

zooplus

WOLF

OF
WILDERNESS

9-Month Report

2018



Highlights of the first nine months of 2018

Sales increase 23% to EUR 974 m
(9M 2017: EUR 795 m / +21%)

Private label sales grow year-on-year by 36%

Gross margin continues to stabilize in the
third quarter at 28.6% (Q2 2018: 28.3%)

Earnings before taxes (EBT) in the third quarter of
2018 come in at a positive EUR 1.6 m and improve
EUR 5.3 m to prior quarter (Q2 2018: EUR -3.7 m)

Positive cash flow from operating activities total
EUR 20.4 m

Sales and earnings forecast confirmed for
full-year 2018



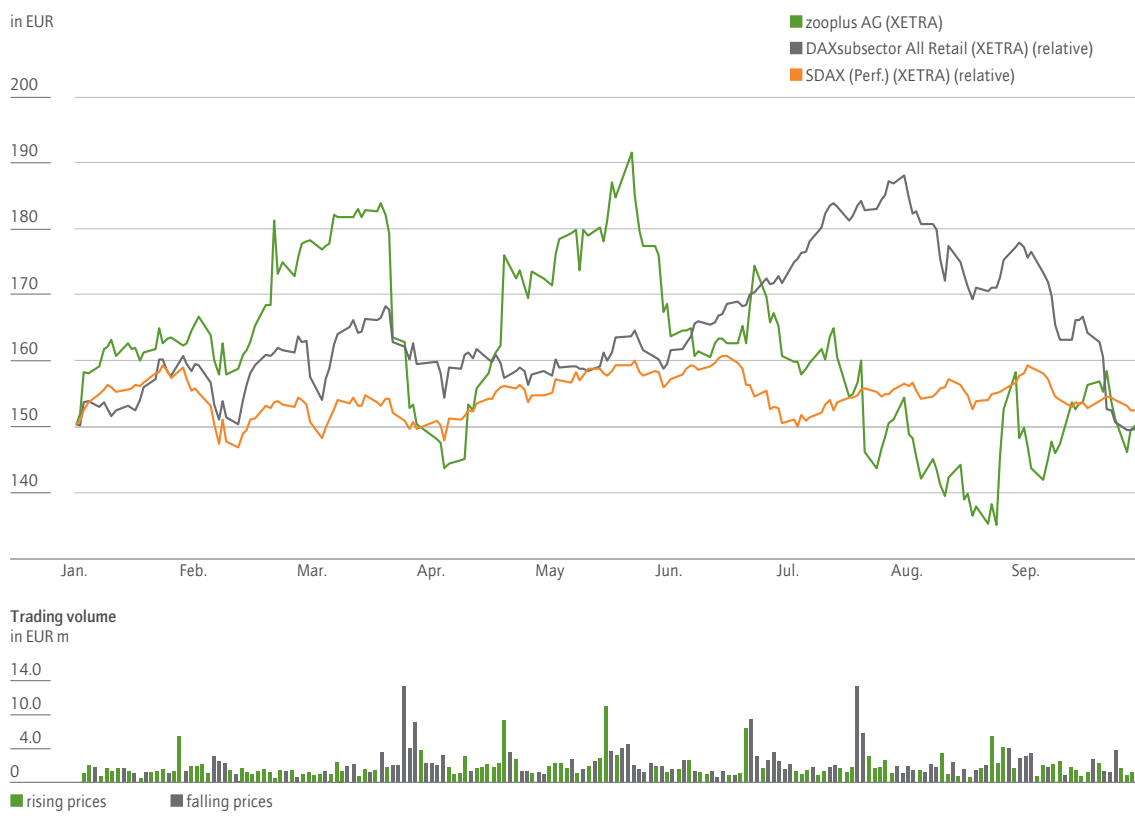
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To the shareholders

The zooplus AG share

Stock chart zooplus AG: January 2, 2018 to September 28, 2018



The share

zooplus AG shares were admitted for trading on the Frankfurt Stock Exchange in the 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.

In the first nine months of 2018, the cautious market sentiment continued in Europe despite the somewhat more positive performance on the stock markets in the United States. Fears of further interest rate hikes in the US, the trade dispute between the US, China and Europe and unresolved issues concerning Brexit, among others, all weighed on stock markets in the first nine months of 2018.

The budget draft of the new Italian government also exerted pressure on stock markets. Among the German indices, the DAX (-5.2%), MDAX (-0.8%) and the SDAX (-0.2%) indices declined up until their last trading day of the third quarter on September 28, 2018 compared to their year-end levels on December 29, 2017. The TecDAX (+11.2%) index, on the other hand, climbed sharply. The DAXsubsector All Retail Internet sector index in the third quarter was forced to give back all of the gains it achieved in the first half-year and, by the end of September 2018, lost a total of 3.0% versus its close on the last trading day of 2017. The zooplus share price fluctuated significantly in the period from January to September of 2018, with phases where the share price was around EUR 135 and other times where it reached EUR 190.

The highest Xetra closing price for zooplus shares in the first nine months of the reporting year was EUR 191.80, which was reached on May 18, 2018. The lowest price was on August 21, 2018 at EUR 134.60. On September 28, 2018, zooplus shares closed the Xetra trading day with a price of EUR 149.70. With a decline of 0.4% versus their price of EUR 150.30 at the end of 2017, zooplus shares developed in parallel with the development of the SDAX index in the first nine months of 2018.

The Company's market capitalization as of September 28, 2018 was EUR 1,069.3 m based on the total outstanding shares on that date of 7,142,678.

Analysts

Institution	Analyst	Date	Recommendation	Price target (EUR)
Baader Bank	Bosse, Volker	October 17, 2018	Buy	170.00
Bankhaus Lampe	Schlienkamp, Christoph	November 9, 2018	Hold	145.00
Berenberg	Paganetty, Henrik	May 17, 2018	Hold	180.00
Commerzbank	Riemann, Andreas	October 17, 2018	Hold	153.00
Deutsche Bank	Naizer, Nizla	May 17, 2018	Hold	172.00
Hauck & Aufhäuser	Salis, Christian	October 18, 2018	Sell	100.00
J.P.Morgan CAZENOVE	Olcese, Borja	October 17, 2018	Buy	205.00
Kepler Cheuvreux	Mauder, Nikolas	October 17, 2018	Hold	146.00
Liberum	Brown, Wayne	October 17, 2018	Buy	230.00
Metzler	Diedrich, Tom	October 18, 2018	Hold	145.00
ODDO Securities	Decot, Martin	August 23, 2018	Hold	145.00
quirin Bank	Marinoni, Ralf	October 17, 2018	Sell	115.00
Warburg Research	Kleibauer, Thilo	August 22, 2018	Hold	159.00

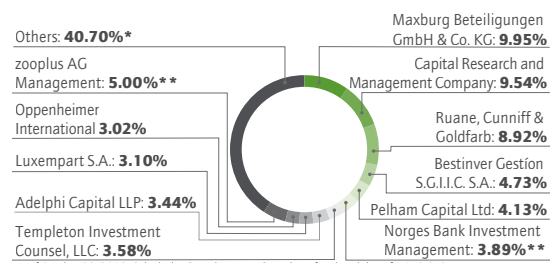
Key data

WKN	511170
ISIN	DE0005111702
Ticker symbol	ZOI
Trading segment	Regulated market (Prime Standard)
Class of shares	No par-value ordinary bearer shares
Share capital in EUR as of December 31, 2017	7,137,578.00
Share capital in EUR as of September 30, 2018	7,142,678.00
Number of shares as of September 30, 2018	7,142,678
Initial listing	May 9, 2008
Initial issue price*	EUR 13.00
Share price as of December 29, 2017	EUR 150.30
Share price as of December 29, 2017	EUR 149.70
Percentage change (since December 29, 2017)	-0.4%
Period high	EUR 191.80
Period low	EUR 134.60

Closing prices in Deutsche Börse AG's Xetra trading system

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

Shareholder structure



As of October 29, 2018

Share ownership according to published voting rights notifications

* Free float of 90.05% 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.

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Interim Group Management Report

Interim group management report of zooplus AG as of September 30, 2018

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 to enable it to 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. The majority of sales is generated from products for dogs and cats. zooplus also offers a wide range of free content and information on its websites, including veterinary and other animal-related advice, as well as interactive features such as discussion forums and blogs.

zooplus generates its sales from products shipped out of its central fulfillment centers located in Hürselgau, Germany; Tilburg, Netherlands; Wrocław, Poland; Chalon-sur-Saône, France; and Antwerp, Belgium. Certain types of orders for individual markets are assumed by medium-sized and more specialized logistics centers located in Coventry, Great Britain; Strasbourg, France; Mühlhof, Germany; Jiríkov, Czechia; Bolesławiec, Poland; and Istanbul, Turkey. This ensures an increasingly denser logistics infrastructure and provides even closer proximity

to customers. In the third quarter of 2018, new logistics capacities were put into operation in Krosno Odrzańskie, Poland and Cabanillas del Campo, Spain. The new location in Poland features a capacity of 42,000 m² and, at full capacity, represents the largest zooplus AG logistics center to date. In the medium term, zooplus is planning an output of approximately 900,000 parcels per month. This will enable zooplus to serve the German market as well as all of Eastern Europe even more efficiently and further improve its delivery performance for customers. In addition, the new location near Madrid will make it possible to provide customers in Spain with a faster service and, in the long term, a more efficient mapping of logistic routes within Spain. The continuous expansion of the logistics network is the basis for zooplus's planned continued growth over the next few years.

The company's central warehouse locations ensure fast and efficient delivery, as well as 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, continuous product availability, 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. According to the German Pet Trade and Industry Association (Zentralverband Zoologischer Fachbetriebe Deutschlands e.V.), the total gross market volume of the European pet supplies segment in 2016 was estimated at 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 across Europe. The company also believes that, in absolute terms, it is clearly the fastest growing company in its sector.

As of November 2018, zooplus operated a total of 25 localized online shops. In addition to the high-volume markets of Germany, France, United Kingdom, the Netherlands, Spain, Italy and Poland, the company also operates online shops in Belgium, Denmark, Finland, Ireland, Croatia, Austria, 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 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, the European pet supplies market comprises a total gross market volume of approximately EUR 26 bn. The markets of Germany, France, the United Kingdom, Spain, the Netherlands and Italy alone account for some EUR 21 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 difference between 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 to 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 increase slightly in the years ahead.

The zooplus AG Management Board is forecasting market growth of roughly 2% to 3% in Europe in the year 2018. In Germany, around one-third of all households own one or more pets. 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 85% 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. Expanded access has driven the number of Internet users sharply higher in recent years, which in combination with higher Internet usage has prompted a significant increase in the general interest and participation in online shopping. zooplus customers, for example, can access the zooplus websites using their desktop computers, tablets, mobile phones or by using the zooplus app.

Over the past several years, E-commerce has gained tremendous 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 53.4 bn in 2018 (previous year: EUR 48.7 bn), corresponding to a year-on-year increase of 10%. 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, more convenient shopping and more attractive prices. 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 in the pet supply segment over the Internet is still relatively low compared to other product categories and largely driven by the sales zooplus itself generates across Europe. Based on the company's internal estimates, the Management Board believes that, until now, only around 10% 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 retail structures.

iv. Competitive position

Advantages 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 such as Amazon in the European market but also a number of mostly regional online pet suppliers. 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 medium-term 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.

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, convenience and especially easy home delivery.

zooplus does not operate any physical stores or outlets. Instead, from 13 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.

v. Group structure

As of September 30, 2018, 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 Austria GmbH, Vienna, Austria	100%	Service company for Austria
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100%	Sales company for Turkey
Tifuve GmbH, Munich, Germany	100%	Dormant company
zooplus EE TOV, Kiev, Ukraine	100%	Dormant company
zooplus d.o.o., Zagreb, Croatia	100%	Dormant company

Since the start of the 2018 financial year, the consolidated financial statements include the following entities for the first time:

- 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

zooplus AG was managed by the following Management Board members during the first nine months of 2018 and as of September 30, 2018:

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

As announced in the zooplus AG publication on October 8, 2018, Ms. Skersies will leave the Management Board as of November 30, 2018. As of December 1, 2018, Florian Welz (39) will strengthen the zooplus AG Management Board and will be responsible for Vendor Management (Procurement/Category Management) and Sales. At the same time, the Logistics division will become an independent Management Board area headed by Dr. Mischa Ritter (44).

The Management Board is advised and controlled by the Supervisory Board. During the first nine months of 2018 and as of September 30, 2018, the Supervisory Board consisted of the following members:

- Christian Stahl (Chairman of the Supervisory Board), Partner and Managing Director of Amlon Capital LLP, London, United Kingdom
- Moritz Greve (Deputy Chairman of the Supervisory Board), Partner and Managing Director of Maxburg Capital Partners GmbH, Munich, Germany
- Karl-Heinz Holland, freelance business consultant, Oberstenfeld, Germany
- Ulric Jerome, Director of MatchesFashion Limited (MatchesFashion.com), London, United Kingdom
- Henrik Persson, founder and manager of Sprints Capital Management Ltd., London, United Kingdom
- Dr. Norbert Stoeck, freelance corporate consultant, Munich, Germany

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

The Group's aim is to maintain and expand its sales-based 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 lie at the core of the company's activities:

- continuing sales growth in all European markets
- further penetrating existing regional markets
- defending and expanding sales-based 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 in order to expand our leading market position and to improve cost efficiency while maintaining sustainable operating profitability. Management sees this as the most logical strategy for the long-term appreciation of the company's value in the quarters and years to come based on the excellent growth opportunities for the Group 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.

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

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 areas have played a decisive role in the success of zooplus AG and the zooplus Group. zooplus believes that these systems and solutions will continue to remain a fundamental building block reaching the company's goals. zooplus is currently investing heavily in expanding its IT software development capacity in order to emphasize the importance of the proprietary systems even more, further improve its product quality and optimize the company's internal processes and algorithms. The existing proprietary systems will be enhanced using standardized systems to meet the Group's specific requirements at all times.

B. Results of operations, net assets and financial position

a. Financial and non-financial performance indicators

i. Financial performance indicators

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).

In order to manage and monitor the earnings situation, the zooplus Group mainly focuses on gross margins, fulfillment expenses and marketing expenses.

The performance indicator for the net assets 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 measures the company's extent of market leadership in the European online pet supplies segment based on sales.

Two other key performance indicators are the sales retention rate (recurring sales in the financial year from existing and new customers in the prior year as a percentage of the previous year's sales) and the number of new customers – both of which have an influence on zooplus AG's sustained growth and stand at the center of the company's corporate management.

b. Business performance 9M / 2018

i. The economy and overall market

There is a risk that the Euro debt crisis and currency exchange risks within and outside Europe could 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. In light of these and other risks to the global political stability, it cannot be ruled out that negative economic developments could 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 thereby 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 significantly stronger influence on zooplus AG than the general economic environment described above.

ii. Performance of the zooplus Group in the reporting period

In the first nine months of 2018, sales increased by 23% year-on-year. Thus, in a still highly competitive market environment, our growth path, which is at the center of the corporate strategy, continued and the company's position as the European market leader in the online retailing for pet supplies was consolidated. In addition, the number of registered new customers increased significantly in the third quarter compared to the previous quarter. The key figure for measuring customer loyalty increased again and is now at a record 95% (currency-adjusted).

The gross margin (sales less cost of materials) achieved in the first quarter of 2018 is not directly comparable with the gross margin in the first quarter of the previous year as a result of reclassification effects from the mandatory application of IFRS 15 as of January 1, 2018. Whereas income for marketing services in the form of marketing refunds from suppliers in previous years was reported within other operating income, since January 1, 2018, this income is now directly offset against the cost of materials in the form of a reduction in the cost of materials. This results in an increase in the gross margin as of January 1, 2018 compared to the previous year, and a corresponding reduction in other operating income.

If for comparability purposes, the income from marketing services had been included in the cost of materials in the same period of the previous year, the gross margin would have fallen by 0.4% points to 28.0% in the first nine months of 2018 compared to 28.4% for the first nine months of 2017. The stabilization of the gross margin already visible in the second quarter of 2018 continued in the third quarter, increasing from 28.3% in the second quarter of 2018 to 28.6% in the third quarter of 2018.

In addition to the development of the gross margin, improvements in efficiency throughout the entire logistics network led to an increase in the EBT of EUR 5.3 m in the third quarter versus the second quarter of 2018. In the first nine months, the EBT amounted to EUR -7.6 m compared to EUR 4.2 m in the same period of 2017.

Based on the business development in the first nine months of 2018, the Management Board confirms its forecast for the full 2018 financial year of sales growth of 21% to 23% and an EBT margin of +0.5% to -0.5% based on sales.

c. Results of operations

i. Sales and income development

In the first nine months of 2018, zooplus significantly increased sales again achieving a growth rate of 22.6% compared to the same period of the previous year. Sales in the first nine months of 2018 amounted to EUR 973.8 m compared to EUR 794.5 m in the same period of 2017.

This growth was primarily driven by an expansion in the customer base in all of the Group's geographic markets accompanied by double-digit growth rates in both new and existing customers in all 30 countries.

The strong loyalty of existing customers resulted in a record high sales retention rate of 95% (currency-adjusted). This rate again underscores the strong sustainability of the business model.

Sales consist solely of the sale of merchandise. Sales of pet supplies are largely immune to seasonal fluctuations. The development of sales clearly shows that zooplus, as the online market leader, is profiting comparatively 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.

The adjustments described under the new provisions of IFRS 15 led to a sharp reduction in other operating income to EUR 6.1 m in the first nine months of 2018 compared to EUR 39.9 m in the first nine months of 2017. Income from marketing services in the form of marketing refunds totaled EUR 37.3 m in the first nine months (9M/2017: EUR 32.5 m) and are offset against the cost of materials in contrast to previous years. Other operating income includes other income and income from foreign currency gains.

zooplus is focusing more intently on expanding and improving its proprietary software platform. The increase in proprietary software development capacity and the resulting development work led to the capitalization of internally generated intangible assets and own work capitalized in the amount of EUR 2.3 m.

ii. Expense items

Cost of materials

The cost of materials in the first nine months of 2018 is not directly comparable with the same period of the previous year due to the reclassification effects from the mandatory application of IFRS 15 as of January 1, 2018. Whereas income from marketing services in the form of marketing refunds from suppliers was reported within other operating income in previous years, since January 1, 2018, this income is now directly offset against the cost of materials in the form of a reduction in the cost of materials. This results in an increase in the gross margin as of January 1, 2018 compared to the previous year, and a corresponding reduction in other operating income.

If for comparability purposes, the income from marketing services had been included in the cost of materials in the same period of the previous year, the gross margin would have fallen by 0.4% to 28.0% in the first nine months of 2018 compared to 28.4% in the same period of 2017. The decline in the gross margin resulted from a cost of materials ratio for the first nine months of 2018 of 72.0% based on sales and a cost of materials ratio of 71.6% adjusted for comparability purposes for the same period in 2017. The gross margin development in the first nine months of 2018 is a result of the ongoing, highly competitive market environment for pet supplies and price increases from suppliers. zooplus was still able to stabilize the gross margin in the second and third quarters of 2018 through targeted pricing measures coupled with an improvement in supplier conditions. This led to an increase in the gross margin from 27.1% in the first quarter of 2018 to 28.6% in the third quarter of 2018.

Personnel expenses

Personnel expenses increased from EUR 26.0 m in the first nine months of 2017 to EUR 34.7 m in the first nine months of 2018. This corresponds to a 0.3 percentage point rise in the personnel expense ratio to 3.6% based on sales.

Depreciation and amortization

Scheduled depreciation and amortization increased to EUR 6.6 m in the first nine months of 2018, compared to EUR 3.1 m in the same period of 2017. This increase is mainly attributable to depreciation due to both the addition as well as the capitalization of property, plant and equipment stemming from finance leases in connection with the extension of the warehouse logistics contract in Tilburg, Netherlands and contracts classified as finance leases for the logistic warehouses that began operations in the third quarter of 2018 in Krosno Odrzanskie, Poland, and Cabanillas del Campo, Spain.

Other expenses

During the first nine months of 2018, other expenses increased year-on-year from EUR 199.8 m to EUR 247.0 m. Other expenses mostly consist of expenses for logistics/fulfillment, marketing and payment transactions. These expenses rose to 25.4% of Group sales compared to 25.1% in the prior year. This change was due above all to higher expenses for the acquisition of new customers that began in the second half of 2017 and continued in 2018.

Logistics and fulfillment expenses

Logistics and fulfillment expenses in the first nine months of 2018 reached a level of 19.8% of sales compared to 19.7% in the same period of the prior year. Significant improvements in efficiency within the entire logistics network were achieved in the third quarter of 2018 compared to the development in the first half of 2018, which resulted in an improvement in logistics and fulfillment expenses relative to sales compared to the first and second quarters of 2018.

This improvement was offset by start-up costs for placing new and significantly greater logistics capacities into operation in Coventry, UK, in the second quarter, in addition to the further expansion in logistics capacities in Poland and Spain in the third quarter of 2018.

In the context of the capitalization of property, plant and equipment resulting from finance leases, expenses for logistics services in the amount of EUR 3.6 m were classified as depreciation and recorded under depreciation and amortization. In addition, a total of EUR 0.3 m was classified and recognized in the financial result. In the 2017 comparable period, logistics expenses of EUR 1.6 m were classified as depreciation, and EUR 0.2 m were classified and recognized in the financial result.

Marketing expenses

The increase in the share of marketing expenses as a percentage of sales from 1.7% in the first nine months of 2017 to 2.0% in the same period of 2018 reflects the course the company has taken to invest more in sustainably acquiring new customers and expanding its market position. There was a sharp increase in the number of registered new customers versus the second quarter.

Despite the increase in marketing expenses, the overall very modest marketing expense ratio and the very high level of customer loyalty are further evidence of the company's highly effective marketing approach and the very high level of customer satisfaction throughout Europe with the product range zooplus offers.

The sales retention rate now stands at a record level of 95% (currency-adjusted).

Payment transaction expenses

Total payment transaction expenses in the first nine months of the current financial year amounted to EUR 10.4 m compared to EUR 8.0 m in the previous year's period, reaching a slightly higher level of 1.1% of sales compared to the prior year.

Other expenses

In addition to the expenses for logistics and fulfillment, marketing, and payment transactions described above, other expenses included customer relationship service costs, office rentals, general administrative costs, technology costs and other expenses incurred as part of the ordinary operating activities. Other expenses as a percentage of sales were 2.5% in the first nine months of 2018 compared to 2.7% in the same period of 2017.

iii. Earnings development

In the first nine months of 2018, zooplus generated earnings before taxes (EBT) of EUR -7.6 m versus EUR 4.2 m in the prior year period. A stabilization in the gross margin in the second and third quarters of 2018 and improvements in the efficiency of the logistics network led to a sharp improvement in EBT in the third quarter of 2018. EBT in the first nine months was adversely affected by the expansion and optimization of the logistics infrastructure and the continued growth in a overall market offering tremendous potential.

The consolidated net profit/loss reached EUR -5.7 m (previous year: EUR 2.0 m). At EUR -6.0 m (previous year: EUR -0.4 m) total comprehensive income differed from the consolidated net profit/loss due to the hedge reserve of EUR 0.7 m and currency translation differences of EUR -1.0 m.

d. Net assets

Non-current assets as of September 30, 2018 totaled EUR 63.1 m compared to EUR 28.1 m at the end of 2017. This rise is mainly the result of the capitalization of property, plant and equipment related to the finance lease in Tilburg, the Netherlands, as well as new contracts classified as finance leases for the logistics warehouses in Krosno Odrzanskie, Poland, and Cabanillas del Campo, Spain, that commenced operation in the third quarter of 2018.

The related net carrying amount of all finance lease items totaled EUR 42.3 m as of September 30, 2018, compared to EUR 11.0 m as of December 31, 2017.

Within current assets, inventories decreased from EUR 104.5 m at the end of 2017 to EUR 89.7 m as of September 30, 2018. This decline is due to a reduction in the number of days of inventory on hand with an unchanged level of product availability.

Accounts receivable reached a net EUR 31.5 m as of September 30, 2018 (previous year: EUR 26.4 m).

The decline in other current assets from EUR 27.5 m at the end of 2017 to EUR 20.6 m as of September 30, 2018 is mainly the result of the reclassifications under IFRS 15, which were mandatory as of January 1, 2018. Other receivables from suppliers due to marketing refunds of EUR 13.0 m are now classified as contract assets and reported in the separate line item "contract assets".

Compared to their level of EUR 51.2 m in the prior year, cash and cash equivalents recorded an increase of EUR 10.0 m to EUR 61.2 m as of September 30, 2018. This increase stemmed mainly from the higher positive cash flows from operating activities in the first nine months of 2018.

Equity as of September 30, 2018 totaled EUR 107.0 m compared to EUR 111.4 m at the end of 2017, declining mainly due to the lower net profit/loss achieved in the first nine months of 2018. As a result, the equity ratio as of September 30, 2018 was 38.1% and within the company's target corridor.

The year-on-year increase in non-current and current lease liabilities as of September 30, 2018 resulted from the classification as finance leasing of property, plant and equipment related to the extension of the warehouse logistics contract in Tilburg, Netherlands and new contracts classified as finance leases for the logistics warehouses in Krosno Odrzanskie, Poland, and Cabanillas del Campo, Spain, that commenced operation in the third quarter of 2018. In addition, there are future lease payments related to leased property at the fulfillment center in Wrocław, Poland. The total share of current lease liabilities recognized was EUR 8.0 m.

Accounts payable rose to EUR 91.0 m as of September 30, 2018 compared to EUR 78.1 m as of the end of 2017. Other liabilities mainly consist of value-added tax liabilities.

In accordance with the provisions of IFRS 15, applicable as of January 1, 2018, all transactions classified as other current liabilities, provisions or deferred income in the previous year have been recorded under the separate balance sheet item "contract liabilities" starting with the 2018 financial year. These are contract liabilities from advance customer payments received, customer refunds, customer loyalty programs, sales coupons, customer returns and applicable discount plans. Other current liabilities, other provisions and deferred income showed a corresponding decline as of September 30, 2018.

The Group's total assets amounted to EUR 281.0 m at the end of the reporting period compared to EUR 239.5 m as of December 31, 2017.

e. Financial position

Cash flows from operating activities totaled a positive EUR 20.4 m in the first nine months of 2018 compared to EUR 1.5 m in the same period of 2017. The main influence on operating cash flow was the decline in inventories and a continued improvement in the development of working capital.

Cash outflow from investing activities (EUR -6.1 m in the first nine months of 2018 compared to EUR -5.3 m in the same period of 2017) was impacted by investments made in operating and office equipment as well as in both hardware and software in the form of purchases and investments in internally generated intangible assets.

Cash flows from financing activities (EUR -3.8 m in the first nine months of 2018 compared to EUR 0.6 m in the same period of 2017) mainly relate to repayments of finance lease liabilities of EUR -3.5 m and interest paid.

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 changes in working capital.

The available liquidity based on the Group's available lines of credit significantly exceeded the level required to secure business operations at all times. In the first nine months of the current 2018 financial year, zooplus was able to meet all payment commitments at all times.

f. Overall statement on the financial situation

With sales growth of 23% in a highly competitive market environment and very high customer loyalty reflected by a record sales retention rate of 95% (currency-adjusted), the company's performance in the first nine months of 2018 can be considered positive in terms of zooplus's sales performance and future long-term development. Important to note is the further stabilization of the gross margin coupled with an increase in the growth of registered new customers in the third quarter of 2018, as well as improvements in efficiency across the entire logistics network that led to a sharp improvement in EBT. The high level of growth was again financed entirely from operating cash flow.

2. Subsequent events

After the end of the first nine months of 2018, there were no events of particular importance that impact the results of operations, financial position and net assets.

3. Report on outlook, risks and opportunities

A. Outlook

Based on the latest forecasts, the underlying economic conditions are not expected to change materially in 2018. 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 currently impossible 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 develop at a faster rate than the market overall. zooplus, as the leader in the European online market for pet supplies, will benefit substantially from these trends. The expectation for our pet supply segment is for slightly higher sales overall in 2018.

In the 2018 financial year, we will continue to focus on the company's growth and long-term value appreciation. To do this, we will concentrate on generating sustainable and profitable growth in the long term and are therefore investing specifically in our product range, logistics and IT. All of this is in an effort to expand our position as the European market leader in the online retailing of pet supplies.

In summary, the Group expects to achieve the following financial targets in the 2018 financial year:

- Year-over-year sales growth of 21% to 23%
- EBT margin in the range of +0.5% to -0.5% based on sales

Excluding the effects from changes in accounting and valuation regulations resulting from the introduction of new IFRS provisions, zooplus expects the following to occur in terms of the year-on-year development of the key factors influencing the results of operations, net assets and financial position:

- a gross margin based on sales in the 2018 financial year at the prior year's level
- logistics and fulfillment expenses as a percentage of sales in 2018 at the prior year's level
- marketing expenses related to customer acquisitions to remain stable or increase slightly in 2018 as a percentage of sales
- an equity ratio in the range of 35% to 55% prior to the conclusion of new finance leases
- another year in which the Group reasserts its leading market position based on sales in the online retailing of pet supplies
- a stable year-on-year sales retention rate
- a moderate year-on-year increase in new customers

Growth will continue to be the priority in 2018. Our focus will be on building future sustainable, profitable growth.

B. Risk report

The risk assessment for zooplus AG has not changed materially from the situation described in the 2017 Annual Report (pages 65 to 70).

C. Opportunity report

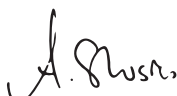
The opportunities assessment for zooplus AG has not changed materially from the situation described in the 2017 Annual Report (pages 71 to 72).

Munich, November 14, 2018

The Management Board



Dr. Cornelius Patt



Andrea Skersies



Andreas Grandinger

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Consolidated interim financial statements

Consolidated balance sheet as of September 30, 2018 according to IFRS

Assets

in EUR	30 / 09 / 2018	31 / 12 / 2017
A. NON-CURRENT ASSETS		
I. Property, plant and equipment	48,088,952.60	14,953,996.71
II. Intangible assets	14,362,815.21	13,068,635.16
III. Other financial assets	0.00	37,708.71
IV. Deferred tax assets	677,657.42	0.00
Non-current assets, total	63,129,425.23	28,060,340.58
B. CURRENT ASSETS		
I. Inventories	89,697,260.97	104,542,066.62
II. Advance payments	631,472.32	628,240.48
III. Accounts receivable	31,472,015.92	26,387,959.32
IV. Other current assets	20,564,243.28	27,474,816.50
V. Contract assets	13,016,076.73	n/a
VI. Tax receivables	748,146.71	1,169,804.50
VII. Derivative financial instruments	548,821.54	0.00
VIII. Cash and cash equivalents	61,225,188.67	51,191,242.91
Current assets, total	217,903,226.14	211,394,130.33
	281,032,651.37	239,454,470.91

Equity and Liabilities

in EUR	30 / 09 / 2018	31 / 12 / 2017
A. EQUITY		
I. Subscribed capital	7,142,678.00	7,137,578.00
II. Capital reserves	100,212,354.52	98,831,984.63
III. Other reserves	-1,672,776.89	-1,379,456.36
IV. Profit for the period and profit carried forward	1,353,692.10	6,789,493.63
Equity, total	107,035,947.73	111,379,599.90
B. NON-CURRENT LIABILITIES		
I. Provisions	402,984.00	1,190,060.16
II. Deferred tax liabilities	0.00	1,010,240.95
III. Finance lease liabilities	34,190,723.20	8,869,681.49
Non-current liabilities, total	34,593,707.20	11,069,982.60
C. CURRENT LIABILITIES		
I. Accounts payable	90,998,712.04	78,132,936.61
II. Derivative financial instruments	0.00	509,085.60
III. Other current liabilities	20,266,546.96	24,564,100.54
IV. Contract liabilities	17,163,873.31	n/a
V. Tax liabilities	91,578.44	1,344,271.91
VI. Finance lease liabilities	7,959,290.26	2,078,750.41
VII. Provisions	2,922,995.43	7,447,738.92
VIII. Deferred income	0.00	2,928,004.42
Current liabilities, total	139,402,996.44	117,004,888.41
	281,032,651.37	239,454,470.91

Consolidated statement of comprehensive income from January 1 to September 30, 2018 according to IFRS

in EUR	9M 2018	9M 2017
Sales	973,838,328.80	794,512,546.76
Other income	6,071,440.30	39,923,377.95
Own work capitalized	2,280,546.00	0.00
Cost of materials	-700,962,273.38	-601,025,658.94
Personnel expenses	-34,728,951.52	-26,033,211.58
of which cash	(-33,560,108.63)	(-25,150,165.14)
of which stock-based and non-cash	(-1,168,842.89)	(-883,046.44)
Depreciation and amortization	-6,630,472.52	-3,080,333.73
Other expenses	-246,964,147.83	-199,799,100.70
of which logistics / fulfillment expenses	(-193,149,014.31)	(-156,674,296.89)
of which marketing expenses	(-19,271,961.87)	(-13,307,049.30)
of which payment transaction expenses	(-10,394,493.40)	(-8,044,483.92)
of which other expenses	(-24,148,678.26)	(-21,773,270.60)
Earnings before interest and taxes (EBIT)	-7,095,530.15	4,497,619.76
Financial result	-495,587.40	-315,026.20
Earnings before taxes (EBT)	-7,591,117.55	4,182,593.56
Taxes on income	1,928,663.64	-2,212,141.29
Consolidated net profit / loss	-5,662,453.91	1,970,452.27
Other gains and losses (after taxes)		
Differences from currency translation	-1,002,382.79	-330,191.04
Hedge reserve	709,062.26	-2,058,126.70
Items subsequently reclassified to profit or loss	-293,320.53	-2,388,317.74
Total comprehensive income	-5,955,774.44	-417,865.47
Earnings per share		
basic (EUR / share)	-0.79	0.28
diluted (EUR / share)	-0.79	0.28

Consolidated statement of cash flows from January 1 to September 30, 2018 according to IFRS

in EUR	9M 2018	9M 2017
Cash flows from operating activities		
Earnings before taxes	-7,591,117.55	4,182,593.56
Adjustments for:		
Depreciation and amortization	6,630,472.52	3,080,333.73
Non-cash personnel expenses	1,168,842.89	883,046.44
Other non-cash business transactions	-1,002,382.79	-330,191.04
Interest and similar expenses	495,587.40	319,586.00
Interest and similar income	0.00	-4,559.81
Changes in:		
Inventories	14,844,805.65	-5,530,575.44
Advance payments	-3,231.84	-2,202,583.35
Accounts receivable	-5,084,056.60	-5,922,126.24
Other current assets	6,910,573.22	4,062,277.66
Contract claims	-13,016,076.73	n/a
Accounts payable	12,865,775.43	2,867,756.38
Other liabilities	-4,297,553.58	3,559,860.70
Contract liabilities	17,163,873.31	n/a
Current provisions	-4,524,743.49	343,892.54
Non-current provisions	-787,076.16	-376,631.46
Deferred income	-2,928,004.42	306,918.59
Income taxes paid	-447,435.14	-3,768,168.88
Interest received	0.00	4,559.81
Cash flows from operating activities	20,398,252.12	1,475,989.19
Cash flows from investing activities		
Payments for property, plant and equipment / intangible asset	-6,129,365.39	-5,278,942.64
Cash flows from investing activities	-6,129,365.39	-5,278,942.64
Cash flows from financing activities		
Payment from capital increase	216,627.00	2,530,057.00
Payments for the redemption of finance lease liabilities	-3,527,025.01	-1,603,978.34
Interest paid	-495,587.40	-319,586.00
Cash flows from financing activities	-3,805,985.41	606,492.66
Currency effects on cash and cash equivalents	-428,955.56	-71,802.29
Net change of cash and cash equivalents	10,033,945.76	-3,268,263.08
Cash and cash equivalents at the beginning of the period	51,191,242.91	54,923,661.37
Cash and cash equivalents at the end of the period	61,225,188.67	51,655,398.29
Composition of cash and cash equivalents at the end of the period		
Cash on hand, bank deposits	61,225,188.67	51,655,398.29
	61,225,188.67	51,655,398.29

Consolidated statement of changes in equity as of September 30, 2018 according to IFRS

	Subscribed capital	Capital reserves	Other reserves	Profit for the period and profit / losses carried forward	Total
in EUR					
As of January 1, 2018	7,137,578.00	98,831,984.63	-1,379,456.36	6,789,493.63	111,379,599.90
Increase from stock options	5,100.00	1,380,369.89	0.00	0.00	1,385,469.89
Currency translation differences	0.00	0.00	-1,002,382.79	0.00	-1,002,382.79
Net result for 9M 2018	0.00	0.00	0.00	-5,662,453.91	-5,662,453.91
IFRS 9 adjustment	0.00	0.00	0.00	226,652.38	226,652.38
Hedge reserve	0.00	0.00	709,062.26	0.00	709,062.26
As of September 30, 2018	7,142,678.00	100,212,354.52	-1,672,776.89	1,353,692.10	107,035,947.73
As of January 1, 2017	7,060,902.00	94,810,944.46	1,147,161.06	4,851,179.83	107,870,187.35
Increase from stock options	69,576.00	3,343,527.44	0.00	0.00	3,413,103.44
Currency translation difference	0.00	0.00	-330,191.04	0.00	-330,191.04
Net result for 9M 2017	0.00	0.00	0.00	1,970,452.27	1,970,452.27
Hedge reserve	0.00	0.00	-2,058,126.70	0.00	-2,058,126.70
As of September 30, 2017	7,130,478.00	98,154,471.90	-1,241,156.68	6,821,632.10	110,865,425.32

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Notes to the consolidated financial statements

Notes and explanations to the interim consolidated financial statements

Accounting principles

This nine-month financial report as of September 30, 2018, was prepared in accordance with International Financial Reporting Standards as applicable in the European Union (EU). These consolidated financial statements comply with IAS 34 "Interim Financial Reporting".

Except for the mandatory first-time application of the following new standards, the same accounting policies were applied as those applied to the consolidated financial statements for the financial year ended December 31, 2017.

Application of IFRS 15

IFRS 15 replaces IAS 18, which previously governed the sale of goods and rendering of services, as well as IAS 11, which governed the accounting of construction contracts. The new standard introduces a uniform, principle-based, five-level model for recognizing revenue from contracts with customers. The standard also defines comprehensive disclosure requirements. zooplus will apply IFRS 15 prospectively for financial years as of January 1, 2018. The effect of the transition will be recognized starting with the 2018 financial year and in subsequent periods. The first-time application of the standard requires changes to the Group's accounting policies and will affect the presentation of the circumstances described below.

IFRS 15 requires the separate recording of contract assets and contract liabilities on the balance sheet. As of January 1, 2018, this regulation resulted in the reclassifications of receivables from marketing services and liabilities from advance payments and refunds, provisions for customer coupons and customer loyalty programs, returns as well as deferred income that are currently included in other balance sheet items. The following issues were either identified and reclassified as of January 1, 2018, or a change was made to their recognition and reporting. In accordance with the transition method chosen by zooplus under IFRS 15, the prior year's figures were not adjusted.

The changes in the accounting policies had the following effect in the first nine months of 2018:

- Accounts receivable from marketing services in the form of marketing refunds of EUR 14.5 m, which were previously accounted for as other current assets, were reclassified as contract assets as of January 1, 2018.
- Liabilities from advance payments received, and customer refunds of EUR 6.1 m that were previously accounted for as other current liabilities were reclassified as contract liabilities as of January 1, 2018.
- Deferred income of EUR 2.9 m was reclassified as contract liabilities as of January 1, 2018.
- Provisions under the customer loyalty / loyalty reward program of EUR 4.0 m that were previously accounted for as other provisions were reclassified as contract liabilities as of January 1, 2018.
- Provisions for customer returns of EUR 0.8 m that were previously accounted for as other provisions were reclassified as contract liabilities as of January 1, 2018.
- Provisions for customer coupons yet to be redeemed of EUR 0.4 m that were previously accounted for as other provisions were reclassified as contract liabilities as of January 1, 2018.
- Income from marketing services in the form of marketing refunds, which had previously been accounted for as other income in the prior year, were reclassified as cost of materials as of the 2018 financial year. Income from marketing services totaled EUR 37.3 m in the first nine months of 2018.

The following table illustrates the reclassifications of balance sheet items:

EUR m	IAS 18 carrying amounts Dec. 31, 2017	Reclassification	IFRS 15 carrying amounts Jan. 1, 2018
Other current assets	27.5	– 14.5	13
Contract assets	0	14.5	14.5
Other current liabilities	24.6	– 6.1	18.5
Contract liabilities	0	14.2	14.2
Current provisions	7.4	– 5.2	2.2
Deferred income	2.9	– 2.9	0

Application of IFRS 9

The final version of IFRS 9 (2014) replaces IAS 39 Financial Instruments: Recognition and Measurement and all other previously published provisions. The standard contains regulations on the recognition and measurement of financial assets and provides for a new impairment model based on expected credit losses. Additionally, IFRS 9 contains new regulations on the application of hedge accounting. zooplus has applied the new standard for the first time in the 2018 financial year.

According to IFRS 9, financial assets are to be classified upon acquisition as “measured at fair value through profit or loss” (FVPL), “measured at fair value through other comprehensive income” or “measured at amortized cost”. The classification of debt instruments depends on the underlying business model and the contractual terms of the respective instrument. Financial assets that are held to collect the contractual cash flows (business model: “Hold”) and whose cash flows exclusively represent principal and interest payments on the principal amount outstanding are to be allocated to the category “at amortized cost”. This applies to all of zooplus’s financial assets.

Equity instruments, on the other hand, must generally be classified as “measured at fair value through profit or loss”. However, when the instruments are not held for trading, there is the irrevocable option upon initial recognition to recognize fair value changes in other comprehensive income. zooplus has fully consolidated its subsidiaries previously not included in the consolidated financial statements due to immateriality and record them at cost as “financial assets available for sale” under IAS 39 as of the 2018 financial year.

With regard to the classification of financial liabilities, changes only arose for financial liabilities measured at fair value as a result of the fair value option. zooplus is not affected by this change because the fair value option has not been utilized under IAS 39 and will not be utilized under IFRS 9.

The new impairment model contained in IFRS 9 is based on the “expected loss model” rather than the previous “incurred loss model”. Using the general approach (or three-stage model) for impairment, the level of impairment is derived from the development of the credit risk. Excluded from the impairment model are accounts receivable and contract assets under IFRS 15 when they do not contain a significant financing component or lease receivables for which the “simplified impairment approach” is used. Under this model, impairment is recognized in the amount of the expected losses over the remaining term, irrespective of the credit quality. Financial assets that are impaired based on the simplified approach are to be reclassified as impaired financial assets once there is an objective indication of their impairment. The application of the simplified impairment approach to accounts receivable will slightly change the total level of impairment.

The new regulations contained in IFRS 9 for hedge accounting introduce an approach that aligns risk management more closely with accounting. The new provisions for hedge accounting have no significant impact on the Group's net assets, financial position or results of operations. It was possible to continue the existing hedges as of January 1, 2018 without any adjustment effects.

The first-time application of IFRS 9 must be made retrospectively, whereby simplifications are allowed. Among others, zooplus utilizes the option to leave the prior year's comparable figures unadjusted. The accumulated effect of first-time application is recognized directly in equity.

The following table illustrates the reconciliation of the prior measurement categories and carrying amounts according to IAS 39 to the new measurement categories and carrying amounts according to IFRS 9 as of January 1, 2018.

kEUR	Measurement categories		Carrying amounts	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial assets				
Accounts receivable	LaR	AC	26,388	26,615
Other financial assets	AFS	n / a ¹	38	n / a
Other current assets – thereof financial instruments	LaR	AC	23,598	9,091
		n / a ²		n / a ²
Derivative financial instruments	n / a ³	n / a ³	0	0
Cash and cash equivalents	LaR	AC	51,191	51,191

¹ Subsidiaries previously not included in the consolidated financial statements due to immateriality are fully consolidated as of January 1, 2018.

² Contract assets under IFRS 15.

³ Derivatives were designated as hedging instruments for hedge accounting under IAS 39 and will continue to be so under IFRS 9 and are therefore not allocated to any category.

kEUR	Measurement categories		Carrying amounts	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial liabilities				
Accounts payable	FLaC	FLaC	78,133	78,133
Other liabilities – thereof financial instruments	FLaC	FLaC	6,600	518
		n / a ¹		n / a ¹
Derivative financial instruments	n / a ²	n / a ²	509	509

¹ Contract liabilities under IFRS 15.

² Derivatives were designated as hedging instruments for hedge accounting under IAS 39 and will continue to be so under IFRS 9 and are therefore not allocated to any category.

Financial assets according to the IAS 39 measurement categories are reconciled to the measurement categories of IFRS 9 as follows:

kEUR	AC (LaR 2017)	AfS at cost (only 2017)	FVTPL	Total financial assets
Carrying amount 31 / 12 / 2017 (IAS 39)	101,537	38	0	101,575
Reclassification as contract asset under IFRS 15	- 14,507			- 14,507
Adjustment due to full consolidation		- 38		- 38
Remeasurement according to IFRS 9	227			227
Carrying amount 1 / 1 / 2018 (IFRS 9)	87,257	0	0	87,257

Impairment recognized for accounts receivable decreased by kEUR 227 as of January 1, 2018 due to the first-time application of IFRS 9. The effect was recognized in equity.

The following table illustrates the reconciliation of the previous impairment losses under IAS 39 to the new impairment losses under IFRS 9 as of January 1, 2018:

kEUR	Accounts receivable
Measurement categories	
Under IAS 39	LaR
Under IFRS 9	AC
Impairment losses	
As of December 31, 2017 (IAS 39)	3,206
Remeasurement according to IFRS 9	- 227
As of January 1, 2018 (IFRS 9)	2,979

For reasons of materiality, impairment losses were not recognized for cash and cash equivalents, contract assets or financial assets contained within other current assets.

IFRS 16

On January 13, 2016, the IASB published IFRS 16 "Leases" for the accounting of leases. The new standard replaces IAS 17 "Leases" and the related interpretations and introduces a uniform model for lease accounting. Under IFRS 16, the lessee must recognize an asset (for the right of use) and a corresponding liability for all leases with a term of more than 12 months. The Group is currently analyzing the effects and has concluded that the leases that need to be accounted for in the future mainly relate to building and office rentals, IT leasing and car leasing. In the future these will be recognized in the balance sheet as fixed assets. zooplus is currently assessing the effects of the application of IFRS 16 on the company's consolidated financial statements and will apply the standard under the modified retrospective approach for the first time to the 2019 financial year.

Stock Option Program

Based on the resolution of the Annual General Meeting on May 31, 2016, the company's Management Board and Supervisory Board established the Stock Option Program 2016 in order to issue stock options with subscription rights to shares of zooplus AG to members of the Management Board and selected executives of zooplus AG and its domestic and foreign affiliates. Under the Stock Option Program 2016, members of the Management Board can subscribe for up to 100,000 no-par value shares, and selected executives of zooplus AG and affiliated companies in Germany and abroad can subscribe to up to 150,000 no-par value shares. Each option entitles the holder to subscribe to one 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 zooplus shares 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 the lowest issue price within the meaning of Section 9 (1) AktG.

In April 2018, a total of 85,600 stock options were granted to employees of zooplus AG, each with the right to subscribe to one no-par value bearer share of zooplus AG with a notional interest in the share capital of EUR 1.00 per share. The subscription price for the options issued in April 2018 is EUR 154.01 per share.

In September 2016, 100,000 stock options were already granted to members of the Management Board and 48,400 to zooplus AG employees, each with the right to subscribe to one no-par-value bearer share of zooplus AG with a notional interest in the share capital of EUR 1.00 per share. The subscription price for the options issued in September 2016 was EUR 124.45 per share.

On the basis of the resolution of the Annual General Meeting of June 13, 2018, the company's Management Board and Supervisory Board have resolved to establish the 2018 Stock Option Program to grant subscription rights to shares of zooplus AG to members of the zooplus AG Management Board, members of management bodies of affiliated companies in Germany and abroad and to selected executives and employees of zooplus AG and affiliated companies in Germany and abroad. Under the 2018 Stock Option Program, members of the Management Board may receive up to 150,000 no-par value shares, members of management bodies of affiliated companies in Germany and abroad up to 15,000 no-par value shares and selected executives and employees of the company and affiliated companies in Germany and abroad up to 200,000 no-par value shares of the company.

In August 2018, 80,000 stock options were issued to members of the zooplus AG Management Board, each with the right to subscribe to one no-par value bearer share of zooplus AG with a notional interest in the share capital of EUR 1.00 per share. The subscription price for these options issued in August 2018 is EUR 162.32 per share.

The option rights under the 2016 and 2018 stock option programs may be exercised four years after the option rights have been granted at the earliest. The stock options can only be exercised if and to the extent that the performance targets are achieved as described below:

The performance targets are linked to the absolute performance of zooplus shares during the vesting period. One-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 expiry of the vesting period is at least 20% above the exercise price (Performance Target I, in this case, one-third of the stock options may be exercised), at least 30% above the exercise price (Performance Target II, in this case, two-thirds of the stock options may be exercised) and at least 50% above the exercise price (Performance Target III, in which case all stock options may be exercised).

The exercise of subscription rights is possible within a two-year period, starting with the expiration of the vesting period. All options can be settled in equity instruments only.

Property, plant and equipment

The increase is mainly attributable to the capitalization of property, plant and equipment stemming from finance leases in connection with the extension of the warehouse logistics contract in Tilburg, Netherlands and contracts classified as finance leases for the new logistic warehouses commissioned in the third quarter of 2018 in Krosno Odrzanskie, Poland and Cabanillas del Campo, Spain.

The net carrying amount of all finance lease items amounted to EUR 42.3 m as of September 30, 2018.

Deferred taxes

kEUR	Deferred tax assets		Deferred tax liabilities	
	30 / 09 / 2018	31 / 12 / 2017	30 / 09 / 2018	31 / 12 / 2017
Deferred taxes				
Derivative financial instruments	0	168	181	0
Finance lease assets	0	0	13,953	3,623
Finance lease liabilities	13,969	3,610	0	0
Tax loss carryforwards	2,221	0	0	0
Inventories	612	164	0	0
Internally generated intangible assets	0	0	1,990	1,329
Total	16,802	3,942	16,124	4,952
Thereof non-current	13,494	2,925	13,242	4,262
Thereof current	3,308	1,017	2,882	690
Total	16,802	3,942	16,124	4,952

Sales

kEUR	9M 2018	9M 2017
Germany	222,910	195,988
France	163,110	133,533
Italy	78,984	64,730
Poland	78,726	56,525
Great Britain	78,045	65,898
The Netherlands	62,585	53,283
Spain	56,176	45,161
Belgium	44,003	34,865
Switzerland	29,653	21,514
Austria	27,238	23,100
Czech Republic	23,545	18,229
Denmark	22,086	17,923
Sweden	19,830	15,858
Finland	17,522	14,877
Other countries	49,425	33,028
Total	973,838	794,513

The Group's sales mainly consist of the sales of pet supplies in Germany and other European countries. A total of 85% of sales were mainly generated from the sale of food and the remaining 15% mainly from the sales of accessories.

Fair value disclosures

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and mutually independent parties in an arm's length transaction.

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

- Level 1: Unadjusted quoted prices on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable inputs that are not allocated to Level 1
- Level 3: Unobservable inputs

The following table shows the assets and liabilities measured at fair value on September 30, 2018:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	549	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	0	0

The following table shows the assets and liabilities measured at fair value on December 31, 2017:

	Level 1	Level 2	Level 3
Assets in kEUR			
Derivative financial instruments as hedging instruments	0	0	0
Liabilities in kEUR			
Derivative financial instruments as hedging instruments	0	509	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 reporting date. A market is considered to be 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 if these prices represent current and regularly occurring market transactions at arm's length conditions. For assets held by the Group, the appropriate quoted market price corresponds to the bid price offered by the buyer.

The fair value of financial instruments that are not traded on an active market (e.g., over-the-counter derivatives) is determined using valuation methods based 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 data are not based on observable market data, the instrument is assigned to Level 3.

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

Additional information on financial instruments

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements and the allocation of assets, liabilities and some of the balance sheet items to measurement categories in accordance with IFRS 9:

KEUR	Measurement category		Carrying amount		Fair value	
	30 / 09 / 2018	31 / 12 / 2017	30 / 09 / 2018	31 / 12 / 2017	30 / 09 / 2018	31 / 12 / 2017
Financial assets						
Accounts receivable	AC	LaR	31,472	26,388	31,472	26,388
Other financial assets	n / a	AfS	n / a	38	n / a	n / a
Other current assets of which financial instruments pursuant to IFRS 7	AC	LaR	16,930	23,958	16,930	23,958
Derivative financial instruments	n / a	n / a	549	0	549	0
Cash and cash equivalents	AC	LaR	61,225	51,191	61,225	51,191
Total			110,176	101,575	110,176	101,537
Financial liabilities						
Accounts payable	FLaC	FLaC	90,999	78,133	90,999	78,133
Other liabilities of which financial liabilities pursuant to IFRS 7	FLaC	FLaC	627	6,600	627	6,600
Finance lease liabilities	n / a	n / a	42,150	10,949	42,150	10,949
Derivative financial instruments	n / a	n / a	0	509	0	509
Total			133,776	96,191	133,776	96,191

AC (Amortized Cost)
 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 reported as of September 30, 2018 and December 31, 2017, correspond to their carrying amounts. This is mainly due to the short-term maturities of such instruments.

Aggregated by IFRS 9 measurement categories, the Group's financial assets and liabilities are as follows:

kEUR	Measurement category		Carrying amount		Fair value	
	30 / 09 / 2018	31 / 12 / 2017	30 / 09 / 2018	31 / 12 / 2017	30 / 09 / 2018	31 / 12 / 2017
Financial assets						
Loans and receivables	AC	LaR	109,627	101,537	109,627	101,537
Available for Sale	n / a	AfS	n / a	38	n / a	n / a
Financial liabilities						
Financial liability at amortized cost	FLaC	FLaC	91,626	84,733	91,626	84,733

For materiality reasons, the impairment losses recognized in the first nine months were not recorded separately in the Group's statement of income but included in the line item other operating expenses.

Scope of consolidation

As of September 30, 2018, the Group's scope of fully consolidated companies comprised 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 Austria GmbH, Vienna, Austria	100%	Service company for Austria
zooplus Pet Supplies Import and Trade Ltd., Istanbul, Turkey	100%	Sales company for Turkey
Tifuve GmbH, Munich, Germany	100%	Dormant company
zooplus EE TOV, Kiev, Ukraine	100%	Dormant company
zooplus d.o.o., Zagreb, Croatia	100%	Dormant company

Since the start of the 2018 financial year, the consolidated financial statements include the following entities for the first time:

- 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.

Segment reporting

The zooplus Group operates in only one business segment – the distribution and sale of pet supplies in the EU and other European countries. The products sold by the company are homogeneous and cannot be sub-divided. As an online retailer, the company offers its products centrally from one location irrespective of the end customers' geographic location. Consequently, there are no geographical segments as defined by IFRS. There is also no internal reporting by segment at present and, for this reason, the Group does not prepare segment reporting.

Earnings per share

Basic earnings per share are computed using the net result for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period. Consolidated net result for the first nine months of 2018 amounted to EUR -5.7 m (previous year: EUR 2.0 m). The average number of shares outstanding in the first nine months of 2018 was 7,139,569, resulting in basic earnings per share of EUR -0.79 (previous year: EUR 0.28).

Diluted earnings per share are computed using the net result for the period attributable to parent company shareholders divided by the weighted average number of ordinary shares outstanding during the reporting period plus any share equivalents that could lead to dilution. This computation results in notional earnings per share of EUR -0.79 (previous year: EUR 0.28).

Information in accordance with Section 115 (5) of the WpHG

As with all of the company's regular interim reports, these interim financial statements and the interim management report have not been reviewed by an auditor.

German Corporate Governance Code

zooplus Aktiengesellschaft has submitted the declaration on the German Corporate Governance Code that is required under Section 161 of the German Stock Corporation Act (Aktiengesetz) and has made this declaration available to its shareholders on its website at

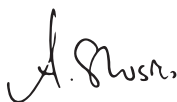
<http://investors.zooplus.com/en/corporate-governance/corporate-governance-statement.html>.

Munich, November 14, 2018

The Management Board



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This nine-month financial report is also available in German. In case of discrepancies the German version prevails.

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

Forward-looking statements

This report contains forward-looking statements. These statements are based on current experiences, estimates and projections of the management and currently available information. They are not guarantees for the realization of the future developments and results stated. The future developments and results are dependent on a wide range of factors. They encompass various risks and uncertainties, and are based upon assumptions as to future events that may not be accurate. Such factors include those discussed in the report on risks on page 16. We do not assume any obligation to update the forward-looking statements contained in this report.



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