Semi-annual report H1 2009

zooplus AG

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

CONTENT

HIGHLIGHTS H1 2009

62.5 % increase in total sales (i.e. sales and other operating income) over H1 2008

Acquisition record **320k new customers**
based on strong trading across all major EU markets

Operational results impacted negatively on the back of a weakening consumer environment –
recovery expected to start during H2

Preparations underway for a Q4 2009 uplisting
onto the regulated market / Prime Standard of the Frankfurt Stock Exchange

New european logistics- and technology infrastructure to go live in Q4 2009 will result in a doubling
of zooplus' European **logistics capacity**

Positive outlook for 2010:
strongly improved and significantly positive overall earnings on the back of continous and dynamic growth

THE SHARE

zooplus' total registered capital as of June 30th, 2009, comprised 2,410,710 no-par value bearer shares representing a pro rata amount of the registered share capital of EUR 1.00 each.

zooplus AG's shares were publicly listed on the Entry Standard segment of the Open Market of the Frankfurt Stock Exchange on May 9th, 2008. First trading occurred at EUR 26.00 per share.

As of June 30th, 2009, the zooplus share price had decreased slightly by approximately 0.6 % to EUR 25.85.

ZOOPLUS AG IS IDENTIFIED AS FOLLOWS:

International Securities Identification Number (ISIN)	DE0005111702
German securities identification (WKN)	511170
Common Code	036001097

The company's total free float (according to the criteria of Deutsche Boerse AG) stands at approximately 20 %.

zooplus AG's designated sponsor is JPMorgan Cazenove.

INTERIM MANAGEMENT REPORT

ZOOPLUS AG

zooplus AG was set up in Munich in June 1999. The company is a leading online pet supplies retailer in Germany and other European countries. The company's core markets are Germany, Austria, France as well as the United Kingdom and the Netherlands. In total, zooplus operates eleven country-specific websites in Western and Central Europe. Moreover, zooplus operates an international and multinational website under "www.zooplus.com".

The majority of its sales (product sales and other operational income) is generated through pet supplies retail (food and non-food) through the company's websites. In total, zooplus offers approximately 7,000 different products. Most of its sales are generated through selling stocked products, thereby aiming to achieve a high degree of product availability across all European markets. In addition, certain products are shipped directly by zooplus' suppliers and manufacturers. In both cases, the product distribution is carried out by selected parcel distributors. zooplus' European distribution center is located in Staufenberg / Lower Saxony / Germany. zooplus plans to inaugurate a second (international) distribution center in Tilburg / the Netherlands during the fourth quarter of 2009.

The company's operational headquarter is based in Munich / Germany. Fully consolidated and 100 %-owned subsidiaries of the company are Matina GmbH (Munich, Germany), Bitiba GmbH (Munich, Germany) as well as zooplus services ltd. (Oxford, UK). Moreover, the company holds a 49 % minority stake in Czech-based LSC s.r.o.

MARKET AND TRADING ENVIRONMENT

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

In total, the overall retail market volume for pet supplies amounted to approximately EUR 17 bln within the European Union in 2008. This makes pet supplies a medium-sized niche market within the overall consumer retail space. The general market environment during the first half of 2009 was impacted by growing price- and margin pressures within the sector. Most early indicators point towards an overall market volume decline within a single-digit range during 2009. This will be a novelty and most likely a one-off occurrence after a number of years of growth. In addition, a continuously weak British Pound / GBP results in additional negative margin effects in one of zooplus' core markets.

The situation described above had a considerably negative impact upon both contribution margins and earnings during the year which were neither foreseen nor recognizable at the beginning of 2009. We expect a reversal of these trends with a resulting recovery no later than the end of 2009. In addition, the company has actively engaged in a series of measures which aim to considerably improve zooplus' overall operational earnings over the next quarters (cf. key financials – page 5).

Within a weakening consumer environment zooplus, however, managed to strongly progress upon its anticyclical growth path even more aggressively than initially planned and, thereby, further improve its relative competitive position. The years 2009 and 2010 will continue to see a prioritization of growth over short-term earnings maximization. Management believes that this is in the best medium- to long-term interest of the company. Record customer acquisition numbers for H1 2009 further underline these efforts. With more than 320k new customer accounts versus 192k new customer accounts in H1 2008 a new all-time high was achieved. In turn, these efforts naturally lead to higher marketing spending und lower overall earnings during the period.

With the opening of the company's second and international distribution center in Tilburg / the Netherlands during Q4 2009 we will be able to serve our non-German core markets notably faster and more efficiently. This should significantly improve our position from 2010 onwards through faster delivery speeds and lower costs of distribution.

It remains the company's goal to reach significant size within all major European markets on the back of substantial economies of scale. Please also refer to the comments made under "Outlook 2009 / 2010" – page 9.

KEY FINANCIALS

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

Development of total sales and income

Overall, total sales increased by 62.5 % from EUR 36.5 mm to EUR 59.3 mm y-o-y. This reflects strong organic sales growth both domestically and internationally despite a worsening overall consumer climate which did not leave zooplus unaffected. Moreover, a strong increase in sales reflects the company's successful implementation of its anticyclical and growth-focused development strategy.

Development of major expenditure items

Costs of goods sold (cost of materials) did increase significantly y-o-y. During the first six months of 2009 COGS amounted to 60.7 % of total sales, which is up from 57.5 % of total sales y-o-y. In tune, the company's net product sales margin decreased from 42.5 % in H1 2008 to 39.3 % in H1 2009. Major reasons for this decline were a notably higher sectoral price- and margin pressure as well as the continous weakness of the British Pound ⁄ GBP in our key market UK. In addition and in tune with our strategy of utilizing all opportunities for strong anticyclical growth we have also seen comparatively weaker contribution margins in some of our younger markets on the back of record new customer acquisition and sales.

Overall, this situation is, of course, not satisfying. We have, therefore, taken active measures to correct some of these effects without leaving our overall growth path. Key areas of activity are a more defensive price- and contribution margin management, product selection as well as supplier management. We expect zooplus to start to benefit from these efforts during the coming months.

Also to be remarked upon is the below-par (= less than overall sales growth) increase in personnel costs y-o-y. Total personnel costs increased from EUR 1.9 mm to EUR 3.0 mm. This corresponds to an improvement of zooplus' overall personnel cost quota from 5.3 % to 5.0 % (of total sales).

Other expenses increased from EUR 12.0 mm in H1 2008 to EUR 20.6 mm in H1 2009. This reflects an increase from 32.9 % to 34.8 % of total sales. Major factors behind this development are the increases in marketing spending (6.7 % vs. 5.6 % of total sales) as well as within national and international logistics (22.4 % vs. 21.2 % of total sales). Both these developments are deliberate and planned within the company's expansionary strategy and will have a substantial positive medium- and long term earnings impact.

zooplus' focus today is the build up of a dominant market position and customer base. Today, we are creating the basis for a sustainable pan-European market leadership within online pet supplies and, thereby, transform a No. 1 position in Germany into a similar dominance within Europe as a whole.

Nevertheless we will actively observe and manage the costs of this expansion over the coming quarters to continuously ensure a positive medium-term cost ⁄ return profile for zooplus as a whole.

Total depreciation remained relatively constant at around EUR 0.2 mm.

EBIT and consolidated earnings

EBIT before extraordinary items fell from EUR 1.4 mm to EUR -0.5 mm y-o-y. This development primarily reflects the effects of the company's active expansionary strategy and a weakening overall consumer sentiment. For a more detailed analysis please refer to the relevant sections above.

Including extraordinary items, EBIT fell from EUR -0.6 mm to EUR -0.7 mm y-o-y.

Pre-tax profits (EBT) fell from EUR -0.6 mm during H1 2008 to EUR -0.8 mm during H1 2009. This includes the effects of the company's 2008 IPO.

Consolidated profits (after tax) declined from EUR 4.2 mm during H1 2008 to EUR -0.6 mm during H1 2009. The key factor behind this is a positive H1 2008 one-off effect due to the capitalization of losses carried forward under IFRS rules with an overall impact of EUR 4.8 mm in H1 2008.

Assets and financing

Total long-term assets were EUR 6.5 mm at the end of June 2009 and, therefore, up slightly from EUR 5.9 mm at year end 2008.

Total short-term assets increased from EUR 16.8 mm at the end of 2008 to EUR 20.1 mm at the end of the first six months of 2009. The main reason behind this development was an increase in inventory due to the expansion of the company's private label and direct sourcing business as well as a planned increase in overall product availability.

Total equity stood at EUR 9.4 mm at the end of H1 2009 versus EUR 9.9 mm as of December 31st, 2008. The current equity-to-debt ratio, therefore, stands at 35 %.

Accounts payable amounted to EUR 7.9 mm as of June 30th, 2009, versus EUR 8.1 mm at the end of 2008.

At the company's disposal are flexible bank overdrafts of up to EUR 9.0 mm which are used opportunistically for working capital financing purposes. At the end of H1 2009 the company had drawn an amount of EUR 4.5 mm. Despite a challenging economic environment the company enjoys unrestricted access to working capital financing at attractive overall terms.

All in all, the company's total balance sheet volume amounted to EUR 26.6 mm at the end of H1 2009 versus EUR 22.7 mm at the end of 2008.

Cash position

Cash flow from operations was EUR -2.6 mm in H1 2009 versus EUR -2.2 mm in H1 2008. This mostly reflects fluctuations in working capital in the course of ordinary business activities.

Cash flow from investing activities decreased from EUR -0.2 mm in H1 2008 to EUR -0.6 mm in H1 2009 due to development works of zooplus' IT infrastructure in the context of the company's European expansion.

Cash flow from financing activities (EUR -0.1 mm in H1 2009 versus EUR -0.6 mm in H1 2008) was influenced by the company's final repayment of the last remaining shareholder loan (EUR 0.5 mm) in H1 2008.

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

OUTLOOK 2009 ⁄ 2010

As during the previous quarters, zooplus will continue to follow a strongly growth-oriented strategy within a recessionary market environment. On the backdrop of the company's substantial expansion potential not only within its German-speaking core markets but also within the whole of western and central Europe, zooplus considers this strategy as most value-maximizing within a medium- and long-term perspective. In this context, corporate growth will continue to be a key driver of both economies of scale and related earnings effects.

For the current year it will be crucial to follow up the recent European market entries with strong local growth in all core geographies in order to achieve substantial size and market penetration on the back of profitable overall growth.

A key milestone towards the Europeanization of the company will be the opening of zooplus' new international distribution centre in Tilburg ⁄ the Netherlands. This will result in one-off set up costs in a high six-digit range until the end of the year. At the same time this development will double zooplus' existing logistics capacity to around EUR 300 mm p.a. and provide the necessary infrastructure for strong future growth.

In addition, zooplus plans to relist the company onto the Prime Standard (Regulated Market) segment of the Frankfurt stock exchange during Q4 2009. In the context of these preparations we expect extraordinary costs of up to a maximum of EUR 200k during 2009.

Important events of particular relevance after the end of the first half of 2009 did not occur.

BALANCE SHEET

ASSETS

in EUR	30.06.2009	31.12.2008
A. LONG-TERM ASSETS		
I. Long-term assets	758,661.35	617,976.05
II. Intangible assets	556,939.18	380,710.71
III. Deferred tax assets	5,194,112.76	4,925,571.12
Total long-term assets	**6,509,713.29**	**5,924,257.88**
B. SHORT-TERM ASSETS		
I. Inventory	10,986,331.25	9,046,252.31
II. Advance payments	252,742.10	545,535.66
III. Accounts receivable	5,540,058.67	4,162,587.35
IV. Other short-term assets	2,758,756.10	2,571,722.54
V. Cash in hand and cash equivalents	590,969.17	465,235.72
Total short-term assets	**20,128,857.29**	**16,791,333.58**
Total assets	**26,638,570.58**	**22,715,591.46**

LIABILITIES

in EUR	30.06.2009	31.12.2008
A. EQUITY		
I. Capital subscribed	2,410,710.00	2,406,020.00
II. Capital reserves	20,597,504.81	20,556,046.46
III. Other reserves	-157.97	-402.18
IV. Profit and Loss carried forward	-13,656,880.23	-13,083,113.10
Total equity	**9,351,176.61**	**9,878,551.18**
B. SHORT-TERM DEBT		
I. Short-term debt	7,880,118.63	8,065,705.53
II. Financial debt	4,556,292.57	1,203,057.45
III. Other short-term liabilities	4,598,995.67	3,358,303.17
IV. Tax liabilities	168,887.10	144,074.13
V. Provisions	83,100.00	65,900.00
Total short-term debt	**17,287,393.97**	**12,837,040.28**
Total liabilities	**26,638,570.58**	**22,715,591.46**

INCOME STATEMENT

in EUR		H1 2009	H1 2008	Q2 2009	Q2 2008
Sales		**55,938,610.10**	**34,505,289.64**	**29,102,716.03**	**17,917,378.58**
Other operating income		**3,346,672.67**	**2,035,460.59**	**1,648,671.35**	**1,073,687.06**
Total sales		**59,285,282.77**	**36,540,750.23**	**30,751,387.38**	**18,991,065.64**
Cost of materials		-36,007,912.73	-21,028,437.15	-19,540,962.33	-10,829,694.52
Personnel costs		-2.966.111.87	-1,941,330.86	-1,538,459.37	-976,887.96
cash		(-2,926,717.12)	(-1,907,771.61)	(-1,535,721.41)	(-964,699.37)
non-cash		(-39,394.75)	(-33,559.25)	(-2,737.96)	(-12,188.59)
Depreciation		-247,821.14	-181,299.14	-133,895.56	-89,249.78
Other expenses		-20,561,315.09	-12,018,562.64	-10,393,642.63	-6,272,250.13
of which logistics / fulfillment		(-13,079,781.60)	(-7,736,201.59)	(-6,898,328.01)	(-4,061,286.53)
of which marketing		(-3,973,994.34)	(-2,044,278.91)	(-1,895,274.88)	(-1,010,663.29)
of which payment		(-582,315.85)	(-336,339.83)	(-315,857.08)	(-188,127.76)
Operating income (excluding one–off costs)		**-497,878.06**	**1,371,120.44**	**-855,572.51**	**822,983.25**
One-off costs EU logistics centre		-103,247.01	0.00	-103,247.01	0.00
One-off costs IPO		-135,597.32	-1,957,697.70	-135,597.32	-1,957,697.70
Operating income		**-736,722.39**	**-586,577.26**	**-1,094,416.84**	**-1,134,714.45**
Financial income		20.97	19,449.12	1.65	7,690.30
Financial expense		-80,809.62	-26,697.50	-49,739.11	-13,435.47
Pre-tax profit		**-817,511.04**	**-593,825.64**	**-1,144,154.30**	**-1,140,459.62**
Taxes on income		243,743.91	4,749,564.68	379,221.15	4,796,204.49
Consolidated net profit		**-573,767.13**	**4,155,739.04**	**-764,933.15**	**3,655,744.87**
Consolidated profit / loss per share					
undiluted	EUR / share	-0.24	1.74	-0.32	1.53
diluted	EUR / share	-0.23	1.72	-0.31	1.52

CASH FLOW STATEMENT

in EUR	H1 2009	H1 2008
Cash Flow from operating activities		
Pre-tax operating profit	-817,511.04	-593,825.64
Allowances for:		
depreciation of fixed assets	247,821.14	181,299.14
non-cash personnel expenses	39,394.75	33,559.25
non-cash ipo expenses	0.00	1,371,110.83
other non-cash expenses	654.60	84,842.39
Financial expenses	80,809.62	26,697.50
Financial income	-20.97	-19,449.12
Changes in:		
Inventory	-1,940,078.94	-3,559,528.47
Advance Payments	292,793.56	131,514.92
Accounts receivable	-1,377,471.32	-271,311.99
Other short-term assets	-187,033.56	500,444.88
Accounts payable	-185,586.90	1,067,622.22
Other liabilities	1,240,692.50	-1,174,787.97
Provisions	17,200.00	8,900.00
Tax	0.00	-14,626.62
Interest income	20.97	19,449.12
Cash Flow from operating activities	**-2,588,315.60**	**-2,208,089.56**
Cash Flow from investing activities		
Fixed Assets (net position)	-565,130.05	-162,203.78
Cash Flow from investing activities	**-565,130.05**	**-162,203.78**
Cash Flow from financing activities		
Options exercise	6,753.60	0.00
Loan repayments	0.00	-610,233.64
Interest paid	-80,809.62	-26,697.50
Cash Flow from financing activities	**-74,056.02**	**-636,931.14**
Net change of cash and cash equivalents	**-3,227,501.67**	**-3,007,224.48**
Cash and cash equivalents at the beginning of the period	-737,821.73	1,179,574.94
Cash and cash equivalents at the end of the period	**-3,965,323.40**	**-1,827,649.54**
Composition of funds balance at the end of the period		
Cash on hand, bank deposits, cheques	590,969.17	72,088.25
Overdraft balances	-4,556,292.57	-1,899,737.79
Cash and cash equivalents at the end of the period	**-3,965,323.40**	**-1,827,649.54**

CHANGES IN EQUITY

in EUR	Capital subsribed	Capital reserves	Other reserves	Accumulated profit or loss	Total
As of January 1, 2009	**2,406,020.00**	**20,556,046.46**	**-402.18**	**-13,083,113.10**	**9,878,551.18**
Additions from stock options	4,690.00	41,458.35	0.00	0.00	46,148.35
Currency equalisation item	0.00	0.00	244.21	0.00	244.21
Semi-annual result 2009	0.00	0.00	0.00	-573,767.13	-573,767.13
As of June 30, 2009	**2,410,710.00**	**20,597,504.81**	**-157.97**	**-13,656,880.23**	**9,351,176.61**
As of January 1, 2008	**2,386,150.00**	**20,458,480.93**	**-9.32**	**-18,838,800.92**	**4,005,820.69**
Additions from stock options	0.00	33,559.25	0.00	0.00	33,559.25
Currency equalisation item	0.00	0.00	735.35	0.00	735.35
Semi-annual result 2008	0.00	0.00	0.00	4,155,739.04	4,155,739.04
As of June 30, 2008	**2,386,150.00**	**20,492,040.18**	**726.03**	**-14,683,061.88**	**8,195,854.33**

NOTES

NOTES AND COMMENTS REGARDING THE H1 2009 ACCOUNTS

Accounting principles

The semi-annual reports H1 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) and are based on the same basic accounting principles as applied in the company's 2008 annual accounts.

Consolidation principles

The consolidated companies are: zooplus AG / Munich / Germany (registered under Amtsgericht Muenchen HRB 125080), Matina GmbH / Munich / Germany (registered under Amtsgericht Muenchen HRB 177083) as well as Bitiba GmbH / Munich / Germany (registered under Amtsgericht Muenchen HRB 177246) and zooplus services ltd / Oxford / UK (registered under company number 6118453, Companies House Cardiff). All subsidiaries are 100%-owned by zooplus AG.

Segmental reporting

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

Earnings per share

Earnings per share (pre-dilution) are calculated on a weighted-average basis. During the period, the weighted average of shares was 2,407,150. Consequently, earnings per share (pre-dilution) were EUR -0.24 (previous year: EUR 1.74).

Earnings per share (diluted) are calculated on a weighted-average basis of shares in circulation plus the total number of share equivalents resulting out of vested stock options which have not been exercised. The dilution effect only marginally affects earnings per share which remain at EUR -0.23 (previous year: EUR 1.72).

FINANCIAL CALENDAR

Date	
02.11.2009	Preliminary sales figures Q3 2009
30.11.2009	Publication Q3 2009 report

IMPRINT

PUBLISHED BY

zooplus AG
Sonnenstrasse 15
80331 Munich
Germany

Tel: +49 (0) 89 95 006 - 100
Fax: +49 (0) 89 95 006 - 500
E-Mail: contact@zooplus.com
www.zooplus.com

INVESTOR RELATIONS CONTACT

Henryk Deter
cometis AG
Unter den Eichen 7
65195 Wiesbaden
Germany

Tel: +49 (0) 611 20 58 55 - 0
Fax: +49 (0) 611 20 58 55 - 66
E-Mail: deter@cometis.de
www.cometis.de

Concept, editing, layout and typesetting:
cometis AG

This half year report is also available in German. In case of discrepancies the German version prevails.

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

zooplus AG
Sonnenstraße 15
80331 Munich
Germany

Tel: +49 (0) 89 95 006 - 100
Fax: +49 (0) 89 95 006 - 500
E-Mail: contact@zooplus.com
www.zooplus.com