

Maxi Zoo Denmark A/S

Industriparken 21A, 3.
2750 Ballerup

CVR no. 10 11 72 24

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting on

30 May 2017



chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Maxi Zoo Denmark A/S for the financial year 1 January – 31 December 2016.

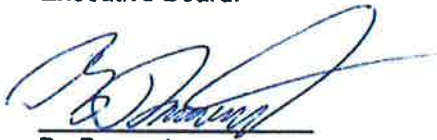
The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

In our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Ballerup 30 May 2017
Executive Board:



Bo Demant

Board of Directors:



Michael Ludwig Trapp
Chairman



Hans-Jorg Gidlewitz



Independent auditor's report

To the shareholder of Maxi Zoo Denmark A/S

Opinion

We have audited the financial statements of Maxi Zoo Denmark A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen 30 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Niels Vendelbo
State Authorised
Public Accountant

Maxi Zoo Denmark A/S
Annual report 2016
CVR no. 10 11 72 24

Management's review

Company details

Maxi Zoo Denmark A/S
Industriparken 21A, 3.
2750 Ballerup

Telephone: +45 70 25 21 07
Fax: +45 70 25 21 29
Website: www.maxizoo.dk

CVR no.: 10 11 72 24
Established: 7 January 2003
Registered office: Ballerup
Financial year: 1 January – 31 December

Board of Directors

Michael Ludwig Trapp, Chairman
Hans-Jörg Gidlewitz

Executive Board

Bo Demant

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 30 May 2017 at the company office located Industriparken 21A, 3., 2750 Ballerup.

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Gross profit	81,918	75,833	70,087	63,638	51,340
Profit/loss before financial income and expenses	-5,033	-3,577	-386	605	-1,235
Profit/loss from financial income and expenses	-611	-241	-172	-284	-1,780
Net profit/loss for the year	-4,550	-3,268	-1,296	76	-2,264
Balance sheet					
Balance sheet total	114,526	109,760	100,606	80,768	73,533
Equity	33,821	38,371	11,138	12,774	2,853
Employees					
Average number of full-time employees	213	198	178	153	129
Investment in property, plant and equipment					
Investment in property, plant and equipment	9,879	9,111	11,138	12,774	2,853
Ratios					
Return on assets	-4.4%	-3.4%	-0.4%	0.8%	-1.7%
Current ratio	-13.5%	-3.2%	-3.1%	0.2%	-11.3%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2016". The financial ratios have been calculated as follows:

Return on invested capital

$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Management's review

Operating review

Principal activities

Maxi Zoo is Denmark's leading pet retailer and part of the German Fressnapf Group. Fressnapf/Maxi Zoo are with more than 1,400 stores Europe's largest chain of pet retailers.

Maxi Zoo Denmark has opened 5 new stores in 2016 and had at the end of the year 42 stores located in all regions of the country.

Development in activities and financial position

The Company consolidated its market position in 2016 with growth in turnover in the existing 34 stores.

The Company had a net loss of DKK -4,550 thousand in 2016 (2015: DKK -3,268 thousand), which is affected by expansion and decrease in consumer prices in the market. The result for the year is worse compared to 2015, but Management expect that the result will stabilize in 2017.

Unusual circumstances

There have been no unusual circumstances which have influenced the result for the year.

Events after the balance sheet date

No events have occurred after the closing of the 2016 financials, which would affect the financial position of the Company.

Outlook

Maxi Zoo expects to increase its turnover and gross profit and to stabilize the financial result in 2017 compared to 2016. Maxi Zoo expects to open 15 new stores in the next 3 years, and to improve the financial result in 2018 and 2019.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit		81,918	75,833
Staff costs	2	-78,810	-71,291
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-8,141	-8,119
Loss before financial income and expenses		-5,033	-3,577
Financial expenses	4	-661	-241
Loss before tax		-5,694	-3,818
Tax on profit/loss for the year	5	1,144	550
Loss for the year		-4,550	-3,268

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets			
Software	7	0	0
	8		
Fixtures and fittings, tools and equipment		26,150	23,950
		26,150	23,950
Investments			
Deposits		7,644	5,919
		7,644	5,919
Total fixed assets		33,794	29,869
Current assets			
Inventories			
Finished goods and goods for resale		50,311	48,927
		50,311	48,927
Receivables			
Trade receivables		775	592
Other receivables		2,729	4,159
Deferred tax asset	9	8,933	7,789
Prepayments		1,597	1,504
		14,034	14,044
Cash at bank and in hand		16,387	16,920
Total current assets		80,732	79,891
TOTAL ASSETS		114,526	109,760

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	10		
Share capital		1,050	1,050
Retained earnings		32,771	37,321
Total equity		33,821	38,371
Provisions			
Provisions for decommission costs		3,924	3,363
Total provisions		3,924	3,363
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		6,271	5,252
Payables to subsidiaries		51,289	43,112
Other payables		14,498	15,325
Deferred income		4,723	4,337
		76,781	68,026
Total liabilities other than provisions		76,781	68,026
TOTAL EQUITY AND LIABILITIES		114,526	109,760
Contractual obligations, contingencies, etc.	11		
Related parties and ownership	12		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	1,050	37,321	38,371
Net loss for the year	0	-4,550	-4,550
Equity at 31 December 2016	1,050	32,771	33,821

The changes in the share capital for the past five years can be specified as follows:

	2016	2015	2014	2013	2012
Balance at 1 January 2016	1,050	1,050	1,050	1,050	1,020
Cash capital increase	0	0	0	0	30
Share capital 31 December	1,050	1,050	1,050	1,050	1,050

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Maxi Zoo Denmark A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C-medium enterprises under the Danish Financial Statements Act.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared as the cash flow statement is included in the consolidated financial statements of Fressnapf Beteiligungs GmbH.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has not entailed any changes to recognition and measurement.

Income statement

Gross Profit

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue.

The gross profit reflects an aggregation of revenue, changes in inventories of finished goods and other operating income less raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods, comprising the sale of #, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Expenses for raw materials and consumables

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue

Other external costs

External costs comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, operating lease payments, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation. Software is amortised on a straight-line basis over the estimated useful life. The amortisation period is estimated to 3 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixture and fittings, tools and equipment	5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by amortization or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Writedown is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows.

Deposits

Deposits are measured at cost.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Provisions

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Other securities and equity investments recognised as current assets comprise listed securities measured at fair value at the balance sheet date, corresponding to market value.

Deferred tax assets and liabilities

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the expected value of their realisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Liabilities other than provisions

Liabilities are measured at net realisable value.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Prepayments and deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

DKK'000	2016	2015
2 Staff costs		
Wages and salaries	66,678	60,007
Other social security costs	6,470	5,767
Other staff costs	5,662	5,517
	<u>78,810</u>	<u>71,291</u>
	<u>213</u>	<u>198</u>
Remuneration of the Executive Board amounts to DKK 0 thousand (2015: DKK 347 thousand).		
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	0	199
Depreciation tangible assets	7,837	7,920
	<u>7,837</u>	<u>8,119</u>
4 Financial expenses		
Interest	102	95
Other financial expenses	560	128
Exchange loss	-1	18
	<u>661</u>	<u>241</u>
5 Tax on loss for the year		
Adjustment of deferred tax for the year	1,144	550
	<u>1,144</u>	<u>550</u>
6 Proposed distribution of loss		
Retained earnings	-4,550	-3,268
	<u>-4,550</u>	<u>-3,268</u>

Financial statements 1 January – 31 December

Notes

7 Intangible assets

DKK'000	Software
Cost at 1 January	<u>2,263</u>
Cost at 31 December	<u>2,263</u>
Impairment losses and amortisation at 1 January	<u>-2,263</u>
Amortisation and impairment losses at 31 December 2016	<u>-2,263</u>
Carrying amount at 31 December 2016	<u>0</u>

8 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 January	<u>76,025</u>
Additions for the year	<u>10,341</u>
Cost at 31 December	<u>86,366</u>
Impairment losses and depreciation at 1 January	<u>-52,075</u>
Depreciation for the year	<u>-8,141</u>
Revaluations at 31 December 2016	<u>-60,216</u>
Carrying amount at 31 December 2016	<u>26,150</u>

9 Deferred tax asset

DKK'000	2016	2015
Deferred tax at 1 January	<u>7,789</u>	<u>7,239</u>
Deferred tax adjustment for the year	<u>1,144</u>	<u>936</u>
Correction to tax prior year	<u>0</u>	<u>-386</u>
Deferred tax at 31 December	<u>8,933</u>	<u>7,789</u>

Financial statements 1 January – 31 December

Notes

10 Equity

The share capital consists of 1,050,000 shares at a nominal value of DKK 1. No shares carry any special rights.

11 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company's bank has issued guarantees with a total amount of DKK 4,940 thousand (2015: DKK 5,405 thousand) instead of rent deposits to a third party.

Operating leases

Lease obligations (operating leases) falling due within 15 years total DKK 82,569 thousand (2015: DKK 115,004 thousand).

Financial statements 1 January – 31 December

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12 Related parties and ownership

Maxi Zoo Denmark A/S' related parties comprise the following:

Controlling interest

Fressnapf Beteiligungs GmbH holds the majority of the share capital in the Company.
Other related parties comprise the other group companies, the Company's Management and the Board of Directors.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Fressnapf Beteiligungs GmbH, Postfach 93 26, 47809 Krefeld, Germany

The consolidated financial statements of Fressnapf Beteiligungs GmbH are available at the Company's address.