or loss" are initially recognized at their fair value plus transaction costs. Financial assets that belong to this category are initially recognized at their fair value; corresponding transaction costs are recognized in profit or loss. Financial assets are derecognized when the rights to payments from the financial assets have expired or have been transferred, and the Group has transferred principally all risks and opportunities related to the ownership. Financial assets available-for-sale and assets under the category "Measured at fair value through profit or loss" are subsequently measured at their fair value. Loans and receivables are carried at amortized cost by applying the effective interest method.

Gains and losses from financial assets "Measured at fair value through profit or loss" are recognized in profit or loss in the period they occurred. Dividend income from financial assets "Measured at fair value through profit or loss" is recognized in profit or loss when the Group's legal right to receive dividends is established.

Changes in the fair value of monetary and non-monetary securities denominated in a foreign currency and classified as available-for-sale are broken down into translation differences from changes in the amortized acquisition costs recognized through profit or loss and other changes in the carrying amount recognized directly in equity. The translation differences from monetary securities are recognized in profit or loss, while translation differences from non-monetary securities are recorded in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recorded in other comprehensive income.

If available-for-sale securities are sold or subject to impairment, the accumulated changes in fair value previously recognized in equity are to be recognized through profit or loss as "Gains / losses from securities."

2.10 Offsetting of financial instruments

Financial assets and liabilities are only offset and recognized on the balance sheet as a net amount when there is a legal right to offset, and the intention is to either settle on a net basis or settle the associated liability with the simultaneous sale of the asset in question.

2.11 Impairment of financial instruments

2.11.1 Assets measured at amortized cost

At each balance sheet date, the company assesses whether there is objective evidence showing the impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is impaired only when the occurrence of one or more events after the asset's initial recognition ("loss event") gives an objective indication of an impairment and that this loss event (or loss events) has a reasonably estimable effect on the expected future cash flows of the financial asset or the group of financial assets.

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

In the category "Loans and receivables," the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows (except future, pending credit defaults) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the impairment loss is recognized in profit or loss. If a loan is a receivable with a variable interest rate, the discount rate used for measuring the impairment loss corresponds with the current effective interest rate determined in the contract. For practical reasons, the Group measures the impairment of a financial asset recognized at amortized cost based on the financial instrument's fair value using an observable market price.

If the amount of the impairment decreases in a subsequent period and this reduction results from circumstances that have occurred after the impairment's initial recognition (for example due to a better rating), the reversal is recognized in profit or loss.

2.11.2 Assets classified as available-for-sale

At each balance sheet date, the company assesses whether there is objective evidence showing the impairment of a financial asset or a group of financial assets. In the case of debt instruments, the criteria listed under 2.11.1 are used to make this assessment. In the case of equity instruments classified as financial assets available-for-sale, a substantial or persistent decline in the fair value to a level below the acquisition cost of these equity instruments is seen as an indicator that the equity instruments are impaired. If an indication of this type exists for available-for-sale assets, the accumulated loss measured as the difference between the acquisition costs and the current fair value less impairment losses previously recognized for the financial asset in question is derecognized from equity and recognized in the income statement. Impairment losses on equity instruments once recognized in the income statement are not reversed in profit or loss. If the fair value of a debt instrument classified as an available-for-sale financial asset increases in a subsequent period and this increase results from circumstances occurring after the initial recognition of the impairment, the impairment is reversed in profit or loss.

2.12 Derivative financial instruments and hedging

For their initial measurement, derivative financial instruments are measured at the fair value attributable to these instruments on the date of entering the contract. Subsequent measurement is based on the fair value applicable on the respective balance sheet date. The method of recognizing gains and losses depends on whether the derivative financial instrument was designated as a hedging instrument and, if so, on the type of item hedged. The Group designates certain derivative financial instruments for hedging based on either

- the fair value of a recognized asset, liability or firm off-balance-sheet commitment (fair value hedge);
- specific risks of fluctuating cash flows (cash flow hedge) that are related to a recognized asset, liability, or an expected and highly probable future transaction; or
- a net investment in a foreign operation (net investment hedge).

There were no fair value hedges or net investment hedges in the 2016 financial year.

When executing a transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the target of its risk management, and the underlying strategy when executing hedging transactions. At the inception of the hedging relationship and thereafter, assessments are recorded to determine whether the derivatives used in the hedging relationship effectively enough offset the changes in the fair value or the cash flows of the underlying transactions.

The fair values of the various derivative financial instruments used for hedging purposes and the changes in the reserves for cash flow hedges are outlined in the information on derivative financial instruments in Note 13.

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

Cash flow hedges

The effective portion of changes to the fair value of derivatives whose cash flow should be hedged and that qualify as a cash flow hedges is recognized in other comprehensive income. The ineffective portion of such changes in value, however, is recognized directly in the income statement under "Other income / expenses."

Amounts accrued in equity are reclassified to the income statement and reported as either income or expense in the period the underlying hedged transaction is reported in profit or loss (e.g., the point in time the hedged future sale occurs). However, if a hedged future transaction results in the recognition of a non-financial asset (e.g., inventories or property, plant and equipment) or non-financial liability, then the gains and losses previously recognized in equity are included in the initial measurement of the acquisition or production cost of the asset or liability. In the case of inventories, the deferred amounts are ultimately recognized in cost of materials and, in the case of property, plant and equipment, in depreciation / amortization.

When a hedging agreement expires, is sold or no longer meets the criteria for hedge accounting, the gain or loss accumulated in equity until that time remains in equity and is only recognized through profit or loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to occur, the gains and losses recognized in equity are to be immediately reclassified to the income statement.

2.13 Inventories

Raw materials, consumables and supplies and merchandise purchased are measured at the lower of acquisition costs and net realizable value. Acquisition costs consist of the purchase price plus incidental purchase costs less any purchase price reductions. Acquisition costs do not contain any borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business less the necessary variable selling costs. The acquisition costs for inventories also contain gains and losses from qualified cash flow hedges transferred from equity that relate to purchases of raw materials. The average cost method is used to measure the value of inventories.

2.14 Accounts receivable

Accounts receivable are amounts due from merchandise sold and services provided during the ordinary course of business. If the estimated payment is expected to be received within one year or less, the receivable is classified as a current receivable; otherwise, it is recognized as a non-current receivable.

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any impairment. An impairment of accounts receivable is recognized when there are objective indications that the amounts receivable due cannot be collected in full (e.g., due to payment delays, customer insolvency). Impairments of accounts receivable are recognized through a separate allowance account. These impairments are derecognized at the same time as the corresponding impaired receivable.

The carrying amounts of the accounts receivable generally correspond with their market values including any impairment due to their short-term nature.

2.15 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, demand deposits, other highly liquid current financial assets with original maximum terms of three months, and overdrafts. Utilized overdrafts are reported on the balance sheet as "Liabilities to banks" under current financial liabilities.

2.16 Equity

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

If the Group acquires its own shares, these shares are recorded at acquisition cost and deducted from equity. The purchase, sale, issue or withdrawal of own shares is recognized directly in equity. Any differences between the carrying amount and the consideration provided are recorded under other capital reserves. The Group did not hold treasury shares during the financial year.

2.17 Accounts payable and other liabilities

Financial liabilities are divided into the following categories:

Financial liabilities measured at fair value through profit or loss:

Liabilities measured at fair value through profit or loss are financial liabilities held for trading purposes. A financial liability is allocated to this category when it was incurred primarily with the intent of being settled in the short term. Derivatives are also classified under this category unless they qualify as hedges. Liabilities in this category are reported as current liabilities if the liability's settlement is expected within twelve months. All other liabilities are classified as non-current. In the financial years 2015 and 2016, there were no financial liabilities allocated to this category.

Financial liabilities measured at amortized cost (FLAC); including accounts payable and other liabilities:

Accounts payable are payment obligations for goods and services purchased in the ordinary course of business. The liabilities are classified as current liabilities if the payment obligation is due within one year or less; otherwise, they are recognized as a non-current liabilities. Accounts payable and other liabilities are measured at their fair value upon initial recognition. In subsequent periods, they are measured at amortized costs by applying the effective interest method.

"Derivatives designated as hedging instruments and effective as such" are not assigned to a category in accordance with IAS 39.

2.18 Financial liabilities

Loans are classified as current liabilities when the Group does not have the unconditional right to settle the liability at least twelve months after the balance sheet date. A loan is initially recognized at fair value less transaction costs and measured at amortized cost using the effective interest method in subsequent periods.

2.19 Borrowing costs

Borrowing costs that can be allocated directly to the purchase, construction, or production of a qualified asset are capitalized as part of the asset's acquisition or production cost until the majority of work necessary to prepare the asset for its intended use or sale is completed. A qualified asset is an asset that requires a substantial amount of time until it is rendered usable or saleable.

To determine the amount of a period's borrowing costs that are eligible for capitalization, the investment income earned from financial investments and temporarily invested until the qualified asset is in use is deducted from the borrowing costs incurred. Other borrowing costs are recognized as expenses in the period they are incurred.

No capitalized borrowing costs currently exist.

2.20 Current and deferred taxes

The period's tax expenses consist of both current and deferred taxes. Taxes are recognized on the income statement unless they relate to items recorded directly in equity or other comprehensive income. In this case, taxes are also recognized in equity or other comprehensive income.

Current tax expenses are calculated in accordance with the tax laws applicable on the balance sheet date (or due to come into force) in the countries where the subsidiaries are operating and generating taxable income. Management routinely reviews tax declarations – particularly with respect to matters with room for interpretation – and, when appropriate, recognizes provisions based on the amounts expected to be paid to the fiscal administration.

Deferred taxes are to be recognized for all temporary differences between the assets' or liabilities' tax base and their carrying amounts in the IFRS consolidated financial statements, and for losses carried forward (the "liability method"). However, deferred taxes are not recognized – neither at the date of initial recognition or thereafter – if deferred taxes arise from the initial recognition of an asset or liability in the context of a transaction that is not a business combination and the deferred taxes have no effect on the profit and loss under IFRS or tax law at the time of the transaction.

Deferred tax assets are only recognized to the extent that it is likely that taxable profits will be generated that can be used against temporary differences or to offset deferred tax liabilities.

Deferred tax liabilities and assets arising from temporary differences related to interests in subsidiaries are recognized unless the timing for reversing temporary differences can be specified by the Group, and because of the Group's influence it is likely that these differences will not be reversed in the foreseeable future.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so and the deferred tax assets and liabilities relate to income taxes that are imposed by the same tax authority for either the same taxable entity or different taxable entities that intend to settle on a net basis.

The expected probable tax payment is considered the best estimation of recognized uncertain income tax positions.

2.21 Employee benefits

2.21.1 Termination benefits

Benefits from the termination of the employment relationship are paid if the employment contract is terminated by a Group company before the employee reaches customary retirement age or when the employee voluntarily terminates the employment contract in exchange for compensation. The Group recognizes severance payments when it can be proven that the Group is obligated to terminate the employment relationship with current employees under a detailed formal plan that cannot be reversed, or when it can be proven that the Group is obligated to pay compensation to employees who terminate the employment relationship voluntarily. Benefits due more than twelve months after the balance sheet date are discounted to their present value.

2.21.2 Bonus plans

Bonus payments are recognized as a liability or an expense based on a measurement method. A provision is recognized in the consolidated financial statements in cases involving a contractual obligation or when a de facto obligation is created due to past business practices.

2.21.3 Share-based remuneration

Some of Group's employees and Management Board receive share-based remuneration in the form of equity instruments or cash.

The expenses related to granting equity instruments are measured at the instrument's fair value on the grant date. The fair value is identified using a suitable option price model. The measurement considers the conditions linked to zooplus AG's share price ("market conditions") and, if any, performance-related conditions for exercising the option.

Expenses related to the granting of equity instruments are recognized with a simultaneous corresponding increase in equity over the period in which the performance and / or exercise conditions are fulfilled. This period ends at the point in time the employee has an irrevocable right to exercise the option. At each reporting date up to the time when the option may first be exercised, the accumulated expenses from granting equity instruments reflect the elapsed portion

of the vesting period and the Group's best estimate of the number of equity instruments that will ultimately become vested. The amount recognized in the income statement as income or an expense reflects the development of the accumulated expenses at the beginning and end of the reporting period.

For cash-settled transactions, the Group's liability resulting from the rendering of services is recognized at its fair value through profit or loss on the date the service is provided by the beneficiary. The fair value is calculated using a suitable option price model. The measurement considers the conditions linked to zooplus AG's share price ("market conditions") and performance-related conditions for exercising the option, if any. Until the liability has been settled, the fair value of the liability is remeasured at each reporting date, and all changes in the fair value are recognized through profit or loss.

There are no expenses recognized for remuneration rights that cannot be exercised. This does not apply to transactions settled using equity instruments for which specific market or non-exercise conditions must be fulfilled. These equity instruments are considered exercisable if all other performance and service conditions have been met regardless of whether the market or non-exercise conditions have been fulfilled.

2.22 Provisions

Provisions are recognized when the Group (a) has a current legal or de facto obligation resulting from a past event, (b) it is more likely than not that the settlement of the obligation will adversely impact net assets, and (c) the amount of the provision can be reliably determined. Provisions are not recognized for future operating losses.

If several similar obligations exist, such as in the case of a legal warranty, the probability of an adverse impact on net assets is determined on the basis of the group of these obligations. A provision is also recognized when there is a low probability that net assets will be adversely impacted by a single obligation contained within this group.

Provisions are measured at the present value of the expected expenses based on a pre-tax interest rate that takes into account the market's current expectations of the interest rate effect and the risks specific to the liability. Increases in provisions resulting exclusively from accruing interest are recognized through profit or loss in the income statement as financial expenses.

2.23 Sales recognition

Sales are measured at the fair value of the consideration received or expected to be received. Sales are recognized when it is sufficiently likely that the economic benefits will accrue to the Group, and the amount of sales can be reliably determined. Income is recognized at the fair value of the consideration received less any bonuses and discounts granted, value-added taxes and other levies.

When goods are sold, sales are recognized when delivery has taken place, and the opportunities and risks have been transferred to the purchaser. Sales from the sale of goods are recognized at their net value, i.e., after deducting VAT, returns, early payments, customer discounts and rebates. Sale transactions usually include the right for the purchaser to return the goods within 14 days. Goods returned by customers are deducted from sales.

The Group operates its own loyalty program that gives customers an opportunity to collect bonus points with every purchase. Once a certain minimum number of points have been collected, the customer can redeem these points for products. The consideration received is split among the products sold and the bonus points awarded, whereby the consideration is allocated to its fair value according to the bonus points. The fair value of the bonus points is determined based on the sales price of the products offered as rewards. The fair value of the awarded bonus points is deferred and recognized as sales only when the bonus points have been redeemed.

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

In the case of services, sales are recognized at the point in time the service was provided. Services mainly concern bonuses, advertising subsidies and supplying advertising space.

The Group assessed its business relations to determine whether it acts as a principal or intermediary and concluded that it acts as the principal in all of its sales transactions.

2.24 Interest income

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

2.25 Leases

Leases where a significant portion of the opportunities and risks associated with ownership of the leased object remain with the lessor are classified as operating leases. Payments made under an operating lease (net amount after taking into account incentive payments and any other benefits the lessee receives from the lessor) are recognized in the income statement on a straight-line basis over the term of the lease.

Leasing contracts for property, plant and equipment in which the Group as a lessee carries the opportunities and risks associated with ownership of the leased asset are classified as finance leases. Assets from finance leases are capitalized at the beginning of the lease term at the lower of the fair value of the leased assets and the present value of the minimum lease payments. A leasing liability is recognized in the same amount.

Each leasing instalment is divided into interest and redemption portions. The net lease obligation is reported under current and non-current liabilities. The interest portion of the lease payment is recognized as an expense in the income statement, resulting in a constant interest expense over the lease term. The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the following two periods: the economic useful life of the asset or the term of the lease.

Finance leases existed for the first time in the 2016 financial year.

2.26 Business transactions after the balance sheet date

Business transactions that occurred prior to the balance sheet date but became known after the balance sheet date will be accounted for in the consolidated financial statements. Material business transactions that occurred after the balance sheet date are discussed in this Annual Report.

3. Financial risk management

3.1 Financial risk factors

The Group's business activities expose it to a variety of financial risks: market risks, credit risks, currency risk, interest rate risk and liquidity risks. The Group and its product range are in competition with other providers.

The Group's risk management focuses on managing the unpredictability of financial market developments and aims to minimize the potentially negative impact of these developments on the Group's financial situation. The Group uses derivative financial instruments to hedge itself against specific risks.

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

3.1.1 Market risk

3.1.1.1 Currency risk

The Group operates internationally making it subject to currency risk from changes in foreign currency exchange rates – mainly the US dollar, British pound, Czech koruna, Polish zloty, Swiss franc, Swedish krona and Danish krone. Risks related to the US dollar stem primarily from purchases made in Asia.

Currency risk arises from expected future transactions, recognized assets and liabilities. Management has put a guideline in place stipulating how currency risk should be managed in relation to the functional currency. The Group hedges foreign currency risk from expected future transactions and recognized assets and liabilities through forward exchange transactions entered into by the Group's finance department. The Group is increasingly trying to limit this currency risk by purchasing products locally in foreign currency regions. Exchange rate risk occurs when future business activities or assets or liabilities

are recognized in a different currency than the company's functional currency. The Group's risk management policy envisions hedging of between 0% and 70% of the transactions expected within the following twelve months (consisting mainly of export sales and inventory purchases). The expected sales and purchases to be carried out using hedging instruments correspond with the hedge accounting criteria of a "highly probable" forecast transaction.

IFRS 7 requires the use of sensitivity analyses when presenting market risks, with these analyses illustrating the effects of hypothetical changes to the relevant risk variables on the net profit/loss for the period and equity. The following representation is one-dimensional and does not take into account the feedback effects in international purchasing or on the manufacturers. Tax effects are also not considered. The table below shows the positive and negative effects if the euro were to gain or lose 10% of its value versus the other currencies presented assuming all other variables remain constant. The effects break down as follows:

Currency	Monetary Units of foreign currency per 1 Euro Rate as of December 31, 2016	Effect on consolidated net result at +10%	Effect on consolidated net result at -10%	Effect on other reserves at +10%	Effect on other reserves at -10%
		in kEUR	in kEUR	in kEUR	in kEUR
USD	1.0525	283	-346	-2,642	3,230
GBP	0.8522	-238	290	-1,910	2,334
PLN	4.4050	-191	234	0	0
CZK	27.0205	-12	15	0	0
DKK	7.4347	-30	37	0	0
CHF	1.0724	-44	54	0	0
SEK	9.5746	-36	45	0	0
TRY	3.7128	-19	23	0	0
HUF	309.8300	-9	10	0	0

Gains/losses from currency translation resulting from accounts payable and receivable denominated in a foreign currency effect the consolidated net result, whereby changes to the fair value of forward exchange transactions from effective cash flow hedges affect other reserves.

3.1.1.2 Interest rate risk

The Group currently uses only overdrafts and current money-market loans with variable interest rates. Interest rate risk arises when the current level of interest rates increases. No hedges are currently in place to protect against interest rate risk because the potential impact of this risk is considered minor. Therefore, interest rate sensitivity has not been stated. The company is not planning to assume financial liabilities in the 2017 financial year.

3.1.2 Credit risk

Credit risk is defined as the risk that a business partner will not be able to fulfill its obligations with respect to a financial instrument or customer contract and lead to a financial loss for the Group. The maximum scope of the zooplus Group's credit risk is equivalent to the total carrying amounts of accounts receivable and other receivables. There is no credit concentration risk.

Credit limits are set for all customers based on internal risk classification characteristics. Outstanding customer receivables are monitored regularly. To reduce credit risk, impairments are made based on past experience in accordance with maturity ranges. Receivables are impaired when a debt collection agency has been unable to collect the debt, a customer has filed personal insolvency, or as a result of the statute of limitations. Accounts receivable are sold after the debt recovery processes is completed. After the sale, the Group no longer retains the related risks and opportunities.

For the Group's other financial assets, such as cash and cash equivalents, the maximum credit risk corresponds to the carrying amount of the assets if the counterparty defaults.

3.1.3 Liquidity risk

The Group uses liquidity planning to continuously monitor the risk of liquidity bottlenecks. Liquidity planning takes into account cash inflows and outflows from financial assets and anticipated incoming payments generated from the operating business. Cash flow forecasts are created at the level of the individual companies and compiled at the Group level.

The Group aims to maintain a balance between continuously covering its liquidity requirements and ensuring the Group's flexibility through the use of overdrafts and loans. At times, zooplus employs cross-national cash pooling techniques for effectively managing liquidity within the Group. Any short-term liquidity bottlenecks are offset using overdrafts, if necessary. At the time of preparing these consolidated financial statements, there were unused lines of credit of EUR 40 m available at two independently operating banks. In addition, the Group has access to sufficient liquid funds and, therefore, does not currently have any liquidity risk.

The following table shows the Group's financial liabilities and derivative financial liabilities grouped by maturity based on the remaining terms as of the balance sheet date and the contractually agreed cash flows.

in kEUR	Up to 3 months	Up to 1 year	Over 1 year
As of December 31, 2016			
Finance lease liabilities	517	1,635	10,948
Accounts payable	46,988	0	0
Other liabilities (financial instruments pursuant to IFRS 7)	4,474	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	0	0	0
Cash inflow	0	0	0
As of December 31, 2015			
Finance lease liabilities	0	0	0
Accounts payable	35,266	0	0
Other liabilities (financial instruments pursuant to IFRS 7)	3,841	0	0
Derivative financial instruments (gross settlement)			
Cash outflow	9,453	8,487	0
Cash inflow	9,439	8,480	0

3.2 Capital management

The Group's main goals with respect to capital management are to maintain and ensure an optimal capital structure to reduce capital costs, generate liquidity, actively manage working capital and comply with financial covenants.

The company is not subject to any statutory capital requirements. External minimum capital requirements are maintained in accordance with Section 92 AktG, and compliance with these requirements is reviewed during the preparation of the annual and interim financial statements. These external minimum capital requirements have been complied with in the 2016 financial year.

The Group manages its capital structure based on the equity ratio and makes adjustments when necessary, taking any changes in the underlying economic conditions into account. The equity ratio reached 56% in the 2015 financial year. The Group had expected this ratio in the range of 40% to 60% in 2016 and as of December 31, 2016 reported an equity ratio of 52%.

in kEUR	2016	2015
Equity	107,870	93,226
Total equity and liabilities	207,575	165,293
Equity ratio in %	52%	56%

3.3 Determination of fair value

The following table shows financial instruments measured at fair value broken down according to the levels of the fair value hierarchy. The different levels are defined as follows:

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

The following table shows the assets and liabilities measured at their fair value as of December 31, 2016.

in kEUR	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments used as hedging instruments	0	2,455	0
Liabilities			
Derivative financial instruments used as hedging instruments	0	0	0

The following table shows the assets and liabilities measured at their fair value as of December 31, 2015.

in kEUR	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments used as hedging instruments	0	609	0
Liabilities			
Derivative financial instruments used as hedging instruments	0	527	0

There were no reclassifications within the respective levels during the reporting period. The reclassification of items is carried out on a quarterly basis when circumstances arise that require a change in classification.

The fair value of financial instruments that are traded on an active market is based on the quoted market price on the balance sheet date. A market is considered active if quoted prices are easily and regularly available on a stock exchange or from a dealer, broker, industry group, pricing service or regulatory authority, and these prices represent current and regular market transactions on an arm's length basis. The appropriate quoted market price for assets held by the Group corresponds to the bid price offered by the buyer.

The fair value of financial instruments not traded on an active market (e.g., over-the-counter derivatives) is determined using valuation methods. Fair value is determined using a valuation method that relies as much as possible on market data and as little as possible on company-specific data. If all data required to determine the fair value are observable, the instrument is assigned to Level 2. If one or more important pieces of data are not based on observable market data, the instrument is assigned to Level 3.

Specific valuation methods used to measure financial instruments include, among, others, net present value models based on market data applicable on the reporting date.

4. Significant estimates and accounting judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that directly impact the amount of income, expenses, assets and liabilities on the balance sheet date, and the disclosure of contingent liabilities. However, the uncertainties associated with these assumptions and estimates could lead to results that may substantially affect the carrying amounts of the aforementioned items in future periods. Compared to the previous year, no changes were made to the assumptions or estimates.

Discussed below are the most important forward-looking assumptions and other key sources of estimation uncertainty that existed as of the balance sheet date and result in the risk that a material adjustment will have to be made to the carrying amounts of assets and liabilities during the next financial year.

Accounts receivable

The company uses the maturity ranges of the age structure to determine impairments on accounts receivable. The overdue maturity ranges are impaired by a percentage between 10% and 100% based on past experience.

As of December 31, 2016 and December 31, 2015, impairments for accounts receivable totaled EUR 3.1 m and EUR 3.5 m, respectively. The assumptions and methods applied for the estimation are described under Note 11.

Loyalty program

Various estimates are used to measure the obligations from the loyalty program. In accordance with IFRIC 13 "Customer Loyalty Programs", the fair value of the awarded but not yet redeemed bonus points is deferred. The fair value of a bonus point is determined using the sales prices of the various products offered as rewards. The fair value of bonus points no longer expected to be used is not deferred. To estimate the quantity of bonus points unlikely to be redeemed in the future the company uses the historically observed redemption and forfeiture rates and the loyalty program's current conditions for participation. Assumptions and methods applied for estimating the measurement of the loyalty program are presented under Note 20.

Share-based remuneration

The costs arising as a result of granting equity instruments and from cash-settled share-based payments to employees and the Management Board are measured at the fair value of the granted instruments on the grant date. To estimate the fair value of share-based payments, the most suitable measurement method must first be determined depending on the granting conditions. For this estimate, it is also necessary to determine suitable input parameters, including parameters such as the likely term of the option, volatility, dividend yield and corresponding assumptions. The assumptions and methods applied to estimate the fair value of share-based payments are presented in Note 16.

Deferred taxes

Deferred tax assets are recognized for all unused tax losses carried forward to the extent probable that adequate taxable income will be generated in the future to utilize these tax losses carried forward. The determination of the amount of deferred tax assets that can be capitalized requires significant management discretion with regard to the anticipated date of occurrence, the amount of future taxable income, and future tax planning strategies.

In the 2016 financial year, the Group fully utilized its domestic corporate tax losses carried forward from the prior year totaling EUR 5.5 m and trade tax losses carried forward from the prior year of EUR 4.6 m. The Group was able to actually exhaust these tax losses carried forward in full based on its sustained Group net profit. Further details on deferred taxes can be found in Note 8.

5. Property, plant and equipment

	in kEUR
Acquisition costs	
As of January 1, 2015	1,798
Additions	968
Foreign currency valuation	-7
Disposals	-52
As of December 31, 2015	2,707
Accumulated depreciation	
As of January 1, 2015	1,042
Additions	346
Foreign currency valuation	-2
Disposals	-52
As of December 31, 2015	1,334
Carrying amounts as of December 31, 2015	1,373

	in kEUR
Acquisition costs	
As of January 1, 2016	2,707
Additions	15,806
Foreign currency valuation	-52
Disposals	-144
As of December 31, 2016	18,317
Accumulated depreciation	
As of January 1, 2016	1,334
Additions	1,176
Foreign currency valuation	-10
Disposals	-92
As of December 31, 2016	2,408
Carrying amounts as of December 31, 2016	15,909

The rise in property, plant and equipment resulted mainly from the capitalization of assets under finance leases (see Note 28). The net carrying amount of the finance leases as of December 31, 2016, amounted to kEUR 13,080. There are no restrictions on the disposal rights of property, plant and equipment and none of the property, plant and equipment has been pledged as collateral for debt. Property, plant and equipment consist exclusively of operating and office equipment. As in prior years, there were no indications of impairment in accordance with IAS 36 as of the reporting date.

6. Intangible assets

in kEUR	Proprietary software	Software / licenses	Total
Acquisition costs			
As of January 1, 2015	535	9,359	9,894
Additions	0	1,705	1,705
As of December 31, 2015	535	11,064	11,599
Accumulated amortization			
As of January 1, 2015	535	771	1,306
Additions	0	2,245	2,245
Foreign currency valuation	0	-1	-1
As of December 31, 2015	535	3,014	3,549
Carrying amounts as of December 31, 2015	0	8,050	8,050

in kEUR	Proprietary software	Software / licenses	Total
Acquisition costs			
As of January 1, 2016	535	11,064	11,599
Additions	0	1,419	1,419
Foreign currency valuation	0	-2	-2
Disposals	0	-44	-44
As of December 31, 2016	535	12,437	12,972
Accumulated amortization			
As of January 1, 2016	535	3,014	3,549
Additions	0	441	441
Foreign currency valuation	0	-1	-1
Disposals	0	-43	-43
As of December 31, 2016	535	3,411	3,946
Carrying amounts as of December 31, 2016	0	9,026	9,026

Intangible assets consist of concessions, commercial property rights and similar rights, and licenses to such rights and assets whose remaining useful life is a maximum of three years. During the 2016 financial year, there was no amortization on development costs recognized in the income statement and no development costs were incurred that could be capitalized. No research costs were incurred.

Software / licenses concern mainly the implementation of standard software and related expenses that can be capitalized. There are no restrictions on the disposal of intangible assets and no intangible assets have been pledged as collateral for debt.

At the time of preparing the consolidated financial statements, there were no indications of an impairment of intangible assets.

7. Other financial assets

in kEUR	2016	2015
Interests in associated companies	38	48
Total	38	48

The interests in associated companies consist of

- the wholly owned subsidiary zooplus EE TOV, Kiev, Ukraine, founded in the second quarter of 2011 with share capital of kEUR 10;
- the wholly owned subsidiary zooplus d.o.o., Zagreb, Croatia, founded in February 2013 with share capital of kEUR 3; and
- the wholly owned subsidiary Tifuve GmbH, Munich, Germany, founded in May 2013 with share capital of kEUR 25.

These three companies did not conduct any business activities during the financial year and because of their minor importance have not been included in the consolidated financial statements. The interests are categorized in accordance with IAS 39 as available-for-sale financial assets and carried at cost because no active market with publicly available market prices exists and the fair value cannot be determined otherwise. There is no intention to sell these interests.

The consolidated financial statements as of December 31, 2016 included for the first time the wholly owned subsidiary zooplus Nederland B.V., Tilburg, the Netherlands, with a share capital of kEUR 10 and founded in November 2012. The company commenced operating activities in the 2016 financial year.

8. Income taxes

The essential components of income tax expenses for the financial years 2016 and 2015 are as follows:

in kEUR	2016	2015
Actual income taxes		
Current income taxes	-4,716	-1,686
Deferred income taxes		
from temporary differences	-97	-246
from tax losses carried forward	-1,659	-2,811
Total	-6,472	-4,744

To determine the current taxes in Germany, a uniform corporate tax rate of 15 % (previous year: 15 %) and a solidarity surcharge on the corporate tax rate of 5.5 % (previous year: 5.5 %) is applied to distributed and retained profits. In addition to corporate tax, trade tax was charged on profits generated in Germany. Taking into account the inability to deduct trade taxes as an operating expense, the average trade tax rate amounted to 17.15 % leading to an overall tax rate in Germany of approx. 33 %. To calculate the deferred tax assets and liabilities, the tax rates are used that apply on the date the asset is sold or the liability is settled. Deferred tax assets and liabilities are measured using the overall tax rate of 33 %.

The reconciliation of income tax expenses and the result of net profit for the period and the applicable tax rate for the Group in financial years 2016 and 2015 is as follows:

in kEUR	2016	2015
Earnings before taxes	17,867	12,671
Expected income tax expense (32.98 %)	-5,892	-4,178
Deviation from the tax base used for trade taxes	-35	-33
Deviations from the expected tax rate	-36	-60
Tax losses carried forward excluding recognized deferred tax assets and impairments	-133	-119
Non-deductible expenses from stock options	-212	-192
Other non-deductible operating expenses and non-taxable income	-130	-87
Non-periodic income taxes	-10	-84
Other deviations	-25	9
Effective income tax expense	-6,472	-4,744

Deferred taxes as of the balance sheet data are as follows:

in kEUR	Deferred tax assets		Deferred tax liabilities	
	2016	2015	2016	2015
Deferred taxes				
Derivative financial instruments	0	0	810	27
Finance lease assets	0	0	4,313	0
Finance lease liabilities	4,320	0	0	0
Long-term incentives	0	114	0	0
Inventories	114	103	0	0
Tax losses carried forward	0	1,659	0	0
	4,434	1,876	5,123	27
thereof non-current	3,610	114	3,623	0
thereof current	824	1,762	1,500	27
	4,434	1,876	5,123	27

After offsetting, deferred tax liabilities for the 2016 financial year equaled kEUR 689 (previous year deferred tax assets of kEUR 1,849). Deferred tax assets were not recognized for the EUR 3.2 m (previous year: EUR 2.5 m) in foreign tax losses carried forward due to lack of recoverability. Deferred tax liabilities were not recognized for temporary differences related to interests in subsidiaries.

As of December 31, 2016, there were tax liabilities of kEUR 4,087 (previous year: kEUR 694). These liabilities consist of provisions of kEUR 1,797 for corporate taxes and kEUR 2,290 for trade taxes and primarily concern German income taxes.

9. Inventories

in kEUR	2016	2015
Raw materials, consumables and supplies	782	1,026
Merchandise	77,999	73,482
Total	78,781	74,508

Raw materials, consumables and supplies consist mainly of packaging material for the mail order business. As of the balance sheet date, the item "merchandise" was impaired by kEUR 7,092 (previous year: kEUR 6,152).

10. Advance payments

Advance payments are payments made in advance for upcoming deliveries of inventories.

11. Accounts receivable

All accounts receivable have a maturity of up to one year and are non-interest bearing. As a rule, they are due within 14 days. There are no restrictions on their right to disposal.

The table below provides an analysis of the accounts receivable maturity structure as of December 31:

	Acquisition costs	Not due and not impaired	Overdue and not fully impaired			Overdue and impaired
			<30 days	30-90 days	>90 days	
2016	22,233	15,814	2,807	390	34	3,188
2015	17,115	11,037	2,021	330	24	3,703

As of December 31, 2016, impairments have been recognized in the amount of kEUR 3,055 (previous year: kEUR 3,494). The company applies age structure maturity ranges to determine impairments on accounts receivable. Overdue maturity ranges are impaired by a percentage based on past experience. For non-impaired receivables not overdue, there are no indications that the debtors will default on their payment obligations.

Changes in the impairment account were as follows:

in kEUR	2016	2015
As of January 1	3,494	4,402
Additions	2,145	1,705
Utilization	-2,584	-2,613
As of December 31	3,055	3,494

12. Other current assets

in kEUR	2016	2015
Creditors with net debit balance	21,678	13,700
VAT receivables	1,954	2,280
Other	2,011	2,275
Total	25,643	18,255

Creditors with net debit balances refer to claims against suppliers resulting from advertising and marketing campaigns in the financial year as well as volume discounts and are recognized on a net basis against the supplier. Before being netted, claims against suppliers totaled EUR 30.7 m in contrast to outstanding supplier invoices of EUR 9.0 m. All other current assets have maturities of one year or less.

Financial instruments amounted to EUR 22.5 m (previous year: EUR 15.4 m).

13. Derivative financial instruments

in kEUR	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward exchange transactions – cash flow hedges	2,455	0	609	527

The derivative financial instruments held in hedge accounting are classified as current assets or current liabilities because the hedging period is less than one year. These derivative financial instruments concern cash flow hedges for hedging the currency risk from fluctuations in the USD and GBP. Hedging is carried out using forward exchange transactions. No ineffective portions in hedging were detected as of December 31, 2016 reporting date.

The nominal amounts of outstanding forward exchange contracts totaled EUR 47.6 m as of December 31, 2016 (previous year: EUR 49.4 m). The foreign currency transactions with a high probability of occurrence that were hedged by the hedging activities are expected to occur at various times in the twelve months following the balance sheet date. Gains and losses on future contracts in foreign currency as of December 31, 2016 that are recognized in equity in the hedging reserve are recognized in the income statement for the period in which the hedged planned transaction effects the income statement (sales and / or cost of materials). This typically occurs in the subsequent twelve months.

As of December 31, 2016, the hedging reserve included the change in fair value of kEUR 2,455 less deferred tax effects totaling kEUR –810, which corresponds to a total of kEUR 1,645. The hedging reserve as of December 31, 2015 totaled kEUR 55 (kEUR 82 net of deferred tax effects of kEUR –27) and was fully recognized in the income statement in the 2016 financial year based on transactions that had occurred.

14. Cash and cash equivalents

in kEUR	2016	2015
Bank balances	54,922	45,530
Cash on hand	2	1
Total	54,924	45,531

This increase primarily resulted from the strong business performance in financial year 2016 and the related positive cash flow. Bank balances earn floating-rate interest based on daily bank deposit rates. Cash flows from operating activities presented in the cash flow statement were calculated using the indirect method. As of December 31, 2016, there were no current bank overdrafts.

15. Equity

Subscribed capital

The subscribed capital corresponds with zooplus AG's share capital and totals EUR 7,060,902.00 (previous year: EUR 6,995,182.00). It has been fully paid-in and comprises no-par value bearer shares with a notional interest in share capital of EUR 1.00 per share.

In the 2016 financial year, zooplus AG's subscribed capital increased as a result of the allocation of 65,720 subscription shares from Conditional Capital 2010/I, raising subscribed capital by EUR 65,720.00 from EUR 6,995,182.00 to EUR 7,060,902.00.

Authorized capital

The resolution by the Annual General Meeting on June 11, 2015 gave the Management Board authorization, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions in the period until June 10, 2020 by up to a total of EUR 3,492,225.00 (previous year: EUR 3,492,225.00) by issuing new, no-par value bearer shares with a notional interest in share capital of EUR 1.00 per share (Authorized Capital 2015). The capital increases can be executed against cash contribution and/or contribution in kind. Shareholders are principally entitled to subscription rights. The new shares can also be subscribed for by one or more credit institutions or similar institutions with the obligation to offer the new shares to the shareholders for subscription (indirect subscription right).

With the approval of the Supervisory Board, the Management Board is authorized to exclude shareholder subscription rights once or on several occasions

- (1) to the extent it is required to exclude fractional amounts from the shareholders' subscription rights;
- (2) to the extent it is required to grant holders of option rights and/or conversion rights, or option obligations and/or conversion obligations from bonds with option rights and/or conversion rights, or option obligations and/or conversion obligations issued by the company or a company in which the company holds a direct or indirect majority shareholding, a subscription right or conversion option for new shares in the amount due to them after exercising option rights and/or conversion rights or fulfilling option obligations and/or conversion obligations as a shareholder;
- (3) to the extent that the new shares are issued against contributions in kind, particularly in the form of companies, parts of companies, interests in companies or other assets;
- (4) to the extent that the new shares are issued against cash contributions, the issue price of the newly issued shares is not significantly below the market price of the already listed shares of the company of the same class at the time of the final determination of the issue price, and the total notional interest in share capital of the new shares to be issued

under the exclusion of subscription rights does not exceed 10 % of the share capital existing at the time this authorization becomes effective or at the time of exercising this authorization. The limitation takes into account the notional interest in the company's share capital attributable to shares that were issued or sold during the term of this authorization excluding shareholder subscription rights in accordance with, as defined by or in direct application of Section 186 (3) sentence 4 AktG as well as the notional interest in the share capital attributable to shares that will be issued or are to be issued to fulfill option rights and / or conversion rights, or option obligations and / or conversion obligations from bonds, provided the bonds will be issued during the term of this authorization excluding shareholder subscription rights as defined by Section 186 (3) sentence 4 AktG.

The notional interest of share capital attributable to the new shares for which subscription rights will be excluded under the above items or based on other authorizations during the term of this authorization may not exceed 20 % of the share capital either at the time it becomes effective or at the time that this authorization is exercised.

With the consent of the Supervisory Board, the Management Board is authorized to determine additional details regarding the capital increase and the conditions of the share issue. The Supervisory Board is authorized to make amendments to the version of the Articles of Associations corresponding to the scope of a capital increase from Authorized Capital 2015.

Conditional capital

The company's share capital was conditionally increased by EUR 72,776.00 (Conditional Capital 2010 / I) as of the balance sheet date. Conditional Capital 2010 / I currently serves to fulfill subscription rights for up to 72,776 no-par value bearer shares and serves to secure subscription rights from stock options for company employees and members of the Management Board. The conditional capital increase will only be executed to the extent that holders of the subscription rights issued exercise their subscription rights for the company's shares based on the authorization resolved by the Annual General Meeting of May 27, 2010 as part of the Stock Option Program 2010 / I and the company does not grant its own shares to satisfy the subscription rights.

The company's share capital was conditionally increased by a further EUR 100,000.00 (Conditional Capital 2012 / I) as of the balance sheet date. Conditional Capital 2012 / I currently serves to fulfill subscription rights for up to 100,000 no-par value bearer shares and serves to secure subscription rights from stock options for company employees. The conditional capital increase will only be executed to the extent that holders of the subscription rights issued exercise their subscription rights for the company's shares based on the authorization resolved by the Annual General Meeting of May 22, 2012 as part of the Stock Option Program 2012 / I and the company does not grant its own shares to satisfy the subscription rights.

As of the balance sheet date, the company's share capital was conditionally increased by a further EUR 250,000.00 (Conditional Capital 2016). Conditional Capital 2016 currently serves to fulfill subscription rights for up to 250,000 no-par value bearer shares and serves to secure subscription rights from stock options for members of the Management Board and company employees. The conditional capital increase will only be executed to the extent that holders of the

subscription rights issued exercise their subscription rights for the company's shares based on the authorization resolved by the Annual General Meeting of May 31, 2016 as part of the Stock Option Program 2016 and the company does not grant its own shares to satisfy the subscription rights.

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

in kEUR	2016	2015
Conditional Capital 2010 / I*	72,776.00	138,496.00
Conditional Capital 2012 / I	100,000.00	100,000.00
Conditional Capital 2016	250,000.00	0,00
Total	422,776.00	238,496.00

* After adjusting for the capital increase from company funds.

Capital reserves

As of December 31, 2016, capital reserves totaled EUR 94,810,944.46. The exercise of options from the employee Stock Option Program 2010 / I increased the capital reserve by EUR 1,400,220.00.

This rise in capital reserves also resulted from the recognition of expenses from the employee stock option program (see other explanations under Note 16 contained in these notes) in the amount of EUR 641,411.80 (non-cash item).

As of the balance sheet date, capital reserves were structured as follows:

in kEUR	2016	2015
Premiums paid in rounds of financing	79,433	79,433
Converted shareholder loans	4,820	4,820
Capital increase from company funds	-2,809	-2,809
Premium paid-in conditional capital increase	8,092	6,692
Convertible bonds / employee stock options	5,275	4,633
Total	94,811	92,769

Other reserves

Other reserves contain the hedge reserve consisting of changes in fair value from derivative hedging instruments held under hedge accounting as of the balance sheet date, as well as currency adjustment items resulting from currency differences from the translation of the financial statements of foreign subsidiaries denominated in foreign currencies.

in kEUR	2016	2015
Hedge reserve	1,645	55
Currency adjustment items	-498	-49
Total	1,147	6

Profit / loss for the period and profit carried forward

in kEUR	2016	2015
Losses carried forward as of January 1	-6,544	-14,471
Net profit for the period	11,395	7,927
Profit carried forward as of December 31 (previous year: losses carried forward)	4,851	-6,544

16. Share-based remuneration

in kEUR	2016	2015
Expenses for Management Board members	245	0
Expenses for employees	396	581
Total expenses	641	581

Employee participation programs

Based on the resolution of the Annual General Meeting of May 27, 2010 and the consent of the Supervisory Board on June 15, 2010, the Management Board resolved the establishment of the Stock Option Program 2010 / I for the issue of stock options with subscription rights for shares of zooplus AG to the company's employees. Under the Stock Option Program 2010 / I, the Management Board and Supervisory Board permit certain zooplus AG employees to subscribe to up to 170,000 no-par value shares of the company. Under this program the stock options are issued in two tranches (42,500 / 42,500) that are each tied to different performance targets. Each option entitles the bearer to subscribe for two zooplus AG no-par value bearer shares with a notional interest in the share capital of EUR 1.00 per share. The subscription price for options issued in 2010 is EUR 17.50 per share. The subscription price for options issued in 2012 is EUR 25.02 per share. The earliest the option rights can be exercised is four years after the options were granted. The subscription rights from stock options can only be exercised when specific performance targets have been achieved. The subscription rights can be exercised within three years from the date of the vesting period's expiration.

Based on the resolution of the Annual General Meeting of May 22, 2012 and the consent of the Supervisory Board, the Management Board resolved the establishment of the Stock Option Program 2012 / I for issuing stock options with subscription rights for shares of zooplus AG to the company's employees. Under the Stock Option Program 2012 / I, the Management Board and Supervisory Board permit certain zooplus AG employees to subscribe to up to 100,000 no-par value shares of the company. Under this program the stock options are issued in two tranches (50,000 / 50,000) that are each tied to different performance targets. Each option entitles the bearer to subscribe for one zooplus AG no-par value bearer share with a notional interest in the share capital of EUR 1.00 per share. The share's subscription price corresponds to the volume-weighted 1-month average price of the company's share in Xetra trading on the Frankfurt Stock Exchange before the issuing date of the stock options less a reduction of 5 % and at least the highest exercise price of all stock options already issued under the Stock Option Program 2012 / I. In the 2013 financial year, employees of zooplus AG were issued a total of 100,000 stock options. The subscription price for the options issued in April 2013 was EUR 39.55 per share and EUR 46.67 per share for the options issued in September 2013. The earliest the option rights can be exercised is four years after the options were granted. The subscription rights for stock options can only be exercised when specific performance targets have been achieved. The subscription rights can be exercised within three years from the date of the vesting period's expiration.

Based on the resolution of the Annual General Meeting of May 31, 2016 and the consent of the Supervisory Board, the Management Board resolved the establishment of the Stock Option Program 2016 for the issue of stock options with subscription rights to shares of zooplus AG to members of the Management Board of zooplus AG and selected executives of zooplus AG and affiliated companies in Germany and abroad. Under the Stock Option Program 2016, members of the company's Management Board can receive up to a total of up to 100,000 no-par-value shares of the company and selected executives of the company or of affiliated companies in Germany and abroad can receive up to 150,000 no-par-value shares of the company. Each option entitles the bearer to subscribe for one zooplus AG no-par value bearer share with a notional interest in the share capital of EUR 1.00 per share. The exercise price per share corresponds to the volume-weighted 6-month average price of the zooplus share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange prior to the issue date of the stock options, but at least at the minimum issue amount pursuant to Section 9 (1) AktG. In financial year 2016, a total of 100,000 stock options were issued to members of the Management Board of the company and a total of 48,400 stock options to executives of the company as well as affiliated companies of zooplus AG in Germany and abroad. The subscription price for the options issued in September 2016 amounts to EUR 124.45 per share. The earliest the option rights can be exercised is four years after the options were granted. The stock options can only be exercised if and to the extent that the performance targets are achieved as described below: The subscription rights for stock options can only be exercised if certain performance targets have been achieved. The performance targets are linked to the absolute price development of the zooplus share during the vesting period. Depending on the price performance of the zooplus share, the beneficiaries may exercise a different number of the stock options granted to them. A third of the stock options can be exercised if the volume-weighted 6-month average price of the company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange at the end of the vesting period is at least 20 % above the exercise price (Performance Target I, in which case a third of the stock options can be exercised), at least 30 % above the exercise price (Performance Target II, in which case two-thirds of the stock options can be exercised), and at least 50 % above the exercise price (Performance Target III, in which case all of the stock options can be exercised).

The subscription rights can be exercised within two years from the date of the vesting period's expiration.

All options can only be converted into equity instruments.

The fair value of the stock options granted is determined by applying the Black & Scholes model or a Monte Carlo simulation as of the grant date and taking into account the conditions at which the stock options were granted. The anticipated maturity of stock options is based on historical data and current expectations and does not necessarily reflect the actual exercise behavior of beneficiaries. The volatility during the stock options' expected maturity period was estimated on the basis of historical volatilities and expected future share price performance. Because the company's shares have a limited trading history, the above estimation was based on the share's volatility of the past year. Expected volatility is derived based on the assumption that past volatility can serve as an indication of future trends, whereby the actual future volatility can deviate from the assumptions made.

	Stock Option Program (SOP) for the Management Board 2016	Stock Option Program (SOP) for Employees 2016
Average share price (EUR)	129.30	128.60
Expected volatility (%)	36.0	35.6
Risk-free interest rate (%)	-0.62	-0.61
Dividend yield (%)	0.0	0.0
Anticipated term of options (in years)	4.0	4.0

The development of stock options is as follows:

	2010 / I*	2012 / I**	2016**
Outstanding at beginning of reporting period	39,248	90,000	0
Forfeited during the reporting period	0	-9,500	0
Exercised during the reporting period	-32,860	0	0
Granted in the reporting period	0	0	148,400
Outstanding at end of the reporting period	6,388	80,500	148,400

* Each option authorizes the subscription to two shares

** Each option authorizes the subscription to one share

The exercise price for shares still outstanding as of December 31, 2016 was in the range of EUR 17.50 to EUR 124.45 per share. The weighted average share price on the date the options were exercised was EUR 126.71 (previous year: EUR 113.23). At the end of the reporting period, 6,388 (previous year: 18,248) options were exercisable. The weighted average remaining contractual term for the outstanding stock options as of December 31, 2016 was 2.6 years (previous year: 1.2 years).

Cash-settled share-based remuneration

Long-term incentive program for the Management Board

A long-term incentive program in the form a share price-based performance share plan granted in annual tranches was offered until the end of the third quarter of 2016 to create performance incentives for executives when extending the contracts of existing Management Board members. With each tranche, a number of virtual shares of the company is allocated depending on EBT target achievement. These shares are subject to a vesting period of three years and can result in a cash payout to the company's Management Board members when the vesting period expires.

The number of virtual shares is equivalent to the ratio from the EBT-dependent base amount and the average issue reference price for the company's shares. The calculation basis for the EBT base amount is the EBT according to the company's previous year's consolidated financial statements that were approved by the Supervisory Board and prepared pursuant to IFRS. Target achievement is defined as the achievement of specific EBT targets from the company's planning. As of the December 31, 2016 reporting date, the members of the Management Board are entitled to a total of 14,412 subscription rights (2015: 12,810 subscription rights) from this program with a fair value of EUR 1.7 m.

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

in kEUR	2016	2015
Obligations from cash-settled share-based remuneration	1,738	1,780
Total	1,738	1,780

This obligation is recognized under current and non-current liabilities. The related personnel costs recognized in the 2016 financial year were as follows:

in kEUR	2016	2015
Expenses from cash-settled share-based remuneration	-42	542
Total	-42	542

The total expenses incurred in the 2016 financial year stemming from share-based remuneration from the issue of equity instruments (kEUR 641) and cash settlement (kEUR -42) were kEUR 599 (previous year: kEUR 1,123).

17. Accounts payable

Accounts payable are due within one year and are non-interest bearing. Payment periods usually vary between 14 and 30 days. Supplier liabilities totaling EUR 9.0 m were reclassified in assets as creditors with net debit balance and offset against receivables from these suppliers.

18. Financial liabilities

The company possesses credit lines totaling EUR 40.0 m (previous year: EUR 40.0 m) and maturing on November 30, 2017. These credit lines had not been utilized as of the December 31, 2016 balance sheet date as was the case on the December 31, 2015 balance sheet date. The credit line was granted without having to provide collateral. A covenant was concluded covering the entire credit line of EUR 40 m that stipulates a minimum amount of equity of 30%. There was also a covenant agreed to for half of the credit line (EUR 20 m) that stipulates a maximum net gearing ratio for the financial year of 4.0, and a covenant in the form of a positive EBITDA for the remaining EUR 20 m. The Group's Management Board expects to continue to meet the covenants' terms in the future.

19. Other current liabilities

in kEUR	2016	2015
Tax liabilities		
VAT	12,548	8,886
Wage and church taxes	383	319
Sub total	12,930	9,205
Additional other liabilities		
Creditors with net debit balances	4,332	3,692
Profit-sharing and bonuses	2,352	2,447
Outstanding invoices	1,496	6,867
Employee vacation obligations	709	570
Financial statement and auditing costs	115	80
Other	927	509
Sub total	9,931	14,165
Total	22,861	23,370

Other current liabilities have maturities of one year or less and are non-interest bearing. Creditors with net debit balances are customer balances resulting from advance / excess payments or returns.

Financial instruments amounted to EUR 4.5 m (previous year: EUR 3.8 m).

20. Provisions

in kEUR	Current				Non-current	Total
	Loyalty rewards	Returns	Outstanding contributions	Other	Share-based cash remuneration	
As of January 1, 2015	3,104	423	0	603	1,238	5,368
Additions	3,520	427	3,372	722	542	8,583
Reversals	860	0	0	0	0	860
Utilization	2,244	423	0	258	0	2,925
As of December 31, 2015	3,520	427	3,372	1,067	1,780	10,166
As of January 1, 2016	3,520	427	3,372	1,067	1,780	10,166
Additions	4,166	519	668	317	0	5,670
Reclassifications	0	0	0	234	-234	0
Reversals	602	0	679	177	42	1,500
Utilization	2,918	427	1,296	140	0	4,781
As of December 31, 2016	4,166	519	2,065	1,301	1,504	9,555

Provisions for loyalty rewards (unredeemed bonus points) from the customer loyalty program totaled kEUR 4,166 as of December 31, 2016 (previous year: kEUR 3,520). These provisions are calculated by deriving the bonus points still redeemable under the applicable conditions of participation as of the December 31, 2016 reporting date and measured taking into account the customers' historical redemption behavior and the fair value of a bonus point based on the sale prices of the products available in the loyalty program. Other provisions contain, among others, provisions for sales coupons and outstanding contributions.

Current provisions are anticipated to have a cash outflow during the current 2017 financial year.

21. Deferred income

Deferred income contains discount plans already purchased by customers but not yet utilized in the amount of kEUR 2,425 (previous year: kEUR 2,044).

22. Sales

in kEUR	2016	2015
Germany	236,059	199,296
France	153,508	118,811
Great Britain	80,358	64,164
Italy	75,049	56,709
The Netherlands	62,391	53,807
Poland	57,046	39,200
Spain	49,823	36,721
Belgium	37,821	28,880
Austria	26,471	20,569
Switzerland	22,681	16,477
Denmark	20,571	16,135
Czech Republic	20,164	14,990
Finland	17,390	14,328
Sweden	16,745	10,794
Other countries	32,533	20,425
Total	908,610	711,306

The Group's sales consist of the sales of pet supplies in Germany and other European countries. Sales stemming from other European countries mainly include sales made in France, the Netherlands, Great Britain, Italy, Spain, Poland, Belgium, Austria, Denmark, Switzerland, Finland, Sweden and the Czech Republic. In addition, the Group also operates in a number of smaller European markets, including Ireland, Slovakia, Luxembourg, Portugal, Hungary, Slovenia, Romania, Turkey, Greece, Croatia, Liechtenstein, Bulgaria, Estonia, Lithuania, Latvia and Norway.

A total of 82 % of sales were generated from the sale of food and the remaining 18 % from the sales of accessories.

23. Other income

in kEUR	2016	2015
Income from marketing services	33,545	24,657
Income from currency gains	3,881	2,556
Income from late fees	575	676
Income from reversal of provisions	2,151	573
Other income	3,203	2,883
Total	43,355	31,345

Other income includes, among others, income from the reversal of provisions. Income from marketing services mainly consists of advertising cost subsidies from suppliers.

24. Personnel costs

in kEUR	2016	2015
Wages and salaries	24,852	21,552
Social security contributions	4,259	3,451
Total	29,111	25,003

With regard to personnel expenses incurred under share-based payments, we refer to Note 16.

The average number of employees during the financial year was 386 people (previous year: 313, excluding the Management Board). Of this total, 39 employees were allocated to Operations, 139 to IT, 158 to Sales and Marketing and 50 to Administration.

25. Other expenses

in kEUR	2016	2015
Logistics & fulfillment costs	175,989	143,150
Marketing costs	12,823	10,758
Payment transaction costs	9,584	7,793
Currency losses	4,695	2,272
IT services	3,708	2,646
Legal and advisory costs	2,012	1,655
Additional other operating expenses	12,715	15,735
Total	221,526	184,009

Logistics and fulfillment costs relate to warehousing, order picking and shipping products sold to end customers. Additional other operating expenses included expenses for customer service, rentals, insurance and other administrative expenses.

26. Financial income and expenses

in kEUR	2016	2015
Interest income and similar income	1	33
Interest expenses and similar expenses	-213	-195
Total	-212	-162

27. Earnings per share

When computing basic earnings per share, the net profit / loss attributable to the parent company shareholders is divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are computed by dividing the net profit / loss attributable to the parent company shareholders by the weighted average number of ordinary shares outstanding during the year plus any stock options causing dilution.

The amounts underlying the computation of basic and diluted earnings per share are as follows:

		2016	2015
Consolidated net profit / loss	EUR	11,395,068.06	7,927,126.71
Weighted average number of no-par-value shares outstanding	Number of	7,011,193	6,988,771
Dilution effect			
Stock options	Number of	104,756	141,415
Weighted average number of no-par-value shares outstanding			
adjusted for dilution	Number of	7,115,949	7.130.186
Basic earnings per share	EUR / share	1.63	1.13
Diluted earnings per share	EUR / share	1.60	1.11

28. Leases

The finance lease liabilities of EUR 13.1 m relate to future lease payments in connection with leased assets in the fulfillment center in Wrocław, Poland. In the past financial year, EUR 0.5 m was recognized as depreciation and EUR 0.1 m as interest expense. The underlying lease expires on March 31, 2023. The minimum lease payments for these finance lease liabilities in the 2016 financial year were as follows:

in kEUR	1 year or less	1 -5 years	More than 5 years	Total
Lease payments due				
Minimum lease payments in 2016	2,394	8,847	2,688	13,929
Interest expense for lease liabilities on the respective reporting date	-243	-551	-35	-829
Present value of lease payments	2,151	8,296	2,652	13,100

Obligations from leasing and rental contracts (operating leases) with the following maturities existed on the reporting date:

One year or less	in kEUR	13,051
Between one and five years	in kEUR	30,736
More than five years	in kEUR	1,121

These obligations concern mainly lease payments for fulfillment centers. The expense recognized in the financial year under operating leases amounted to EUR 10.6 million.

29. Related party disclosures

With the exception of the salaries paid to executive bodies (see Note 33), there were no notable relationships between the Group and related parties during the year under review. Expenses related to stock options for members of the Management Board are detailed in Note 16. Dr. Stoeck, Mr. Greve and Mr. Holland are the only Supervisory Board members who hold shares in the company.

30. Collateral

As of December 31, 2016, there was no collateral.

31. Additional information about financial instruments

Fair value is the amount an asset could be exchanged or a liability settled between knowledgeable, willing and mutually independent business partners.

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

in kEUR	Measurement category	Carrying amount		Fair value	
		2016	2015	2016	2015
Financial assets					
Accounts receivable	LaR	19,178	13,621	19,178	13,621
Other financial assets	Afs	38	48	n / a	n / a
Other current assets					
of which financial instruments pursuant to IFRS 7	LaR	22,487	15,373	22,487	15,373
Derivative financial instruments	n / a	2,455	609	2,455	609
Cash and cash equivalents	LaR	54,924	45,531	54,924	45,531
Total		99,082	75,182	99,044	75,134
Financial liabilities					
Accounts payable	FLaC	46,988	35,266	46,988	35,266
Other liabilities					
of which financial liabilities pursuant to IFRS 7	FLaC	4,474	3,841	4,474	3,841
Finance lease liabilities	n / a	13,100	0	13,100	0
Derivative financial instruments	n / a	0	527	0	527
Total		64,562	39,634	64,562	39,634

LaR (Loans and Receivables)

Afs (Available-for-Sale)

FLaC (Financial Liability at Amortized Cost)

The market values of the cash and cash equivalents, accounts receivable, current assets, accounts payable and other current liabilities as of December 31, 2016 and December 31, 2015 equal their carrying amounts. This is primarily due to the short maturities of these types of instruments.

For the other financial assets (interests in non-consolidated Group companies), an active market or quoted price is not available to measure these assets, and there is no other way to determine their value which is the reason the disclosure of the fair value has been omitted. These instruments are not intended to be sold.

The Group's financial liabilities excluding finance lease liabilities are all short-term in nature and have maturities of one year or less. Of the finance lease liabilities, kEUR 10,948 are long-term in nature. Repayments of the existing financial liabilities are made from operating cash flow.

Grouped according to the measurement categories of IAS 39, the carrying amounts are as follows:

in kEUR	Measurement category	Carrying amount		Fair value	
		2016	2015	2016	2015
Financial assets					
Loans and Receivable	LaR	96,589	74,525	96,589	74,525
Available-for-Sale	Afs	38	48	n / a	n / a
Financial liabilities					
Financial Liability at Amortized Cost	FLaC	51,462	39,107	51,462	39,107

Net gains or losses in relation to financial instruments are as follows:

in kEUR	2016	2015
Loans and Receivables (impairments)	-2,145	-1,705
Financial Liability at Amortized Cost (interest)	0	0
Total	-2,145	-1,705

As of December 31, 2016, there was no offsetting of derivative financial instruments. Offsetting options for derivatives exist in the case of insolvency. As of December 31, 2016, only derivatives with positive fair values existed.

32. Subsequent events

After the end of the 2016 financial year, there were no events of particular importance that impact the net assets, financial position and results of operations.

33. Executive bodies

Members of the Management Board:

- Dr. Cornelius Patt, CEO (Corporate Management, overall responsibility for Business Development & System Development, IT, Logistics, Supply Chain Management and HR)
- Andrea Skersies (Sales & Marketing, Category Management)
- Andreas Grandinger (Finance, Controlling, Legal, Investor Relations, Internal Audit, Procurement)

The total remuneration of the Management Board (German Commercial Code – HGB) for all components amounted to EUR 3.8 m (previous year: EUR 2.2 m) in the 2016 financial year mainly as a result of the granting of stock options. Of the total remuneration, approximately 27 % was attributable to the non-performance-related basic remuneration. In the 2016 financial year, 7 % of the total remuneration was attributable to performance-related components. The variable components with long-term incentives represent 66 % of the total expenses in 2016 due to the granting of stock options.

The company refrains from disclosing the individual payments to member of the Management Board. The Management Board has been made exempt from providing the disclosures under Section 314 (1) no. 6a, sentences 5 through 8 of the German Commercial Code (HGB) for a period of 5 years by resolution of the Annual General Meeting on May 22, 2012.

In its meeting on September 15, 2016, the Supervisory Board of zooplus AG extended the periods of office by a further term for Chairman of the Management Board Dr. Cornelius Patt and Management Board members Andrea Skersies and Andreas Grandinger.

Members of the Supervisory Board:

- Michael Rohowski (Chairman of the Supervisory Board), Spokesperson for the management board of Burda Direkt Services GmbH, Offenburg, Germany (until May 31, 2016)
- Dr. Rolf-Christian Wentz (Deputy Chairperson), freelance business consultant, Bonn, Germany (until May 31, 2016)
- Moritz Greve, Partner and Managing Director of Maxburg Capital Partners GmbH, Munich, Germany (Deputy Chairperson, from May 31, 2016)
- Thomas Schmitt, Member of the Management Board for contract logistics / SCM of Schenker AG, Essen, Germany (until May 31, 2016)
- Dr. Norbert Stoeck, freelance corporate consultant, Munich, Germany
- Stefan Winners, Member of the Management Board responsible for national digital brands at Hubert Burda Media Group, Munich, Germany (until May 31, 2016)

- Christian Stahl (Chairman of the Supervisory Board), independent entrepreneur in the investment business in London, United Kingdom (as of May 31, 2016)
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom (as of May 31, 2016)
- Dr. Felix Treptow, Authorized Officer at Maxburg Capital Partners GmbH, Munich, Germany (from May 31, 2016 to November 30, 2016)
- Karl-Heinz Holland, freelance business consultant, Oberstenfeld, Germany (as of December 1, 2016)
- Ulric Jerome, Director of MatchesFashion Limited (MatchesFashion.com), London, United Kingdom (as of December 1, 2016)

In the 2016 financial year, the Supervisory Board received a total of kEUR 226 (previous year: kEUR 176) as remuneration (German Commercial Code – HGB). Mr. Michael Rohowski received fixed remuneration of kEUR 16 as Chairman of the Supervisory Board (until May 31, 2016), and Dr. Wentz received kEUR 13 as Deputy Chairman of the Supervisory Board (until 31 May 2016). Mr. Greve and Dr. Stoeck each received fixed remuneration of kEUR 34. Mr. Thomas Schmitt and Mr. Winners each received kEUR 10. As Chairman of the Supervisory Board (as of May 31, 2016), Mr. Stahl received fixed remuneration of kEUR 47. Mr. Persson received fixed remuneration of kEUR 23, Dr. Treptow received fixed remuneration of kEUR 20 and Mr. Holland and Mr. Jerome received fixed remuneration in the amount of kEUR 3 each. In addition to receiving remuneration for their activities on the Supervisory Board, the following members received remuneration for chairing a committee: Dr. Rolf-Christian Wentz, kEUR 2 (Audit Committee); Dr. Stoeck, kEUR 3 (Audit Committee); Mr. Rohowski, kEUR 2 (Nomination Committee); Mr. Greve, kEUR 3 (Nomination Committee); and Mr. Stahl kEUR 3 (Personnel Committee).

The compensation of the Group's key management personnel, which is required under IAS 24, includes the remuneration of the members of the Management Board and the Supervisory Board. The members of the Management Board and the Supervisory Board and their other mandates are shown in the management report. The principles of the remuneration system and the amount of the remuneration of the Management Board and the Supervisory Board are presented in the remuneration report and explained in more detail. The "Remuneration Report" is part of the management report. The remuneration in accordance with the requirements of IAS 24 amounted to EUR 1.5 million in the 2016 financial year. Of this, approximately 69% was attributable to fixed remuneration. In the 2016 financial year, 18% of total remuneration was attributable to performance-related components. The variable components with a long-term incentive effect represented 13% of the remuneration in 2016 due to the granting of stock options. The Supervisory Board's remuneration amounted to EUR 0.2 million and consisted entirely of short-term components.

34. Auditor's fees

The auditor's total fee for the audit of the annual and consolidated financial statements amounted to kEUR 215. Of this amount, kEUR 13 relate to the prior year.

35. Statement on corporate governance

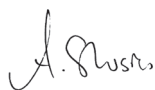
zooplus Aktiengesellschaft has issued the Declaration of Conformity with the "German Corporate Governance Code" required by Section 161 of the German Stock Corporation Act (AktG) and made this available to its shareholders on the company's website at <http://investors.zooplus.com/en>.

Munich, March 16, 2017

The Management Board



Dr. Cornelius Patt



Andrea Skersies



Andreas Grandinger


Declaration of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position, and results of operations and the group management report presents the Group's business performance, including the financial performance and the Group's financial position, in a manner that gives a true and fair view and describes the principal opportunities and risks of the company's anticipated development.

Munich, March 16, 2017



Dr. Cornelius Patt



Andrea Skersies



Andreas Grandinger

Auditor's opinion

"We have audited the consolidated financial statements prepared by zooplus AG, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, March 16, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

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Page 26, graphic "zooplus' value chain":
from left: 1, 2, 3: zooplus AG; 4: iStockphoto (Nr. 1111 3859)
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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 61 to 69. We do not assume any obligation to update the forward-looking statements contained in this report.



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