

Maxi Zoo Denmark A/S

Industriparken 21 A, 3.
2750 Ballerup
Denmark

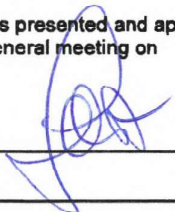
CVR no. 10 11 72 24

Annual report 2019

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

29 May 2020

Hans-Jörg Gidlewitz
chairman



Maxi Zoo Denmark A/S
Annual report 2019
CVR no. 10 11 72 24

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Maxi Zoo Denmark A/S
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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 2019.

The annual report has been 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, 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, 29 May 2020
Executive Board:




Bo Dement


Board of Directors:



Sven Glemendonk
Chairman



Peter Gunnar Østergaard Hansen



Norbert Marschallinger



Majbritt Houmann Hansen



Steven Møller Pinholt



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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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.

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.



Independent auditor's report

- 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.

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kim Schmidt
State Authorised
Public Accountant
mne34552

Maxi Zoo Denmark A/S
Annual report 2019
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Management's review

Company details

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

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

CVR no.: 10 11 72 24
Financial year: 1 January – 31 December

Board of Directors

Sven Girmendonk, Chairman
Norbert Marschallinger
Majbritt Houmann Hansen
Peter Gunnar Østergaard Hansen
Steven Møller Pinholt

Executive Board

Bo Demant

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit	109,695	106,365	103,400	81,918	75,833
Ordinary operating profit/loss	9,350	10,121	9,953	-5,033	-3,577
Profit/loss from financial income and expenses	906	-1,501	-455	-661	-241
Profit/loss for the year	13,210	-8,557	7,513	-4,550	-3,268
Balance sheet					
Total assets	140,701	149,680	134,360	114,526	109,759
Equity	91,587	78,377	86,934	33,821	38,371
Investment in property, plant and equipment	2,164	3,622	5,803	10,341	9,111
Ratios					
Return on invested capital	9.7%	12.2%	10.9%	-13.3%	-8.6%
Current ratio	270.1%	185.6%	240.0%	109.9%	118.3%
Return on equity	15.5%	-10.4%	12.4%	-12.6%	-17.0%
Solvency ratio	65.1%	52.4%	64.7%	29.5%	35.0%
Employees					
Average number of full-time employees	244	230	228	213	198

Financial ratios are calculated in accordance with the guidelines "Recommendations and Ratios" issued by the Danish Society of Financial Analysts. 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
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

Maxi Zoo is Denmark's leading pet retailer and part of the German Freesnapf Group. Freesnapf/Maxi Zoo is with more than 1,600 stores Europe's largest chain of pet retailers.

Maxi Zoo Denmark had at the end of the year 46 stores located in all regions of the country. In July 2018 Maxi Zoo Denmark re-opened their webshop.

Development in activities and financial position

The company consolidated its market position in 2019 with growth in turnover in the existing 46 stores. The company had a net income of DKK 13.210 thousand in 2019.

Unusual circumstances

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

Events after the balance sheet date

In March 2020 Denmark was hit by the COVID-19. Maxi Zoo has not have significant impact to the financial result due to the COVID-19 so far. The total financial impact of the COVID-19 for 2020 is at this stage too early to predict. Management the monitoring the situation on a daily basis.

Outlook

Maxi Zoo expects to grow its turnover and gross profit and to increase the financial result in 2020 compared to 2019. Maxi Zoo expects to open more new stores in the next 3 years, and to further improve the financial result in 2021 and 2022.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Gross profit		109,695	106,365
Staff costs	2	-92,456	-87,233
Depreciation, amortisation and impairment losses		<u>-7,889</u>	<u>-9,011</u>
Operating profit		9,350	10,121
Financial income	3	1,197	216
Financial expenses	4	<u>-291</u>	<u>-1,717</u>
Profit before tax		10,256	8,620
Tax on profit/loss for the year	5	<u>2,954</u>	<u>-17,177</u>
Profit/loss for the year		<u><u>13,210</u></u>	<u><u>-8,557</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets	7		
Software		<u>585</u>	<u>537</u>
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		<u>11,871</u>	<u>17,154</u>
Investments			
Deposits		<u>8,577</u>	<u>8,269</u>
Total fixed assets		<u>21,033</u>	<u>25,960</u>
Current assets			
Inventories			
Finished goods and goods for resale		<u>46,949</u>	<u>44,532</u>
Receivables			
Trade receivables		3,758	6,089
Receivables from group entities		23,710	32,524
Other receivables		4,245	3,196
Deferred tax asset	9	2,603	2,790
Prepayments	10	<u>2,030</u>	<u>4,533</u>
		<u>36,346</u>	<u>49,132</u>
Cash at bank and in hand		<u>36,373</u>	<u>30,056</u>
Total current assets		<u>119,668</u>	<u>123,720</u>
TOTAL ASSETS		<u>140,701</u>	<u>149,680</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	1,050	1,050
Retained earnings		90,537	77,327
Total equity		<u>91,587</u>	<u>78,377</u>
Provisions			
Other provisions		4,801	4,653
Total provisions		<u>4,801</u>	<u>4,653</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		8,312	9,729
Payables to group entities		13,223	19,712
Corporation tax		1,868	13,637
Other payables		18,024	19,814
Deferred income	12	2,886	3,758
		<u>44,313</u>	<u>66,650</u>
Total liabilities other than provisions		<u>44,313</u>	<u>66,650</u>
TOTAL EQUITY AND LIABILITIES		<u>140,701</u>	<u>149,680</u>
Contractual obligations, contingencies, etc.	13		
Related party disclosures	14		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2019	1,050	77,327	78,377
Transferred over the profit appropriation	<u>0</u>	<u>13,210</u>	<u>13,210</u>
Equity at 31 December 2019	<u>1,050</u>	<u>90,537</u>	<u>91,587</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Maxi Zoo Denmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Fressnapf Beteiligungs GmbH.

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.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods 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.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on disposal of intangible assets and property, plant and equipment.

Other external costs

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

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 profit/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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

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

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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

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

Provisions

Provisions have been made for decommission cost related to the re-establishment of store locations and discounted to their net present value. These provisions are Management's best estimate. The actual costs and timing of future cash flows are dependent on future events.

Corporation tax and deferred tax

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 based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Liabilities are measured at net realisable value.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

DKK'000	<u>2019</u>	<u>2018</u>
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2 Staff costs

Wages and salaries	78,239	73,885
Other social security costs	7,821	7,412
Other staff costs	<u>6,396</u>	<u>5,936</u>
	<u>92,456</u>	<u>87,233</u>

Average number of full-time employees	<u>244</u>	<u>230</u>
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Pursuant to section 98b of the Danish Financial Statements Act, the Company has chosen not to disclose information about remuneration of Management.

3 Financial income

Interest income from group entities	247	216
Other financial income	<u>950</u>	<u>0</u>
	<u>1,197</u>	<u>216</u>

4 Financial expenses

Interest expense to group entities	64	46
Other financial costs	<u>227</u>	<u>1,671</u>
	<u>291</u>	<u>1,717</u>

Financial statements 1 January – 31 December

Notes

DKK'000	2019	2018
5 Tax on profit/loss for the year		
Current tax for the year	2,060	3,127
Deferred tax for the year	-188	-547
Adjustment of tax concerning previous years	-5,201	8,736
Adjustment of deferred tax concerning previous year	375	5,861
	<u>-2,954</u>	<u>17,177</u>
6 Proposed profit appropriation/distribution of loss		
Retained earnings	13,210	-8,557
	<u>13,210</u>	<u>-8,557</u>
7 Intangible assets		
DKK'000		<u>Software</u>
Cost at 1 January 2019		2,817
Additions for the year		<u>262</u>
Cost at 31 December 2019		<u>3,079</u>
Amortisation and impairment losses at 1 January 2019		-2,280
Amortisation for the year		<u>-214</u>
Amortisation and impairment losses at 31 December 2019		<u>-2,494</u>
Carrying amount at 31 December 2019		<u>585</u>
8 Property, plant and equipment		
DKK'000		<u>Fixtures and fittings, tools and equipment</u>
Cost at 1 January 2019		92,748
Additions for the year		<u>2,164</u>
Cost at 31 December 2019		<u>94,912</u>
Depreciation and impairment losses at 1 January 2019		-75,668
Depreciation for the year		<u>-7,373</u>
Depreciation and impairment losses at 31 December 2019		<u>-83,041</u>
Carrying amount at 31 December 2019		<u>11,871</u>

Financial statements 1 January – 31 December

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9 Deferred tax asset

DKK'000	31/12 2019	31/12 2018
Deferred tax at 1 January	2,790	8,104
Deferred tax adjustment for the year	188	547
Adjustment to deferred tax prior years	-375	-5,861
	<u>2,603</u>	<u>2,790</u>

10 Prepayments

DKK'000	31/12 2019	31/12 2018
Insurance	310	228
Rental cost	418	1,024
IT cost	558	1,217
Other prepayments	744	2,064
	<u>2,030</u>	<u>4,533</u>

11 Contributed capital

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

The share capital remains unchanged for the past five fiscal years.

12 Deferred income

Deferred income recognised under current liabilities, DKK 2,886 thousand (2018: DKK 3,758 thousand), consists of rental contributions as well as giftcards and vouchers.

13 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company's bank has issued guarantees with a total amount of DKK 5,931 thousand (2018: DKK 5,581 thousand) instead of rent deposits to a third party.

Lease obligations (operating leases) falling due within 10 years total DKK 103,716 thousand (2018: DKK 107,628 thousand).

The Company is a party to a few pending lawsuits. In Management's opinion, apart from liabilities recognised in the balance sheet at 31 December 2019 the outcome of these law-suits will not affect the Group's financial position further.

A Company guarantee of DKK 4,500 thousand has been granted to the Company's bank. At the year end, the bank facility is unused (2018: DKK 4,500).

Financial statements 1 January – 31 December

Notes

14 Related party disclosures

Freesnapf 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.

Related party transactions

DKK'000	2019	2018
Purchase of goods from group entities	88,917	84,757
Purchase of services from group entities	1,540	5,481
	<u>90,457</u>	<u>90,238</u>

Receivables from and payables to group entities are disclosed in the balance sheet, and income interest and expenses are disclosed in note 3 and 4.

Consolidated financial statements

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