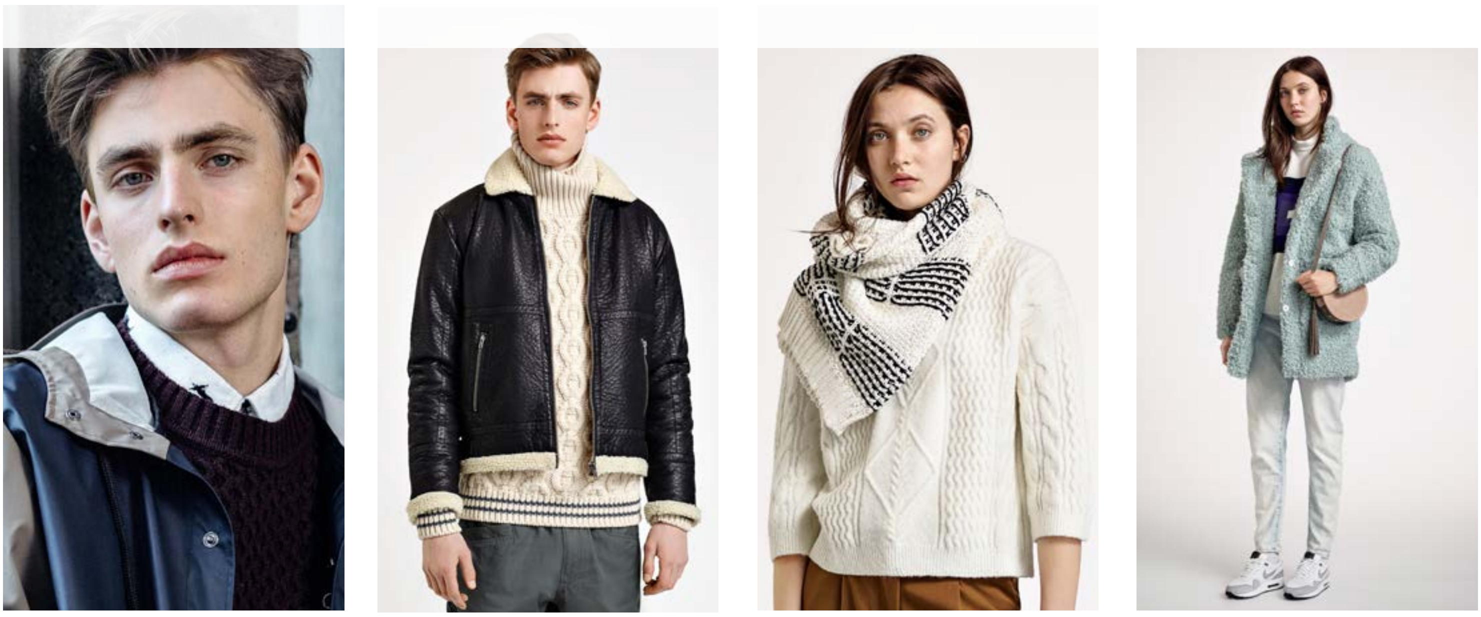
NINE MONTHS REPORT

JANUARY — SEPTEMBER 2015



zalando

3/4 2015 ZALANDO AT A GLANCE

KEY FIGURES

	JUL 1–SEP 30, 2015	JUL 1–SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1–SEP 30, 2014
Group key performance indicators				
Site visits (in millions)	393.9	321.7	1,198.6	976.2
Mobile visit share (in %)	58.8	43.3	56.0	40.0
Active customers (in millions)	17.2	14.1	17.2	14.1
Number of orders (in millions)	13.8	9.7	39.9	29.8
Average orders per active customer	3.0	2.8	3.0	2.8
Average basket size (in EUR)	63.3	64.4	66.3	64.7
Adjusted marketing cost ratio (in % of revenue)	12.3	11.4	12.0	12.8
Adjusted fulfillment cost ratio (in % of revenue)	27.1	22.7	26.8	23.2
Results of operations				
Revenue (in EUR m)	713.1	501.4	2,089.7	1,548.5
EBIT (in EUR m)	–27.8	–2.6	23.0	1.0
EBIT (in % of revenue)	–3.9	–0.5	1.1	0.1
Adjusted EBIT (in EUR m)	–23.5	3.8	35.7	16.2
Adjusted EBIT (in % of revenue)	–3.3	0.8	1.7	1.0
Financial position				
Net working capital (in EUR m)	–13.3	–19.9	–13.3	–19.9
Equity ratio (in % of total equity and liabilities)	55.1	61.2	55.1	61.2
Cash flow from operating activities (in EUR m)	18.3	97.9	41.6	99.9
Cash flow from investing activities (in EUR m)	–63.5	–17.5	–171.4	–49.7
Cash and cash equivalents (in EUR m)	924.9	466.8	924.9	466.8
Other				
Employees (as of the reporting date)	9,444	7,588*	9,444	7,588*
Basic earnings per share (in EUR)	–0.12	0.00	0.08	0.00

*) As of Dec 31, 2014

OTHER FACTS

34.9%

SALES GROWTH COMPARED TO THE FIRST NINE MONTHS 2014

23.0M

EBIT IN THE FIRST NINE MONTHS 2015

17.2M

ACTIVE CUSTOMERS

56.0%

OF SITE VISITS VIA MOBILE DEVICES IN THE FIRST NINE MONTHS 2015

CONNECTING PEOPLE AND FASHION

CONTENT

EASY NAVIGATION MENU

FURTHER INFORMATION IN THE REPORT

FURTHER INFORMATION ON THE INTERNET

FOR THE QUICK READER

01

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INTERIM GROUP MANAGEMENT REPORT

OTHER FACTS

9,000+	42.6%
EMPLOYEES	ORDER GROWTH IN THE FIRST NINE MONTHS 2015

01.1 BASIC INFORMATION ON THE GROUP

The statements made in the annual report 2014 on the business model, the group structure, the strategy and the objectives of the group as well as on research and development and sustainability in the Zalando group still apply at the time this interim report was issued for publication.

01.2 REPORT ON ECONOMIC POSITION

01.2.1 MACROECONOMIC AND INDUSTRY SPECIFIC CONDITIONS

In Germany, the internet retail segment developed at a much faster pace than the retail sector as a whole. In nominal terms, for example, revenue in 2014 was up more than 22% on the prior-year figure, compared with an increase of 2.3% for the whole retail industry. The German fashion trade also only generated moderate nominal revenue growth in the past year of 0.8% in comparison to the prior year.[1] Initial reactions from the German fashion trade on the development of the first nine months of 2015 suggest no major turnaround after the weak performance in the prior year. According to the Textilwirtschaft journal, the fashion trade closed year to date (January to September 2015) with a decline of 2% compared with the corresponding period last year. Although the third quarter in fact closed with an increase of 2%, doubts remain about the probability of a turnaround in the German fashion market. Sales in the past quarter were highly volatile. While they were negatively affected by a heatwave in August, in September customers showed a lot of interest in new seasonal garments, favored by appropriate weather for the time of the year.[2]

Due to the consistently positive development in the online trade with fashion, we continue to see growing market opportunities for our business model:

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- We anticipate that the share of fashion sold online will continue to grow in comparison to fashion sold in bricks-and-mortar stores.
- Online fashion retailers can typically generate gross margins of between 40% and 60%. These gross margins are thus considerably higher than those of online retailers in other product categories, e.g., electronics.[3]
- Mobile commerce has significantly contributed to the strong growth of online retail. In Europe, for example, mobile internet sales rose from EUR 3.6bn in 2011 to EUR 28.9bn in 2014.[4] This also applies to the online sale of fashion. Smartphones and tablets give consumers access to fashion anytime and practically anywhere. We expect this rapid growth to continue in the coming years.

1) Euromonitor International
2) Textilwirtschaft
3) Company information
4) Euromonitor International; Europe excl. Russia; Excl. VAT

01.2.2 RESULTS OF OPERATIONS OF THE GROUP

In the reporting period, the condensed consolidated income statement for the third quarter 2015 shows considerable growth in revenue with a steady gross-margin compared to the corresponding prior-year period. The EBIT margin was however adversely affected by an increase in fulfillment and marketing cost within the selling and distribution costs line item.

FURTHER INFORMATION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME P. 17

CONSOLIDATED INCOME STATEMENT

IN EUR M	JUL 1–SEP 30, 2015	AS % OF REVENUE	JUL 1–SEP 30, 2014	AS % OF REVENUE	CHANGE IN PERCENTAGE POINTS
Revenue	713.1	100.0%	501.4	100.0%	0.0
Cost of sales	–424.7	–59.6%	–299.1	–59.7%	0.1
Gross profit	**288.4**	**40.4%**	**202.3**	**40.3%**	**0.1**
Selling and distribution costs	–282.9	–39.7%	–173.9	–34.7%	–5.0
Administrative expenses	–34.2	–4.8%	–30.2	–6.0%	1.2
Other operating income	1.5	0.2%	1.4	0.3%	–0.1
Other operating expenses	–0.7	–0.1%	–2.1	–0.4%	0.3
Earnings before interest and taxes (EBIT)	**–27.8**	**–3.9%**	**–2.6**	**–0.5%**	**–3.4**

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IN EUR M	JUL 1–SEP 30, 2015	JUL 1–SEP 30, 2014	CHANGE
Other consolidated financial data			
EBIT margin (as % of revenue)	–3.9	–0.5	–3.4pp
Adjusted EBIT (excl. equity-settled share-based payments)	–23.5	3.8	–27.4
Adjusted EBIT margin (as % of revenue)	–3.3	0.8	–4.1pp
EBITDA	–19.1	4.5	–23.7
Adjusted EBITDA (excl. equity-settled share-based payments)	–14.8	10.9	–25.8

The condensed consolidated income statement for the first nine months of the year also shows a considerable rise in revenue compared to the corresponding prior-year period. The EBIT margin improved in comparison to the respective prior-year period, despite the significant reacceleration of revenue growth and associated investments.

CONSOLIDATED INCOME STATEMENT

IN EUR M	JAN 1– SEP 30, 2015	AS % OF REVENUE	JAN 1– SEP 30, 2014	AS % OF REVENUE	CHANGE IN PERCENTAGE POINTS
Revenue	2,089.7	100.0%	1,548.5	100.0%	0.0
Cost of sales	–1,156.7	–55.4%	–903.9	–58.4%	3.0
Gross profit	**933.0**	**44.6%**	**644.5**	**41.6%**	**3.0**
Selling and distribution costs	–817.0	–39.1%	–565.3	–36.5%	–2.6
Administrative expenses	–95.0	–4.5%	–83.7	–5.4%	0.9
Other operating income	6.7	0.3%	9.2	0.6%	–0.3
Other operating expenses	–4.7	–0.2%	–3.8	–0.2%	0.0
Earnings before interest and taxes (EBIT)	**23.0**	**1.1%**	**1.0**	**0.1%**	**1.0**

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IN EUR M	JAN 1–SEP 30, 2015	JAN 1–SEP 30, 2014	CHANGE
Other consolidated financial data			
EBIT margin (as % of revenue)	1.1	0.1	1.0pp
Adjusted EBIT (excl. equity-settled share-based payments)	35.7	16.2	19.5
Adjusted EBIT margin (as % of revenue)	1.7	1.0	0.7pp
EBITDA	47.2	20.5	26.7
Adjusted EBITDA (excl. equity-settled share-based payments)	59.9	35.7	24.2

EBIT comprises the following expenses from equity-settled share-based payments. The corresponding expenses are removed in adjusted EBIT. For more information, please refer to the notes to the consolidated financial statements as of December 31, 2014 (05.5.8 (19.)).

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	CHANGE	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014	CHANGE
Expenses for equity-settled share-based payments						
Cost of sales	1.1	1.6	–0.5	3.2	3.3	–0.1
Selling and distribution costs	2.2	3.2	–1.0	6.4	7.3	–0.9
Administrative expenses	1.1	1.6	–0.5	3.2	4.7	–1.5
Total	**4.3**	**6.4**	**–2.1**	**12.7**	**15.2**	**–2.5**

In a prior-year comparison, the key performance indicators used to steer the group show a positive development.

PERFORMANCE INDICATORS

	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	CHANGE	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014	CHANGE
Site visits (in millions)	393.9	321.7	22.5%	1,198.6	976.2	22.8%
Mobile visit share (as % of site visits)	58.8	43.3	15.5pp	56.0	40.0	16.0pp
Active customers (in millions)	17.2	14.1	21.9%	17.2	14.1	21.9%
Number of orders (in millions)	13.8	9.7	42.6%	39.9	29.8	33.8%
Average orders per active customer	3.0	2.8	6.6%	3.0	2.8	6.6%
Average basket size (in EUR)	63.3	64.4	–1.7%	66.3	64.7	2.4%
Revenue (EUR m)	713.1	501.4	42.2%	2,089.7	1,548.5	34.9%
Adjusted fulfillment cost ratio (as % of revenue)	27.1	22.7	4.4pp	26.8	23.2	3.6pp
Adjusted marketing cost ratio (as % of revenue)	12.3	11.4	0.9pp	12.0	12.8	–0.8pp

Zalando continued to record strong growth in the third quarter of 2015. The group generated revenue of EUR 713.1m, up 42.2% on the prior-year quarter (EUR 501.4m). In the whole nine-month period of 2015, group revenue increased by 34.9% year-on-year to EUR 2,089.7m (prior-year period: EUR 1,548.5m).

As in prior quarters the increase in revenue was mainly driven by a considerably larger customer base and an increase in orders per customer. As of September 30, 2015, the group had 17.2 million active customers compared to 14.1 million active customers as of September 30, 2014, an increase of 21.9%. The larger customer base further ordered more often in the corresponding prior-year period. Specifically, orders increased by 42.6%. In the first nine months of 2015 orders increased by 33.8%; average basket size by as much as 2.4%.

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The higher traffic on the website also related to a significant increase in the share of visitors that accessed the website on their mobile devices. Compared to the corresponding prior-year period, the share of site visits on mobile devices rose by 15.5 percentage points to 58.8% in the third quarter of 2015.

The continued positive development of the sell-through-rate in the third quarter of 2015 as in the first two quarters is primarily driven by a more customer-specific selection of products plus attractive discounts at the end of the spring/summer season. The close collaboration with

Topshop and Topman and the addition of prestigious brands like Mango and Gap contributed to raising Zalando's fashion profile. Zalando also benefited from significantly higher demand from younger customer groups due to a wider range of value for money brands and a good mobile offering.

The group recorded an EBIT of EUR –27.8m in the third quarter of 2015 (prior-year quarter: EUR –2.6m). The decrease in the EBIT margin by 3.4 percentage points from –0.5% in the third quarter of 2014 to –3.9% in the third quarter of 2015 was mainly driven by the adjusted fulfillment cost ratio which increased by 4.4 percentage points as well as the adjusted marketing cost ratio, which increased by 0.9 percentage points.

Fulfillment costs increased to secure a first-class customer experience even with fast-growing volumes, plus were impacted by significant technology investments to further drive Zalando's mobile and platform strategies. In addition, fraud cases in the first-half of 2015 experienced lower than expected debt collection rates and further impacted fulfillment costs. As a result, Zalando reevaluated the assumptions of the valuation for prior periods' trade and other receivables and recorded an additional allowances in the third quarter of 2015.

The marketing cost ratio was higher year-on-year, driven by increased investments into app downloads plus an earlier fall/winter season campaign start compared to last year.

For the first nine months of the year, EBIT margin at group level improved on the prior-year period by around 1.0 percentage points from 0.1% in the first nine months of 2014 to 1.1% in the first nine months of 2015. In absolute terms, EBIT increased by EUR 22.0m to EUR 23.0m (prior-year period: EUR 1.0m). The margin improvement was driven by an improving gross margin by 3.0 percentage points, continued operating leverage in adjusted marketing costs by 0.8 percentage points plus a lower administrative cost ratio of 0.9 percentage points. As a percentage of revenue, the EBIT margin was adversely affected by adjusted fulfillment costs, which rose from 23.2% in the first nine months of 2014 to 26.8% in the first nine months of 2015. Fulfillment costs increased to secure the customer experience even with fast-growing volumes, plus technology investments and higher write-downs associated with invoice fraud cases in the first half of the year.

In order to assess the operating performance of the business, Zalando management also considers the adjusted EBIT and the adjusted EBIT margin before expenses for equity-settled share-based payments. In the third quarter of 2015, Zalando generated an adjusted EBIT of EUR –23.5m (prior-year period: EUR 3.8m). The decrease of 4.1 percentage points in the adjusted EBIT margin from 0.8% in the third quarter 2014 to –3.3% in 2015 is due to the aforementioned higher fulfillment costs and significant technology investments.

01.2.3 RESULTS OF OPERATIONS BY SEGMENT

The condensed segment results for the third quarter 2015 show a significant improvement in revenue across all segments. As a result of the reaccelerated growth rate, EBIT decreased in all segments mostly due to higher fulfillment costs.

CONSOLIDATED SEGMENT RESULTS

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	CHANGE	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014	CHANGE
Revenue						
DACH	371.2	276.3	94.9	1,129.4	870.5	258.9
Rest of Europe	300.8	197.8	103.0	851.1	597.1	254.0
Other	41.1	27.3	13.7	109.2	80.9	28.3
Earnings before interest (EBIT)						
DACH	–5.1	7.5	–12.6	37.0	29.9	7.1
Rest of Europe	–23.4	–11.7	–11.7	–20.0	–33.0	13.1
Other	0.6	1.6	–1.0	6.0	4.1	1.8
Other segment financial information						
Adjusted EBIT DACH	–2.8	10.9	–13.7	44.0	38.2	5.8
Adjusted EBIT Rest of Europe	–21.7	–9.4	–12.3	–15.1	–27.8	12.7
Adjusted EBIT Other	1.0	2.3	–1.3	6.8	5.8	1.1

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Segment EBIT comprises the following expenses from equity-settled share-based payments:

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	CHANGE	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014	CHANGE
Expenses for equity-settled share-based payments						
DACH	2.3	3.4	–1.2	7.0	8.3	–1.3
Rest of Europe	1.7	2.3	–0.6	4.9	5.3	–0.4
Other	0.4	0.7	–0.3	0.8	1.6	–0.8
Total	**4.3**	**6.4**	**–2.1**	**12.7**	**15.2**	**–2.5**

As in the previous quarters the positive development of revenue continued in all segments. Compared to the corresponding prior-year period, revenue grew by 34.4% in the DACH segment, by 52.1% in the Rest of Europe segment and by 50.3% in the Other segment. With revenue of EUR 371.2m (prior-year quarter: EUR 276.3m), the DACH segment continued to generate the highest level of revenue, followed by the Rest of Europe segment, which reported revenue of EUR 300.8m (prior-year quarter: EUR 197.8m) in the third quarter of 2015.

The EBIT margin of the DACH segment in the third quarter declined by 4.1 percentage points compared to the prior-year quarter as the DACH segment was predominantly affected by higher fulfillment costs through significant technology investments and higher write-downs of trade and other receivables associated with invoice fraud. Such higher write-downs also adversely impacted the Rest of Europe segment in the third quarter. Accordingly, the EBIT margin for the Rest of Europe segment declined by 1.9 percentage points from –5.9% to –7.8% in the third quarter of 2015. The Other segment recorded an EBIT margin of 1.6% in the third quarter of 2015, representing a decrease of 4.4 percentage points.

In the first nine months of 2015 group revenue increased by 34.9% from EUR 1,548.5m in the corresponding prior-year period to EUR 2,089.7m. The increase is primarily based on revenue increases in the DACH and Rest of Europe segments. The DACH segment, the strongest segment in terms of revenue, grew its revenue by EUR 258.9m in the first nine months of 2015 compared to the corresponding prior-year period and further expanded its market position. In the Rest of Europe segment, revenue grew from EUR 597.1m to EUR 851.1m. Zalandos revenue development was also driven by the Other segment, which combines the business activities of the Zalando Lounge and the group's offline activities. Apparel remained the strongest product category in terms of revenue in the first nine months of 2015.

EBIT margin in the DACH segment decreased slightly from 3.4% in the first nine months of 2014 to 3.3% in the first nine months of 2015.

EBIT margin for the Rest of Europe segment improved by 3.2 percentage points to –2.3% for the nine-month period ended September 30, 2015. EBIT margin in the Other segment increased from 5.1% in the first nine months of 2014 to 5.5% in the first nine months of 2015.

In order to assess the operating performance of the segments, Zalando management also considers EBIT and the EBIT margin before expenses for equity-settled share-based payments. The DACH segment generated an adjusted EBIT margin of –0.8% in the third quarter of 2015. The adjusted EBIT margin decreased by 4.7 percentage points when compared to the prior-year quarter. In the Rest of Europe segment the adjusted EBIT margin declined by 2.5 percentage points from –4.7% to –7.2% and the adjusted EBIT margin for the Other segment decreased by 5.9 percentage points to 2.5% in the third quarter of 2015.

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01.2.4 FINANCIAL POSITION

The liquidity situation and the financial development of the Zalando group are presented in the following condensed statement of cash flows:

FURTHER INFORMATION
CONSOLIDATED STATEMENT OF CASH FLOWS P. 22

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Cash flow from operating activities	**18.3**	**97.9**	**41.6**	**99.9**
Cash flow from investing activities	**–63.5**	**–17.5**	**–171.4**	**–49.7**
Cash flow from financing activities	**–0.6**	**–0.8**	**3.2**	**–0.5**
Change in cash and cash equivalents	–45.8	79.6	–126.6	49.7
Exchange-rate related and other changes in cash and cash equivalents	–2.9	0.0	0.5	0.0
Cash and cash equivalents at the beginning of the period	973.5	387.3	1,051.0	417.2
Cash and cash equivalents as of September 30	**924.9**	**466.9**	**924.9**	**466.9**

In the third quarter Zalando generated a positive cash flow from operating activities of EUR 18.3m (prior-year quarter: EUR 97.9m). The positive cash flow is mainly driven by declined working capital compared to the second quarter of 2015, more than compensating the negative net income of the period. Compared to the corresponding prior-year period the reduced cash flow from operating activities is mainly a result of the negative net income in the third quarter of 2015 compared to slightly positive net income in the third quarter of 2014.

The cash flow from investing activities mainly increased due to investment of funds in term deposits. Furthermore Zalando invested in property, plant and equipment and intangible assets. Cash paid for acquisitions is also reflected in the cash flow from investing activities.

In the third quarter of 2015 the free cash flow declined by EUR 86.4m from EUR 80.3m in the third quarter of 2014 to EUR −6.1m.

The sum of cash and cash equivalents and short-term bank deposits with original terms of more than three months and less than twelve months has increased by EUR 28.9m compared with December 31, 2014, due to mainly positive cash flows from operating activities and releases from restricted cash.

Short-term bank deposits with original terms of more than three months are recognized in cash flow from investing activities. Zalando invested EUR 155.0m (December 31, 2014: EUR 0.0m) in these short-term bank deposits as of September 30, 2015.

The group was able to meet all its payment obligations at all times.

01.2.5 NET ASSETS

The group's net assets are summarized in the following condensed statement of financial position:

FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION P. 18

ASSETS

IN EUR M	SEP 30, 2015		DEC 31, 2014		CHANGE	
Non-current assets	192.9	9.1%	194.0	10.9%	−1.1	−0.5%
Current assets	1,919.6	90.9%	1,591.6	89.1%	328.1	20.6%
Total assets	**2,112.6**	**100.0%**	**1,785.5**	**100.0%**	**327.0**	**18.3%**

EQUITY AND LIABILITIES

IN EUR M	SEP 30, 2015		DEC 31, 2014		CHANGE	
Equity	1,164.8	55.1%	1,126.7	63.1%	38.1	3.4%
Non-current liabilities	33.8	1.6%	30.9	1.7%	2.8	9.1%
Current liabilities	914.0	43.3%	627.9	35.2%	286.1	45.6%
Total equity and liabilities	**2,112.6**	**100.0%**	**1,785.5**	**100.0%**	**327.0**	**18.3%**

Zalando's total assets increased by 18.3% in comparison to December 31, 2014. Total assets consist primarily of current assets, in particular inventories, trade and other receivables as well as cash and cash equivalents. Equity and liabilities mainly consist of equity and current liabilities.

As of September 30, 2015, inventories primarily comprise merchandise. The EUR 242.0m increase in inventories to EUR 590.4m predominantly relates to the delivery peak with respect to the fall/winter collection.

The trade and other receivables of the group recognized as of September 30, 2015 are all current. The EUR 14.5m increase to EUR 154.6m is primarily due to the higher order volume and the higher invoice share.

Current liabilities increased by EUR 286.1m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose from EUR 492.1m by EUR 266.1m to EUR 758.2m in the reporting period. The growth mainly stemmed from deliveries of goods and was achieved through longer payment terms. Under reverse factoring agreements, selected suppliers also transferred receivables due from Zalando in total of EUR 167.4m to several factoring providers as of September 30, 2015 (December 31, 2014: EUR 90.5m).

Operating working capital, consisting of inventories, trade and other receivables less trade payables and similar liabilities, amounted to EUR –13.3m as of September 30, 2015 (December 31, 2014: EUR –3.7m). The decrease in the capital tied up is mainly due to the increase in trade payables and similar liabilities.

During the first nine months of 2015, equity increased from EUR 1,126.7m to EUR 1,164.8m. The EUR 38.1m increase primarily stems from the net income for the period. In the reporting period, the equity ratio declined from 63.1% at the beginning of the year to 55.1% as of September 30, 2015 resulting from the increase in total assets.

OVERALL STATEMENT

Overall, Zalando's development was very positive in the first three quarters of 2015, showing reaccelerating revenue growth as the company consciously tapped into growth opportunities. Gross margin improved slightly while the EBIT margin was clearly positive. However, the EBIT margin was adversely affected mainly by the increase in fulfillment costs including significant technology investments.

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01.2.6 EMPLOYEES

Compared to 7,588 employees as of December 31, 2014, the headcount rose by 1,856 to 9,444 employees. The significant growth relates primarily to the technology departments and the fulfillment centers.

01.3 SUBSEQUENT EVENTS

No significant events occurred subsequent to the reporting date which could materially affect the presentation of the results of operations, financial position and net assets of the group.

01.4 RISK AND OPPORTUNITY REPORT

There are no significant changes compared to the risk and opportunity report contained in the 2014 annual report. There are still no discernible risks that could jeopardize Zalando's ability to continue as a going concern.

01.5 OUTLOOK

01.5.1 FUTURE MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

WWW.DIW.DE/EN

According to the German institute for economic research (DIW), the German economy is experiencing a moderate upturn. DIW expects the Gross Domestic Product to increase by 1.8% in 2015 and in 2016 respectively. Private consumption is the main driver of the forecast growth. The projection also foresees a more rapid expansion in employment.[5]

The German economy is proving robust and the business climate in trade also brightening. According to ifo institute, assessments of the current business situation of retailers improved clearly for the third month in succession. The outlook for the upcoming months remains positive.[6]

Internet trade is expected to see much more dynamic growth than the retail market as a whole, both for the current year as well as for the coming years. For example, the European retail industry is expected to achieve year-on-year growth of around 3% in 2015, while an increase of almost 16% is expected in online trade. The picture in Germany is similar: The overall forecast for retail growth is almost 4% in 2015; by comparison, internet trade is expected to increase by more than 19% in the same period.[7] The German Retail Federation (HDE) also predicts a substantial increase in revenue for online trade in 2015. The federation forecasts slightly weaker growth of 12% in comparison to the prior year, while retail as a whole is expected to grow by 2%.[8]

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As a whole, the fashion industry in Europe and Germany is predicted to recover slightly in the current year 2015. Revenue at the European level is expected to grow around 1%, while fashion sales in Germany are expected to increase around 2%.[9] Experts identified apparel and footwear as main drivers for e-commerce growth, so we expect the online share in fashion trade to continue to grow in 2015.[10]

5) German Institute for Economic Research et al.
6) CES ifo Institute Munich
7) Euromonitor International; Europe excl. Russia
8) German Retail Federation (HDE)
9) Euromonitor International; Europe excl. Russia
10) Federal Association E-Commerce and Distance Retail Germany (bevh)

Due to its focus on the European market, its high brand awareness, large customer base as well as its strong supplier relationships and infrastructure footprint, Zalando is convinced that it is well positioned to benefit from these favorable market conditions for online sales.

01.5.2 ADJUSTED GUIDANCE

Following a strong spring/summer season, 2015 revenue continued to develop above expectations during the third quarter. On the basis of the strong development in the first nine months of 2015, Zalando is now expecting to substantially exceed its annual revenue growth corridor of 20–25% for 2015 and its revised guidance of 28–31%. Management therefore increases its guidance to 33–35%.

As a result of additional growth investments, guidance for the 2015 adjusted EBIT margin is lowered to 3–4% (or unadjusted EBIT margin of around 2.4–3.4%).

01.5.3 OVERALL STATEMENT BY THE MANAGEMENT BOARD OF ZALANDO SE

Overall, the net assets, financial position and result of operations show that at the time of preparing the report for the first nine months of the fiscal year 2015, the group was in a solid and profitable economic condition.

END OF THE QUICK READER INFORMATION

Berlin, November 10, 2015

The Management Board

David Schneider Robert Gentz Rubin Ritter

02

3/4 2015
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OTHER FACTS

~900

TECH EMPLOYEES

~14M

APP DOWNLOADS

02.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FURTHER INFORMATION
RESULTS OF OPERATIONS OF THE GROUP P. 6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR M	NOTES	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Revenue	(1.)	713.1	501.4	2,089.7	1,548.5
Cost of sales	(2.)	–424.7	–299.1	–1,156.7	–903.9
Gross profit		**288.4**	**202.3**	**933.0**	**644.5**
Selling and distribution costs		–282.9	–173.9	–817.0	–565.3
Administrative expenses		–34.2	–30.2	–95.0	–83.7
Other operating income		1.5	1.4	6.7	9.2
Other operating expenses		–0.7	–2.1	–4.7	–3.8
Earnings before interest and taxes (EBIT)		**–27.8**	**–2.6**	**23.0**	**1.0**
Interest income		0.2	0.0	0.6	0.1
Interest expenses		–1.7	–1.0	–4.0	–2.7
Result of investments accounted for using the equity method	(5.)	–0.7	0.0	–1.1	0.0
Other financial result		–4.1	1.7	2.6	1.8
Financial result		**–6.3**	**0.8**	**–1.8**	**–0.8**
Earnings before taxes (EBT)		**–34.1**	**–1.8**	**21.2**	**0.2**
Income taxes	(3.)	5.6	1.3	–2.4	–0.6
Net income/loss for the period		**–28.5**	**–0.5**	**18.8**	**–0.4**
Thereof net income attributable to the shareholders of ZALANDO SE		–28.5	–0.5	18.8	–0.4
Net income for the period as percentage of revenue		–4.0%	–0.1%	0.9%	0.0%
Basic earnings per share (in EUR)	(4.)	–0.12	0.00	0.08	0.00
Diluted earnings per share (in EUR)	(4.)	–0.12	0.00	0.07	0.00

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Net income/loss for the period	**–28.5**	**–0.5**	**18.8**	**–0.4**
Items recycled to profit or loss in subsequent periods				
Effective portion of gains/losses from cash flow hedges, net of tax	6.8	–0.2	3.3	0.2
Exchange differences on translation of foreign financial statements	–0.1	0.0	–0.1	0.2
Other comprehensive income	**6.7**	**–0.2**	**3.2**	**0.4**
Total comprehensive income	**–21.8**	**–0.7**	**22.0**	**0.0**
Thereof total comprehensive income attributable to the shareholders of ZALANDO SE	–21.8	–0.7	22.0	0.0

FURTHER INFORMATION
NET ASSETS P. 12

02.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

IN EUR M	NOTES	SEP 30, 2015	DEC 31, 2014
Non-current assets			
Intangible assets		37.9	29.0
Property, plant and equipment		119.8	111.0
Investments accounted for using the equity method	(5.)	7.9	0.0
Financial assets	(6.)	22.8	49.4
Deferred tax assets		0.7	0.9
Non-financial assets		3.7	3.7
		192.9	*194.0*
Current assets			
Inventories		590.4	348.4
Prepayments		0.8	0.9
Trade and other receivables	(7.)	154.6	140.1
Other financial assets	(6.)	184.8	13.6
Other non-financial assets		64.2	37.7
Cash and cash equivalents		924.9	1,051.0
		1,919.6	*1,591.6*
Total assets		**2,112.6**	**1,785.5**

EQUITY AND LIABILITIES

IN EUR M	NOTES	SEP 30, 2015	DEC 31, 2014
Equity			
Issued capital		246.8	244.8
Capital reserves		1,134.4	1,120.4
Retained earnings		4.2	1.0
Accumulated losses		–220.6	–239.5
	(8.)	*1,164.8*	*1,126.7*
Non-current liabilities			
Provisions		7.2	5.8
Government grants		1.7	3.0
Financial liabilities		15.2	17.6
Other financial liabilities		2.2	0.6
Other non-financial liabilities		3.0	1.3
Deferred tax liabilities		4.5	2.6
		33.8	*30.9*
Current liabilities			
Provisions		0.0	0.5
Financial liabilities		3.2	3.2
Trade payables and similar liabilities	(9.)	758.2	492.1
Prepayments received		12.0	6.7
Income tax liabilities		8.9	6.1
Other financial liabilities		67.5	61.9
Other non-financial liabilities		64.1	57.3
		914.0	*627.9*
Total equity and liabilities		**2,112.6**	**1,785.5**

02.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2015

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2015		**244.8**	**1,120.4**
Net income for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		**0.0**	**0.0**
Capital increase	(8.)	2.0	3.6
Reversal of claims to share based-payments		0.0	–2.3
Share-based payments		0.0	12.7
As of Sep 30, 2015		**246.8**	**1,134.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2014		**0.1**	**833.3**
Net income for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		**0.0**	**0.0**
Capital increase		244.6	280.8
Transaction costs less taxes		0.0	–10.2
Share-based payments		0.0	**15.2**
As of Sep 30, 2014		**244.8**	**1,119.0**

RETAINED EARNINGS			
CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
1.0	**0.0**	**–239.5**	**1,126.7**
0.0	0.0	18.8	18.8
3.3	–0.1	0.0	3.2
3.3	**–0.1**	**18.8**	**22.0**
0.0	0.0	0.0	5.7
0.0	0.0	0.0	–2.3
0.0	0.0	0.0	12.7
4.3	**–0.1**	**–220.6**	**1,164.8**

RETAINED EARNINGS			
CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
–0.1	**–0.1**	**–286.6**	**546.5**
0.0	0.0	–0.4	–0.4
0.2	0.2	0.0	0.4
0.2	**0.2**	**–0.4**	**0.0**
0.0	0.0	0.0	525.4
0.0	0.0	0.0	–10.2
0.0	0.0	0.0	15.2
0.0	**0.1**	**–287.0**	**1,076.9**

02.4 CONSOLIDATED STATEMENT OF CASH FLOWS

FURTHER INFORMATION
FINANCIAL POSITION P. 11

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR M			NOTES	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
1.		Net income/loss for the period		–28.5	–0.5	18.8	–0.4
2.	+	Non-cash expenses from share-based payments		4.3	6.4	12.7	15.2
3.	–	Cash paid for settlement of claims from share-based payments		0.0	0.0	–2.3	0.0
4.	+	Depreciation of property, plant and equipment and amortization of intangible assets		8.7	7.1	24.2	19.4
5.	+/–	Increase/decrease in provisions		0.0	0.6	–0.3	0.7
6.	–/+	Other non-cash income/expenses		1.8	–0.1	–0.7	–1.4
7.	+/–	Decrease/increase in inventories		–157.9	–140.3	–242.0	–87.2
8.	+/–	Decrease/increase in trade and other receivables	(7.)	12.7	12.2	–14.0	–16.3
9.	+/–	Increase/decrease in trade payables and similar liabilities	(9.)	188.2	212.6	266.3	143.9
10.	+/–	Increase/decrease in other assets/liabilities		–11.0	0.0	–21.2	26.1
11.	**=**	**Cash flow from operating activities**		**18.3**	**97.9**	**41.6**	**99.9**
12.	–	Cash paid for investments in property, plant and equipment		–12.0	–11.6	–19.5	–34.3
13.	–	Cash paid for investments in intangible assets		–7.8	–6.0	–19.6	–14.9
14.	–	Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	(5.)	–4.6	0.0	–16.8	0.0
15.	–	Cash paid for investments in term deposits		–45.0	0.0	–155.0	0.0
16.	+/–	Change in restricted cash		6.0	0.1	39.5	–0.5
17.	**=**	**Cash flow from investing activities**		**–63.5**	**–17.5**	**–171.4**	**–49.7**
18.	+	Cash received from capital increases by the shareholders less transaction costs	(8.)	0.2	0.0	5.7	0.0
19.	+	Cash received from loans		0.0	0.0	0.0	1.9
20.	–	Cash repayments of loans		–0.8	–0.8	–2.4	–2.4
21.	**=**	**Cash flow from financing activities**		**–0.6**	**–0.8**	**3.2**	**–0.5**
22.	=	Net change in cash and cash equivalents from cash relevant transactions		–45.8	79.6	–126.6	49.7
23.	+	Increase in cash and cash equivalents from exchange rate differences		–2.9	0.0	0.5	0.0
24.	+	Cash and cash equivalents at the beginning of the period		973.5	387.3	1,051.0	417.2
25.	**=**	**Cash and cash equivalents as of Sep 30**		**924.9**	**466.9**	**924.9**	**466.9**

Interest and income taxes paid and received included in cash flow from operating activities:

CASH-RELEVANT INTEREST AND INCOME TAXES

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Interest paid	–1.6	–1.0	–4.2	–2.1
Interest received	0.2	0.0	0.5	0.1
Income taxes paid	0.0	0.0	0.0	–0.1
Total	**–1.4**	**–1.0**	**–3.8**	**–2.2**

The calculation below shows the calculation of the free cash flow based on the cash flow from operating activities.

FREE CASH FLOW

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Cash flow from operating activities	18.3	97.9	41.6	99.9
Cash paid for investments in property, plant and equipment	–12.0	–11.6	–19.5	–34.3
Cash paid for investments in intangible assets	–7.8	–6.0	–19.6	–14.9
Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	–4.6	0.0	–16.8	0.0
Free cash flow	**–6.1**	**80.3**	**–14.4**	**50.7**

02.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

02.5.1 CORPORATE INFORMATION

ZALANDO SE is a publicly listed stock corporation with registered offices in Berlin, Germany. ZALANDO SE, Berlin, is the parent of the Zalando group (hereinafter referred to as "Zalando" or the "group").

The condensed and unaudited interim consolidated financial statements as of September 30, 2015 of ZALANDO SE comply with the International Financial Reporting Standards (IFRSs) as adopted by the EU. These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting in conjunction with IAS 1 Presentation of Financial Statements. Moreover, the terms of the WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) were also complied with. The interim condensed consolidated financial statements do not include all of the information and disclosures required for consolidated financial statements as of year-end and must therefore be read in conjunction with the consolidated financial statements for the year ending December 31, 2014.

ACCOUNTING AND VALUATION PRINCIPLES

In general the accounting policies applied for the consolidated financial statements as of December 31, 2014 are unchanged.

The first-time adoption of new accounting standards in the 2015 fiscal year did not have a material impact on the interim financial statements, as was explained in the 2014 annual report.

During the second quarter of 2015 Zalando invested in shares in associated companies for the first time and therefore commenced applying the accounting and measurement principles for such investments.

The recognition of shares in associated companies accounted for using the equity method is initially measured at cost as at the date on which a significant influence is obtained. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In subsequent periods, the carrying amount is adjusted to reflect the changes in the net assets of the investee. Goodwill which arose from the acquisition of these shares (after taking into account cumulative impairments) is included in the carrying amount of the associated company. Dividends received from these associated companies accounted for using the equity method reduce their carrying amounts. Group shares of the result of operations are reported in the consolidated statement of comprehensive income as "Result of investments accounted for using the equity method".

The condensed interim consolidated financial statements are presented in euros.

As the presented figures are rounded, the individual figures may not add up exactly to the totals shown and the percentage figures presented may not exactly reflect the absolute figures they relate to.

02.5.2 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1.) REVENUE

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Revenue from the sale of merchandise	704.5	496.6	2,069.3	1,534.0
Revenue from other services	8.6	4.8	20.4	14.4
Total	**713.1**	**501.4**	**2,089.7**	**1,548.5**

Zalando was able to significantly increase revenue in all group segments. In the third quarter, revenue increased by 42.2% as compared to the prior-year quarter. Comparing the first nine months 2015 with the respective prior-year period, growth is 34.9%.

The increase in revenue is primarily attributable to the considerably larger customer base and an increase in orders per customer.

(2.) COST OF SALES

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Non-personnel costs	410.9	287.8	1,117.4	872.6
Personnel costs	13.8	11.4	39.3	31.4
Total	**424.7**	**299.1**	**1,156.7**	**903.9**

Cost of sales mainly consists of cost of materials, personnel expenses, write-downs on inventories, third-party services and infrastructure costs. Cost of sales of the third quarter was up 42.0% on the prior-year quarter in line with revenue growth.

Cost of materials in the third quarter totals EUR 377.2m (prior-year quarter: EUR 269.7m) and in the first nine months EUR 1,043.1m (prior-year period: EUR 804.8m).

Zalando generated a gross profit of EUR 288.4m in the third quarter of 2015 (prior-year quarter: EUR 202.3m). The gross margin improved slightly by 0.1 percentage points from 40.3% in the third quarter of 2014 to 40.4% for the prior-year quarter in 2015.

(3.) INCOME TAXES

IN EUR M	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Current taxes	3.8	1.3	–2.8	–0.4
Deferred taxes	1.9	0.0	0.4	–0.1
Total	**5.6**	**1.3**	**–2.4**	**–0.6**

The income from current taxes in the third quarter 2015 and 2014 is a result of lower income tax liabilities due to the negative earnings before taxes.

Due to the minimum taxation the positive earnings before taxes in the respective nine months periods lead to corresponding current tax expenses.

(4.) EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the total result after taxes for the period by the weighted average number of shares.

BASIC EARNINGS PER SHARE (EPS)

	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Net income for the period (in EUR m)	–28.5	–0.5	18.8	–0.4
Basic weighted average number of shares (in millions)	247	220	246	220
Total (in EUR)	**–0.12**	**0.00**	**0.08**	**0.00**

The basic earnings per share developed in line with the decrease in net income from EUR 0.00 in the third quarter of 2014 to EUR –0.12 in third quarter of 2015.

The diluted earnings per share are calculated by dividing the total result after taxes for the period by the weighted average number of diluted shares.

DILUTED EARNINGS PER SHARE (EPS)

	JUL 1– SEP 30, 2015	JUL 1– SEP 30, 2014	JAN 1– SEP 30, 2015	JAN 1– SEP 30, 2014
Net income for the period (in EUR m)	–28.5	–0.5	18.8	–0.4
Weighted average number of diluted shares (in millions)	247	221	253	220
Total (in EUR)	**–0.12**	**0.00**	**0.07**	**0.00**

Additional employee options and agreements that could be settled in ordinary shares or cash were taken into account when calculating the diluted earnings per share. However, certain share-based payments with a corresponding increase in equity containing a performance-based condition that has not been met at the reporting date are not factored in when calculating the diluted earnings per share.

02.5.3 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(5.) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On May 20, 2015, Zalando acquired a 20.0% stake in Anatwine Ltd., Cheltenham, UK ("Anatwine"), allowing Zalando to exert significant influence. Anatwine provides customized software integration services for fashion brands to enable the integration of their merchandise into online market places.

Driven by operating losses, the carrying amount of investments accounted for using the equity method decreased by EUR 1.1m.

(6.) NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

The non-current financial assets mainly comprise restricted cash of EUR 13.0m (December 31, 2014: EUR 48.3m).

Current financial assets primarily relate to fixed-term deposits with an original term of between three and twelve months and amount to EUR 155.0m (December 31, 2014: EUR 0.0m). These assets are assigned to the IAS 39 category "Loans and receivables" and the carrying amounts of these assets are considered to be reasonable estimates of their fair values because of their short maturity.

(7.) TRADE AND OTHER RECEIVABLES

Zalando constantly strives to offer more customer-friendly payment methods. However, the higher share of invoiced new customers in the first half 2015 led to a higher level of fraudulent activity and in the third quarter 2015 Zalando experienced lower than expected amounts from the cash collection process of these fraud cases. As a result, Zalando also reevaluated the assumptions of the valuation for prior periods' trade and other receivables and recorded an additional allowances in the third quarter of 2015.

(8.) EQUITY

The issued capital of the parent company was increased through partial use of authorized capital 2013 by a total of EUR 2.0m to EUR 246.8m as of September 30, 2015. It has been paid in full.

Authorized and conditional capital comprise the following components as of the reporting date:

AUTHORIZED AND CONDITIONAL CAPITAL

	AMOUNT IN EUR M	NUMBER OF NO-PAR VALUE SHARES	PURPOSE
Authorized capital 2013	3.3	3,323,925	Servicing of subscription rights from COPs and SOP 2011 until October 28, 2018*
Authorized capital 2015	94.7	94,694,847	Cash or non-cash capital increases until June 1, 2020
Conditional capital 2013	9.8	9,817,500	Servicing of subscription rights from SOP 2013*
Conditional capital 2014	6.7	6,732,000	Servicing of subscription rights from SOP 2014*
Conditional capital 2015	73.9	73,889,248	Issue of convertible bonds and/or bonds with warrants until June 1, 2020

*) The explanation of the individual programs can be found in the consolidated financial statements as of December 31, 2014 (05.5.8 (19.)).

The use of the authorized capital 2013 and authorized capital 2015 requires the approval of the Supervisory Board. The increase in the issued capital was approved by the Supervisory Board on February 26, March 10, March 24, May 8, June 2 and August 24, 2015. The capital increases were entered in the commercial register on March 9, March 13, April 16, May 28, June 18 and September 2, 2015.

At the annual general meeting of ZALANDO SE on June 2, 2015 the Management Board was authorized, with the consent of the Supervisory Board, to increase the registered share capital of the company until June 1, 2020 by up to EUR 94.7m (authorized capital 2015). The authorized capital 2014 was cancelled when the authorized capital 2015 became effective.

Furthermore, the annual general meeting approved the conditional increase of the share capital by up to EUR 73.9m by issuance of up to 73,889,248 no-par value bearer shares (conditional capital 2015). The purpose of conditional capital 2015 is to grant shares to the holders/creditors of convertible bonds and/or bonds with warrants or a combination there of.

Moreover, the Management Board was authorized by the annual general meeting to repurchase own shares until June 1, 2020, up to a limit of 10% of its registered capital as of the date of the resolution or as of the date on which the authorization is exercised if the latter value is lower. The acquired own shares may then be used for any purpose permitted by law.

The development of equity is shown in the consolidated statement of changes in equity.

(9.) TRADE PAYABLES AND SIMILAR LIABILITIES

Due to the delivery of the fall/winter goods the trade payables and similar liabilities rose by EUR 266.1m to EUR 758.2m compared with December 31, 2014.

Trade payables and similar liabilities contain obligations from reverse factoring agreements of EUR 167.4m (December 31, 2014: EUR 90.5m). There are no significant liabilities denominated in foreign currency as of the reporting date.

(10.) NOTES TO THE STATEMENT OF CASH FLOWS

The sum of cash and cash equivalents and short-term bank deposits with original terms of more than three months and less than twelve months has increased by EUR 28.9m compared with December 31, 2014 due to mainly positive cash flows from operating activities and releases from restricted cash.

Short-term bank deposits with original terms of more than three months are recognized in cash flow from investing activities. Zalando invested EUR 155.0m (December 31, 2014: EUR 0.0m) in these short-term bank deposits as of September 30, 2015.

The cash and cash equivalents comprise cash on hand, bank balances, short-term bank deposits with original terms of less than or equal to three months as well as money market fund shares.

The group was able to meet all its payment obligations at all times.

02.5.4 OTHER NOTES

RELATED PARTY DISCLOSURES

Zalando procures merchandise from related parties. On account of these supply arrangements, Zalando recognized liabilities of EUR 48.8m as of the reporting date (December 31, 2014: EUR 32.0m). Of this amount, EUR 48.5m (December 31, 2014: EUR 30.2m) is due to a reverse factoring provider in connection with reverse factoring agreements between Zalando and related parties. As a result, there were liabilities due to related parties from goods and services transactions of EUR 0.2m (December 31, 2014: EUR 1.8m).

Merchandise of EUR 85.8m was ordered from related parties in the first nine months of 2015. In the same period in the prior year, Zalando had ordered merchandise of EUR 58.5m from related parties. The cost of services received came to EUR 0.3m in the first nine months of 2015 (prior-year period: EUR 0.6m).

The transactions generally do not differ from the trade relationships with third parties.

SEGMENT REPORTING

The Management Board measures the performance of the segments on the basis of EBIT calculated in accordance with IFRSs. EBIT for segment reporting purposes is defined as earnings before interest and taxes. There are no intersegment transactions in the internal reporting structure. No information on segment assets or liabilities is available or relevant for decision-making.

The segment reporting shows the positive development of revenue in all reporting segments of the Zalando group:

SEGMENT REPORTING

	JUL 1–SEP 30, 2015		JUL 1–SEP 30, 2014	
IN EUR M	REVENUE	EBIT	REVENUE	EBIT
DACH	371.2	–5.1	276.3	7.5
Rest of Europe	300.8	–23.4	197.8	–11.7
Other	41.1	0.6	27.3	1.6
Total	**713.1**	**–27.8**	**501.4**	**–2.6**

	JAN 1–SEP 30, 2015		JAN 1–SEP 30, 2014	
IN EUR M	REVENUE	EBIT	REVENUE	EBIT
DACH	1,129.4	37.0	870.5	29.9
Rest of Europe	851.1	–20.0	597.1	–33.0
Other	109.2	6.0	80.9	4.1
Total	**2,089.7**	**23.0**	**1,548.5**	**1.0**

The lower EBIT margin in the third quarter 2015 compared to the corresponding prior-year quarter was affected by higher fulfillment costs through significant technology investments and higher write-downs associated with invoice fraud.

The EBIT margin in the DACH segment decreased slightly from 3.4% in the first nine months of 2014 to 3.3% in the first nine months of 2015. The EBIT margin in the Rest of Europe segment improved by 3.2 percentage points to –2.3% as of September 30, 2015. This margin improvement was especially influenced by lower discounts.

The group's financial result is not allocated to the segments.

SUBSEQUENT EVENTS

No significant events occurred after the reporting date which could materially affect the presentation of the net assets, financial position and results of operations of the group.

Berlin, November 10, 2015

The Management Board

David Schneider   Robert Gentz   Rubin Ritter

02.6 REVIEW REPORT

To ZALANDO SE

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes, and the interim group management report of ZALANDO SE, Berlin, for the period from January 1, 2015 to September 30, 2015, which are part of the quarterly financial report pursuant to Sec. 37x (3) WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRSs (International Financial Reporting Standards) on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Berlin, November 10, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Dr. Röders
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

03

3/4 2015
SERVICE

FINANCIAL CALENDAR

March 1, 2016

PUBLICATION OF THE ANNUAL REPORT 2015

03.1 GLOSSARY

Active customers
We define active customers as the number of customers who have placed at least one order in the last 12 months during the reporting period, irrespective of cancelations or returns.

Adjusted EBIT
We define adjusted EBIT as EBIT before equity-settled share-based payment expense.

Adjusted EBITDA
We define adjusted EBITDA as EBITDA before equity-settled share-based payment expense.

Adjusted fulfillment cost ratio
We define the adjusted fulfillment cost ratio as fulfillment costs before equity-settled share-based payment expense, divided by the revenue during the reporting period. Fulfillment costs include expenditures for shipment processing, content creation, customer service and payment processing, as well as allocated overhead costs and write-downs on trade receivables. Fulfillment costs thus include all sales costs with the exception of marketing costs.

Adjusted marketing cost ratio
We define the adjusted marketing cost ratio as marketing costs before equity-settled share-based expense, divided by the revenue during the reporting period. Marketing costs consist of expenses for advertising, including search engine marketing and advertising on television, online and other marketing channels, as well as allocated overhead costs.

Average basket size
We define the average basket size as the gross merchandise volume (including the gross merchandise volume from our partner program) after cancelations and returns, divided by the number of orders delivered during the reporting period. The gross merchandise volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns during the reporting period.

Apps
Applications that were developed to optimize internet use for a specific task with a mobile phone or smartphone.

Average orders per active customer
We define the average orders per active customer as the number of orders in the last 12 months of the reporting period, divided by the number of active customers.

Content creation
We define content creation as the production of photos and text for the sale of products on our websites.

Customer service
We define customer services as the service we offer our customers via our hotline or e-mail.

EBIT
EBIT is short for "earnings before interest and taxes".

EBITDA
EBITDA stands for EBIT before depreciation and amortization of property, plant and equipment and intangible assets.

EBIT margin
The EBIT margin is defined as EBIT as a percentage of revenue.

Free cash flow
Cash flow from operating activities plus cash flow from investment activities (without investments in term deposits and restricted cash).

Mobile visit share (as % of site visits)
We define the mobile visit share (as % of site visits) as the number of page views via m.sites, t.sites or apps divided by the total number of page views during the period in question.

m.sites
Websites designed to be accessed via mobile phones or smartphones that offer users internet access.

Net working capital
Net working capital is calculated as sum of inventories and trade receivables less trade accounts payables and similar liabilities.

Number of orders
We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancelations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.

Site visits
We define site visits as the number of series of page views from the same device and the same source (via websites, m.sites, t.sites or apps) during the period in question. The series is considered ended when a page view is not recorded for longer than 30 minutes.

t.sites
Websites designed to be accessed via tablets, such as the Apple iPad or the Samsung Galaxy tablet.

03.2 FINANCIAL CALENDAR 2016

DATE	EVENT
Tuesday, March 1	Publication of the Annual Report 2015
Thursday, May 12	Publication of the first quarter results 2016
Thursday, August 11	Publication of the second quarter results 2016
Thursday, November 10	Publication of the third quarter results 2016

03.3 IMPRINT

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