



**EUROPE'S LEADING ONLINE FASHION DESTINATION**

Q3 Earnings Call  
26 November 2014

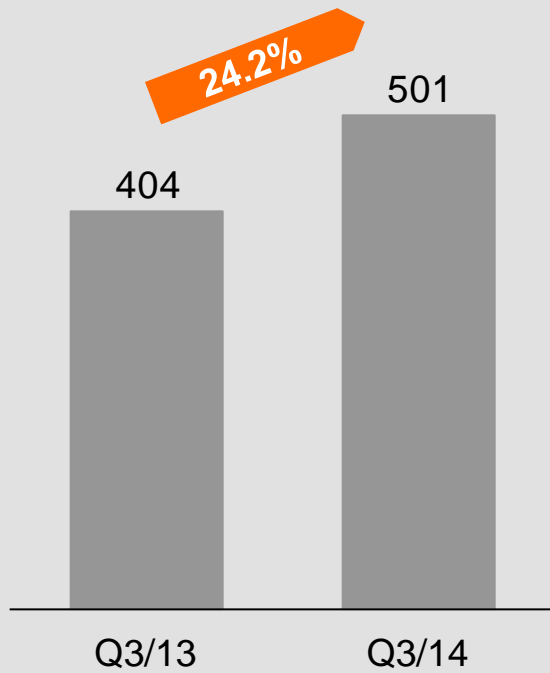
# Results highlights and business update



# CLEAR FOCUS ON EXECUTION

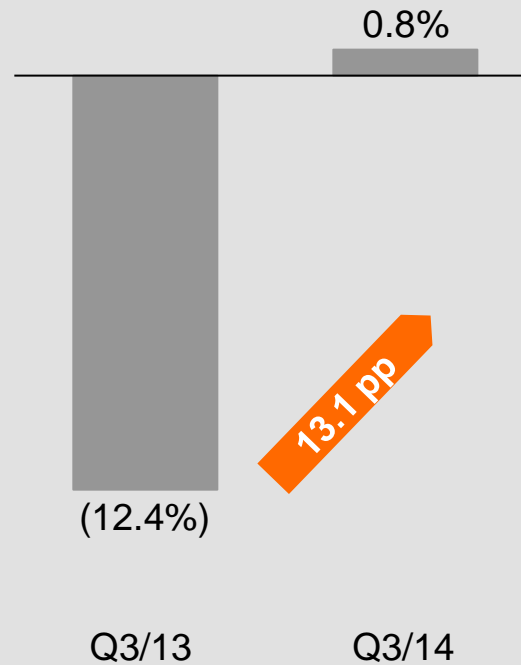
## Continued strong revenue growth above market

(Revenue in €m)



## Strong operating leverage results in Q3 break-even

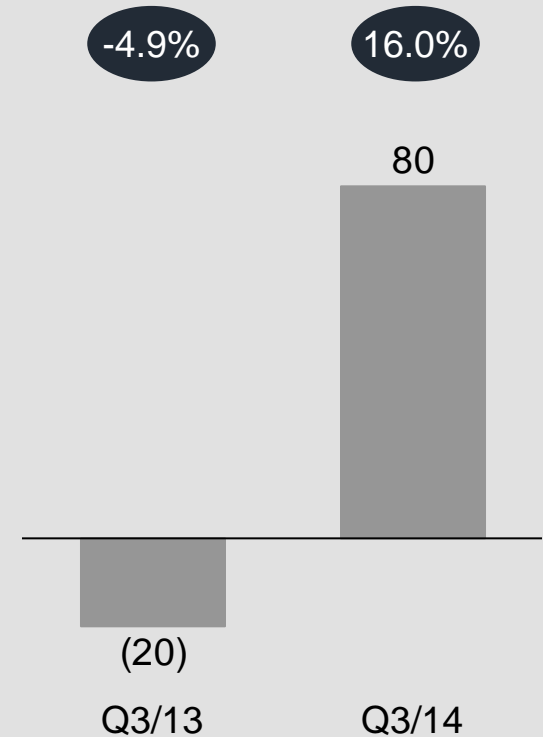
(EBIT margin excl. SBC<sup>1</sup> in percent)



## Strong cash generation

(Total free cash flow<sup>2</sup> in €m)

as percent of revenue



(1) Excluding equity-settled stock based compensation costs ("SBC") of €6.4m in Q3 2014.

(2) Includes operating cash flow (€98m) and investing cash flow (-€18m).

## Topshop & Topman setting new trends

- Started in Sep-14; top 5 brand now
- Access to broad Topshop assortment
- Adding freshness & fashion credibility



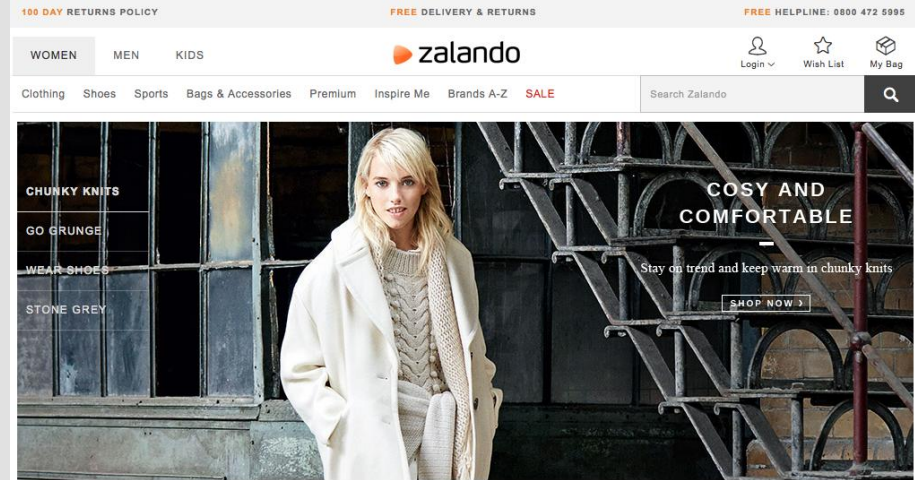
## GAP: soon available on Zalando

- Starting spring 2015
- Access to GAP's global assortment
- Casual identity serves as a perfect fit




## Facelift of shop websites

- Introduction of new, full face model presentation format for apparel
- MyFeed via News&Style/Inspiration



## Express delivery roll-out across all markets

- Finalized by early November<sup>1</sup>
- Started with single-item orders, now available for multi-item orders

 Zalando markets



(1) Except Switzerland and Norway.



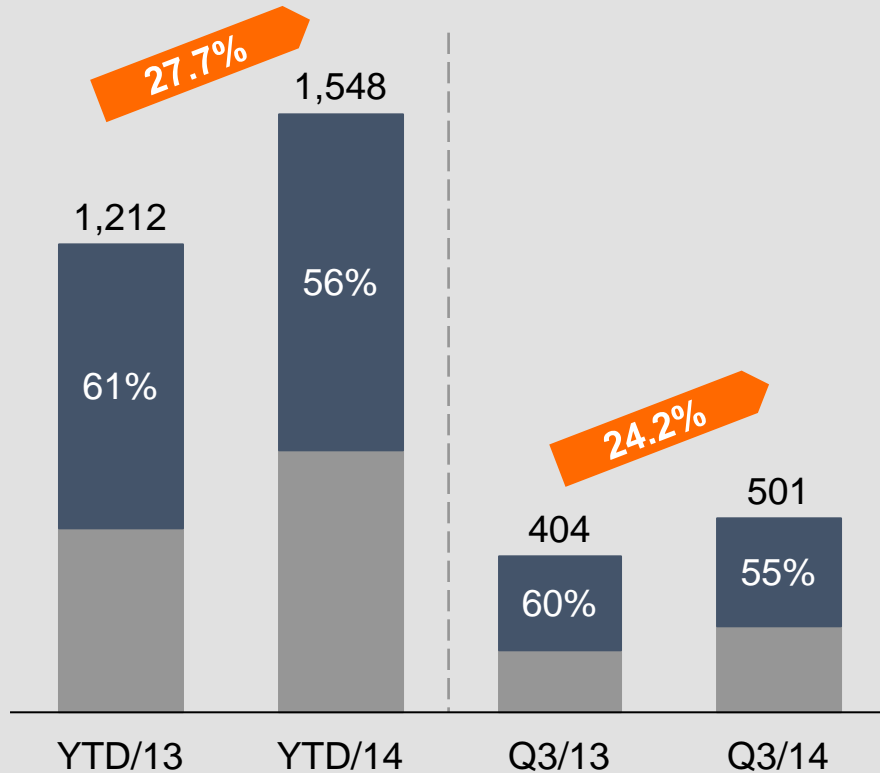
# Financial update Q3 and 9M 2014

# CONTINUED STRONG REVENUE GROWTH ABOVE MARKET

## Group revenue

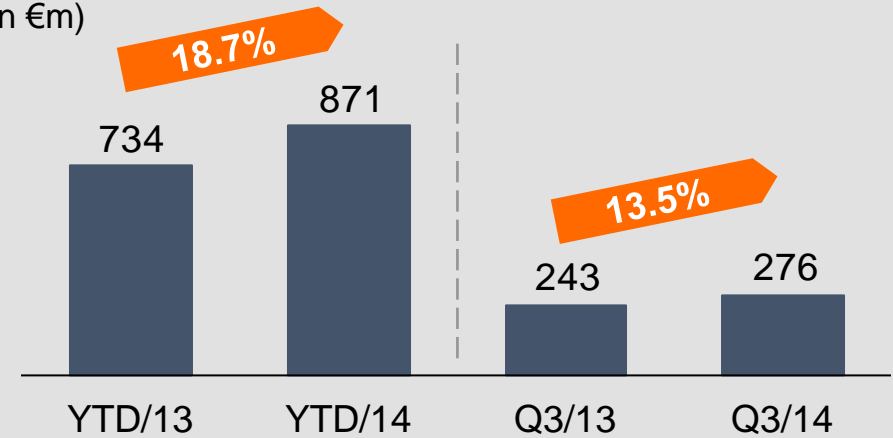
(in €m)

■ DACH ■ Rest of Europe and Others<sup>1</sup>



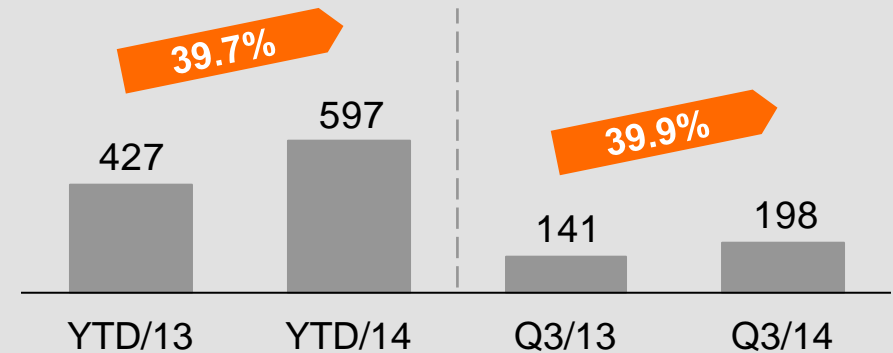
## DACH revenue

(in €m)



## Rest of Europe revenue

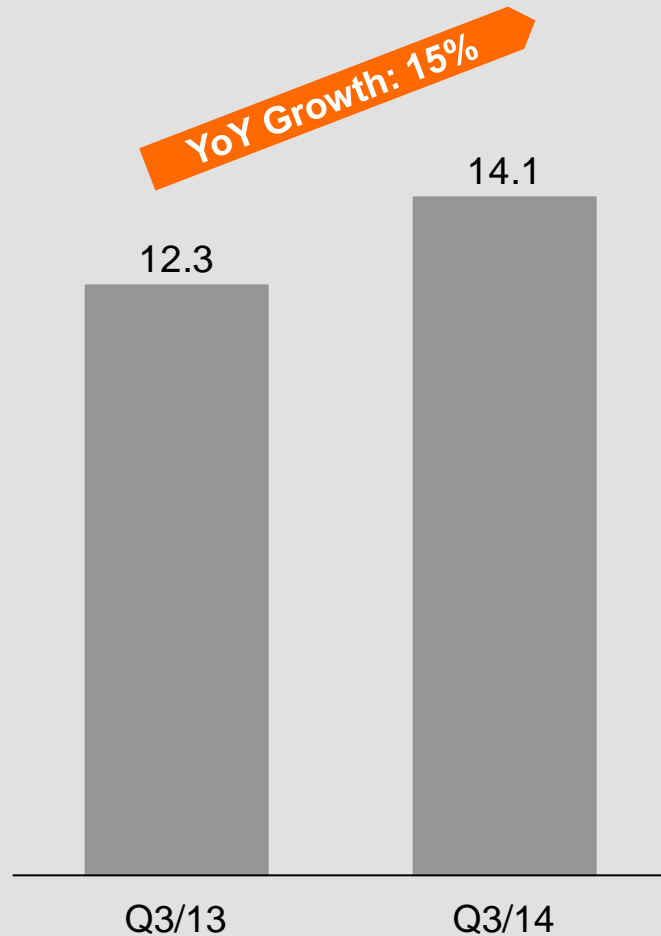
(in €m)



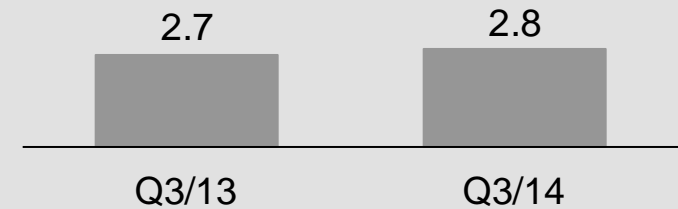
(1) Segment "Others" includes revenues from "Zalando Lounge, as well as the other two outlet stores in Berlin and Frankfurt.

# POSITIVE DEVELOPMENTS OF UNDERLYING CUSTOMER KPIs DRIVE REVENUE GROWTH

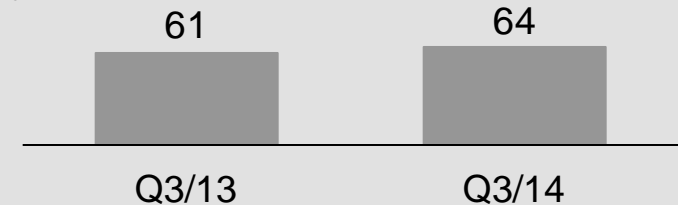
## Active customers (in m)



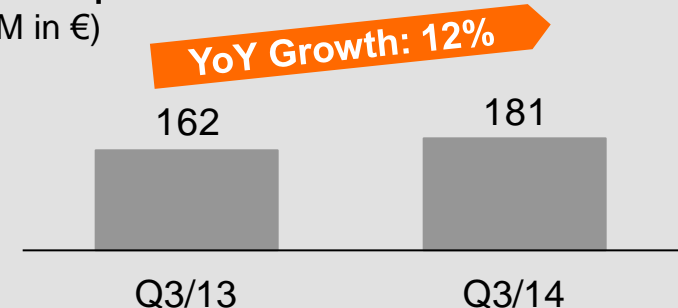
## Average orders per active customer (in #)



## Average basket size<sup>1</sup> (in €)



## GMV<sup>2</sup> per active customer (LTM in €)



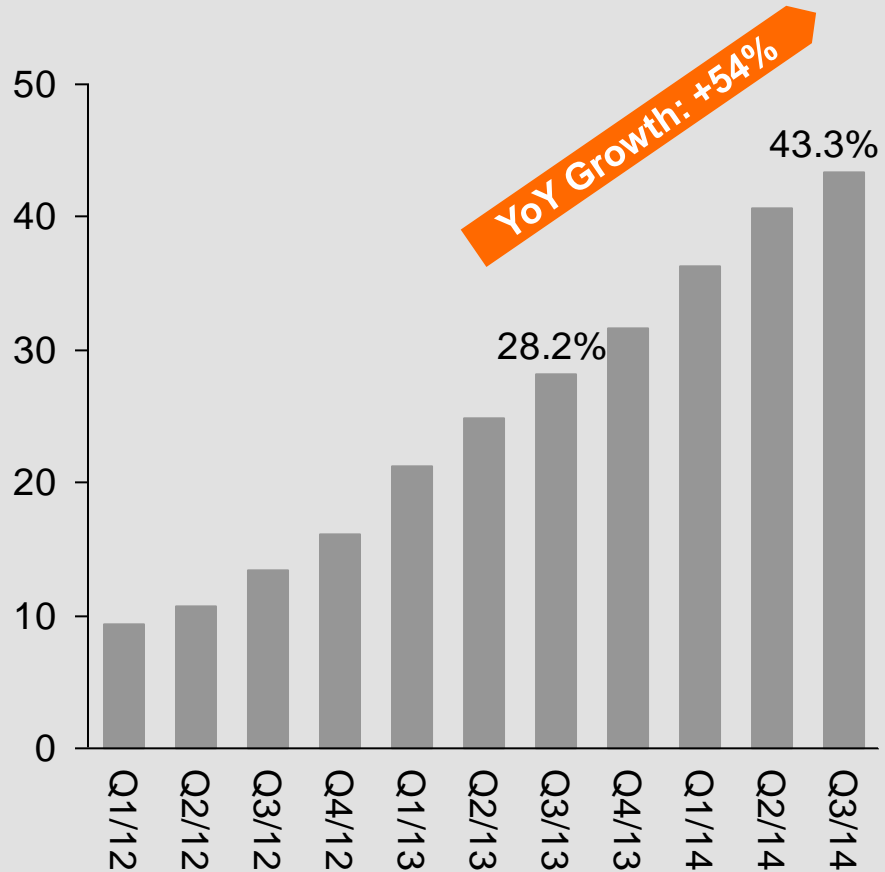
(1) Defined as the transactional revenue (incl. VAT and transactional volume of Partner Program) after cancellations or returns divided by the number of orders.  
(2) GMV = gross merchandise volume.



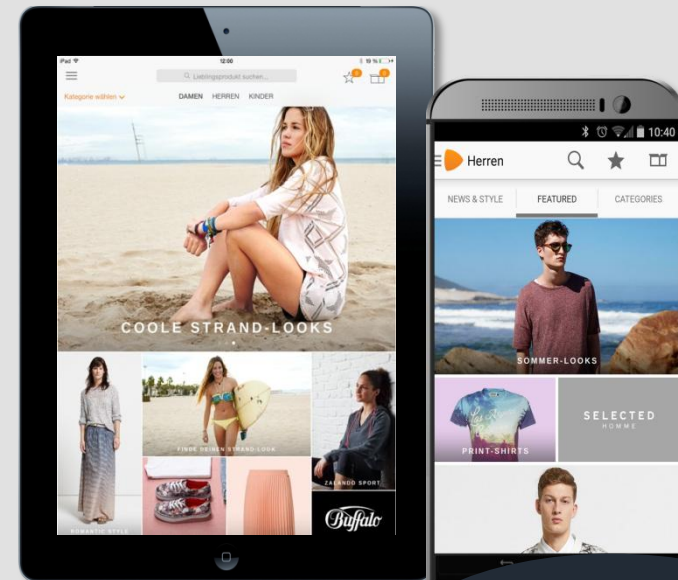
# MOBILE PLATFORM CONTINUES TO GROW RAPIDLY

## Mobile share<sup>1</sup>

(in percent of total traffic)



## Anywhere, anytime access



5.1m App downloads<sup>2</sup>

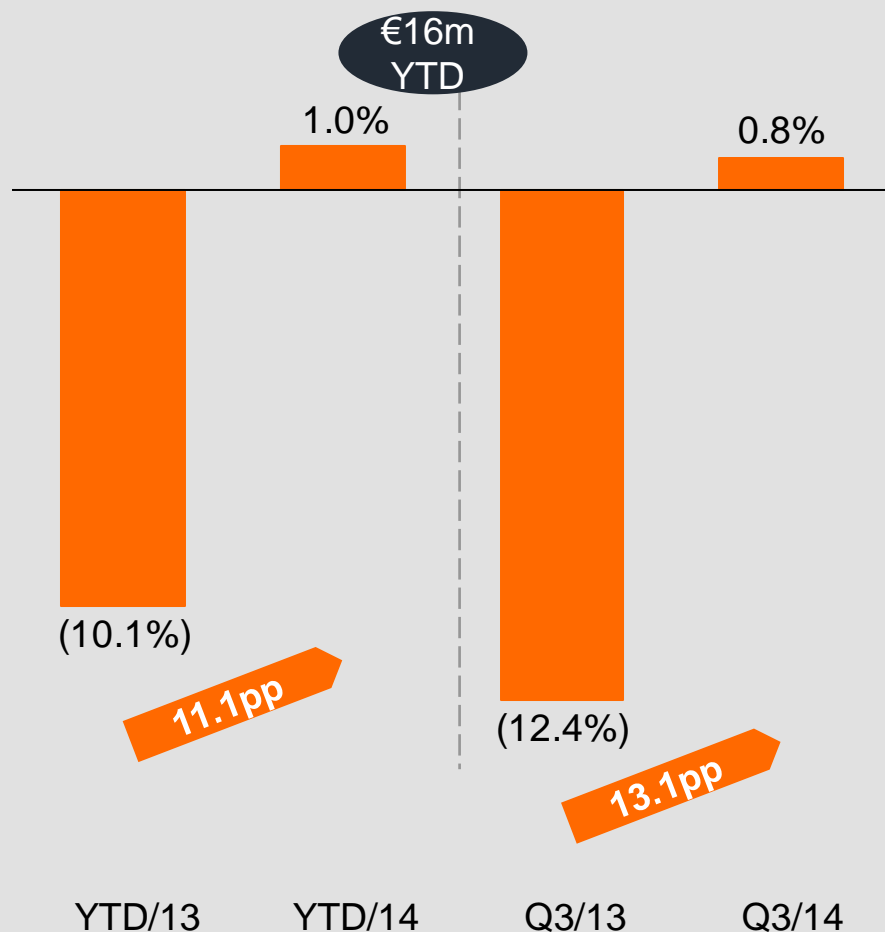
(1) Mobile is defined as tablets, mobile site and apps.

(2) App downloads per end of Q3 2014.

# OPERATING LEVERAGE DRIVES (FIRST EVER) Q3 BREAK-EVEN

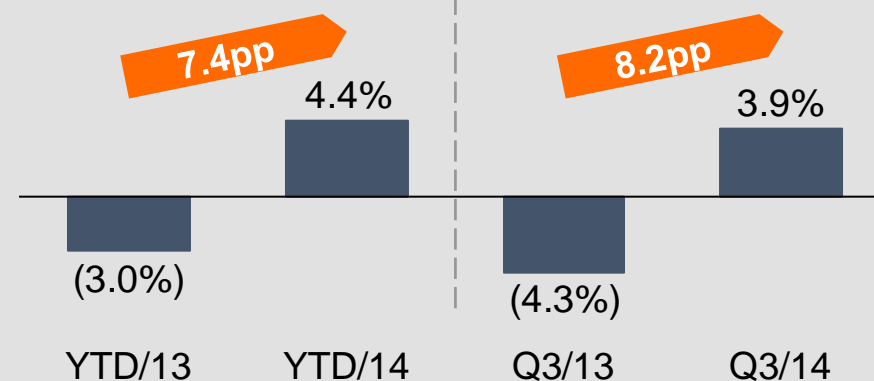
## Break-even at Group EBIT in Q3/14

Group EBIT margin (excl. SBC<sup>1</sup>)<sup>2</sup>



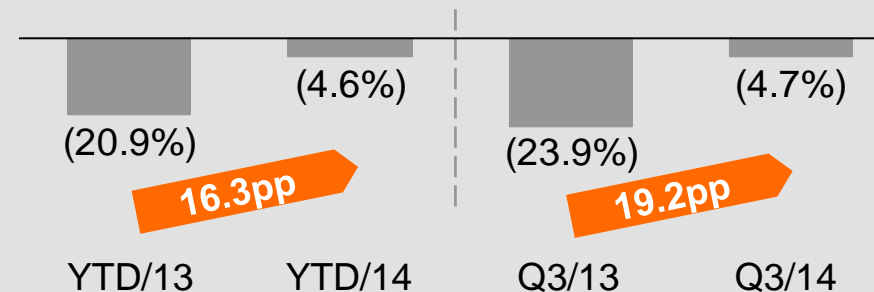
## DACH clearly profitable

DACH EBIT margin (excl. SBC<sup>1</sup>)



## Rest of Europe accelerated track towards break-even

Rest of Europe EBIT margin (excl. SBC<sup>1</sup>)



(1) Excluding equity-settled stock based compensation costs ("SBC") of €6.4m in Q3 2014 and €15.2m for 2014 YTD, respectively.

(2) Note: EBIT margin inclusive of ~€3m of IPO related expenses.

# OPERATING LEVERAGE ACROSS ALL COST LINES

## Costs and margins (Q3 and YTD)

(excl. SBC in percent of revenue<sup>1</sup>)

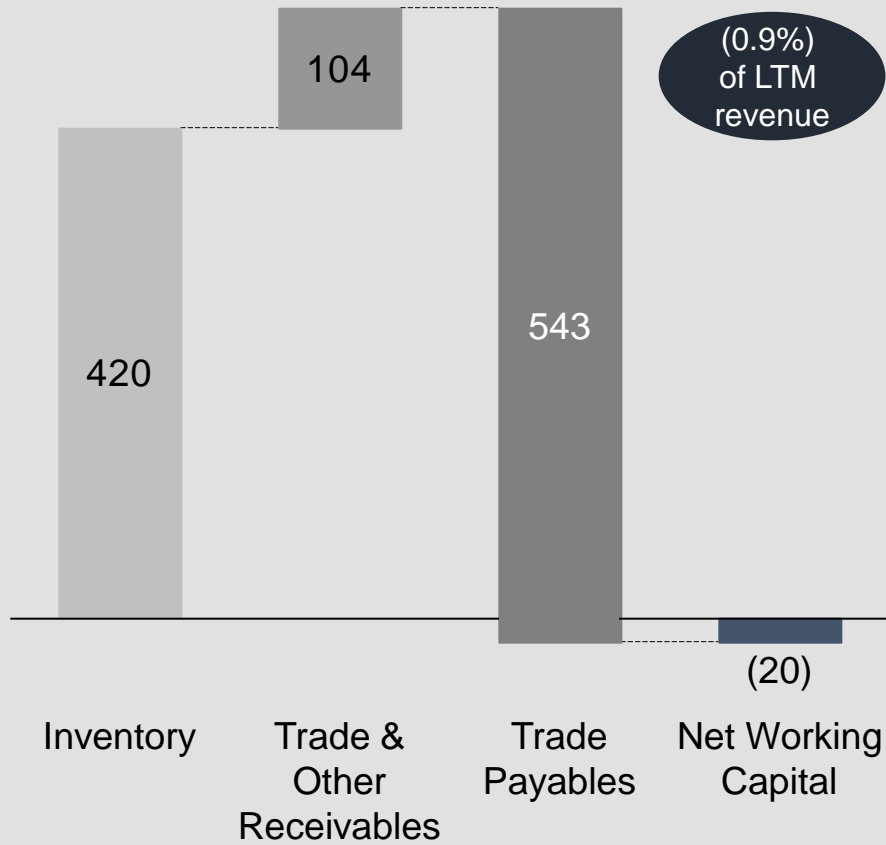
	YTD			Q3		
	2013	2014	Delta	2013	2014	Delta
<b>Cost of sales</b>	(60.8%)	(58.2%)	(2.7pp)	(62.5%)	(59.3%)	(3.1pp)
<b>Gross profit</b>	39.2%	41.8%	2.7pp	37.5%	40.7%	3.1pp
<b>Fulfillment costs</b>	(25.7%)	(23.2%)	(2.5pp)	(23.5%)	(22.7%)	(0.8pp)
<b>Marketing costs</b>	(17.9%)	(12.8%)	(5.1pp)	(19.4%)	(11.4%)	(8.0pp)
<b>Administrative expenses &amp; Other</b>	(5.7%)	(4.7%)	(0.9pp)	(7.0%)	(5.8%)	(1.1pp)
<b>EBIT</b>	(10.1%)	1.0%	11.1pp	(12.4%)	0.8%	13.1pp

(1) Excluding equity-settled stock based compensation costs ("SBC").

# FOCUS ON CAPITAL EFFICIENCY

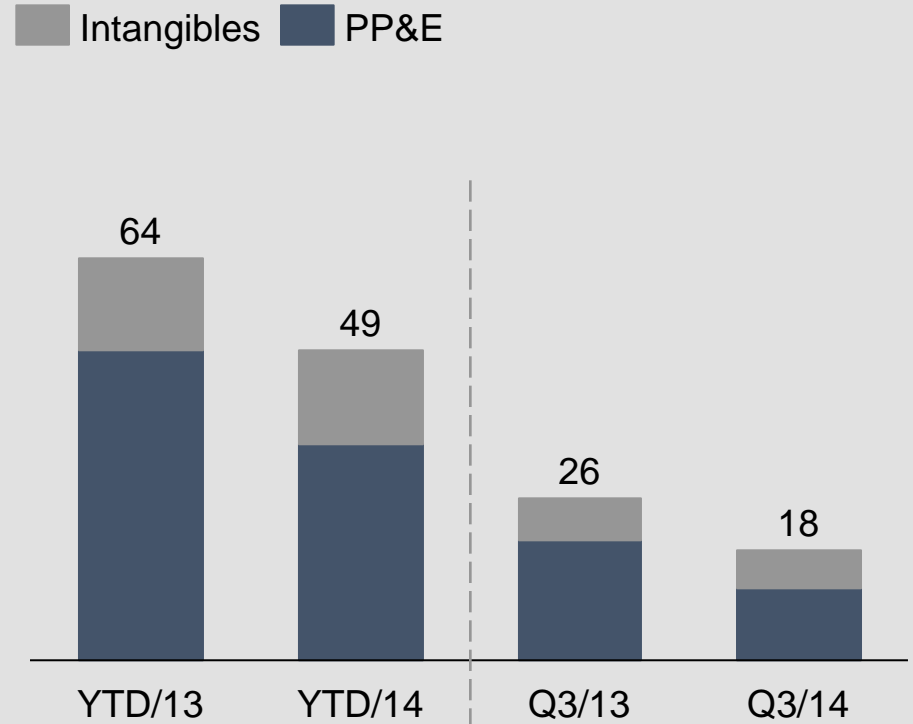
## Net working capital (end of Q3)

(in €m)



## Capital expenditures (YTD & Q3)

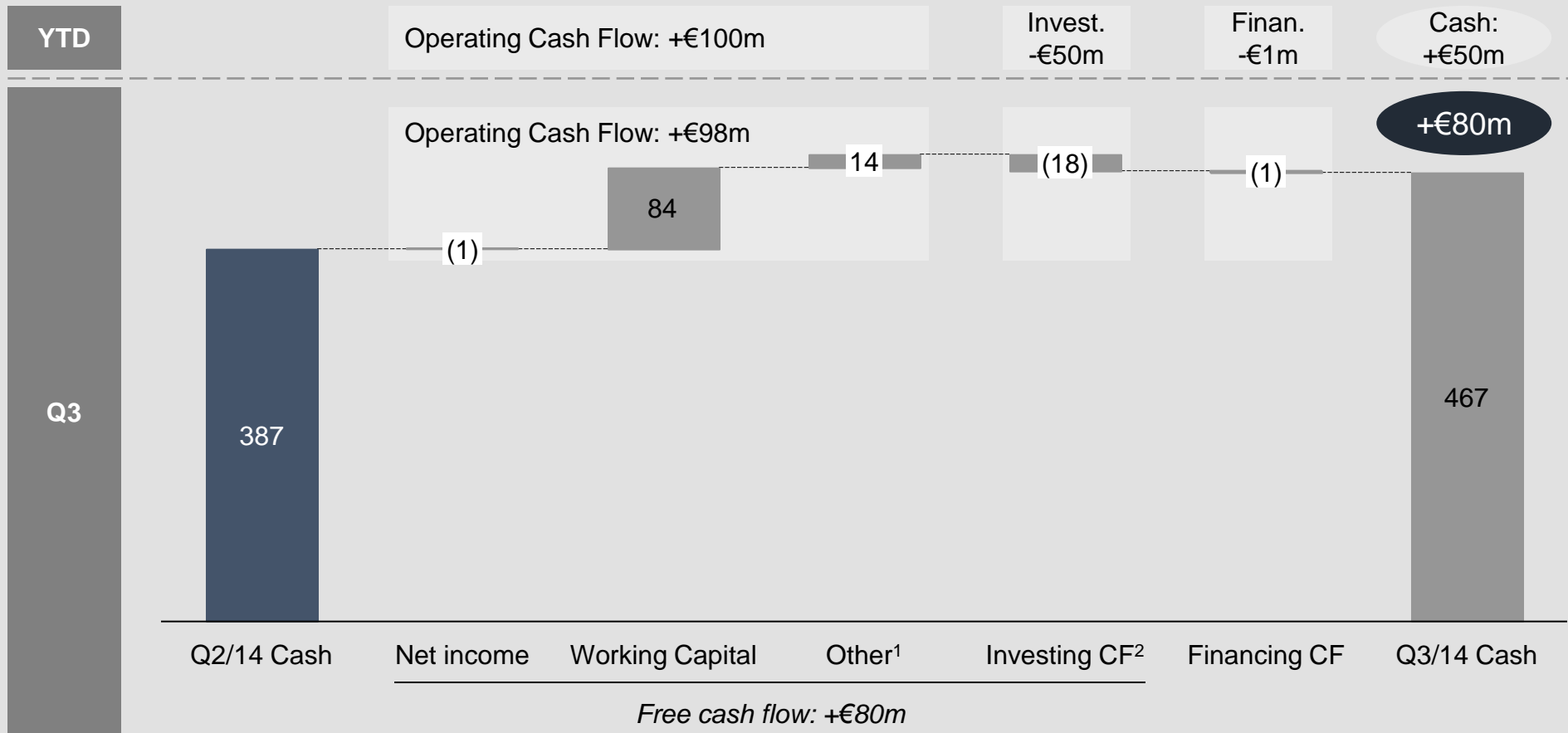
(in €m)



# STRONG CASH FLOW DEVELOPMENT

## Cash flow development (Q3 & YTD)

(in €m)



(1) Includes non-cash expenses (SBC related), D&A, changes in provisions and in other assets / liabilities.

(2) Includes cash paid for investments in property, plant and equipment, cash paid for investments in intangible assets and change in restricted cash.



**Revenue growth 20-25%**



**Group EBIT profitability 2014**



**Focus on capital efficiency**



# Q&A

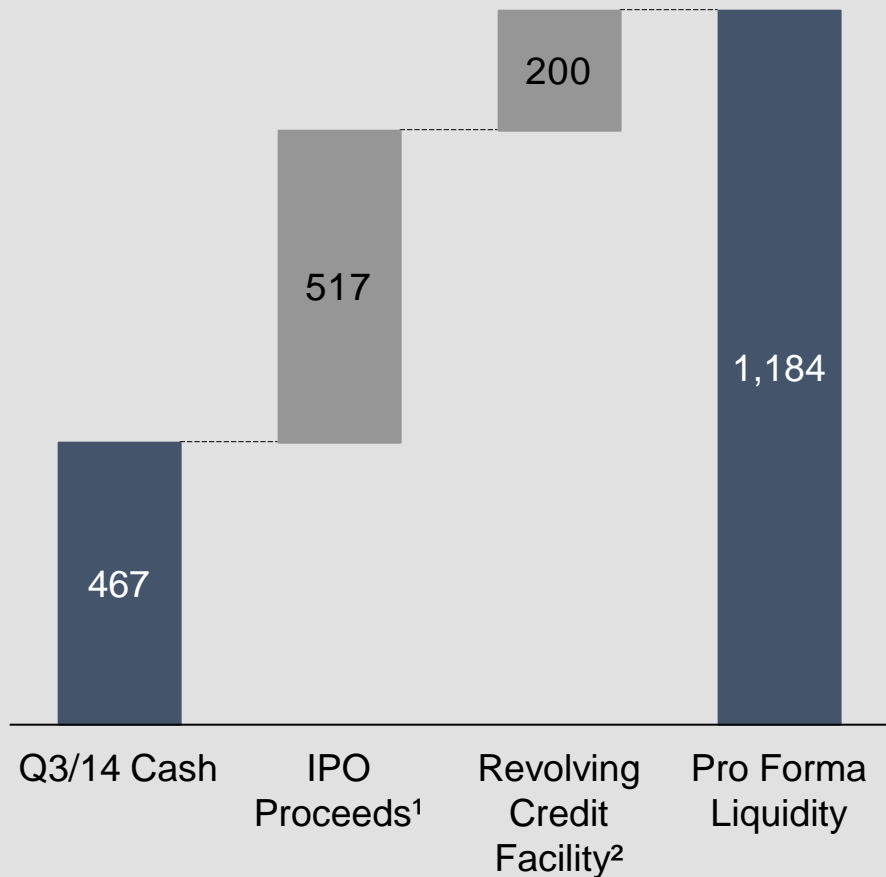


# Appendix



## Pro forma liquidity

(in €m)



## Considerations

- IPO at the Frankfurt stock exchange (Prime Standard) on October 1, 2014
- All primary transaction with 24,476,223 newly issued shares, priced at €21.50 per share
- Q3 2014 P&L includes ~€4 million<sup>3</sup> of IPO related costs; remaining costs booked against shareholders' equity
- Entered into a five year €200 million revolving credit facility on July 30, 2014

(1) Includes proceeds from base transaction (24.5 million new shares at EUR 21.50/share, less discount provided to Zalando employees), less base transaction fee paid to underwriting banks (1.5% of base transaction).

(2) Undrawn as per end of Q3 2014.

(3) Includes ~€3m of IPO related costs and ~€1m SBC costs related to the employee share program.

# INCOME STATEMENT

€m	FY/13	Q1/14	Q2/14	Q3/14	YTD/2014
<b>Revenue</b>	<b>1,762.0</b>	<b>500.7</b>	<b>546.4</b>	<b>501.4</b>	<b>1,548.5</b>
<i>% growth</i>	52.1%	34.6%	25.1%	24.2%	27.7%
Cost of Sales	(1,047.0)	(311.3)	(293.6)	(299.1)	(903.9)
<b>Gross Profit</b>	<b>715.1</b>	<b>189.4</b>	<b>252.8</b>	<b>202.3</b>	<b>644.5</b>
<i>% margin</i>	40.6%	37.8%	46.3%	40.3%	41.6%
Selling and Distribution Costs	(733.5)	(192.0)	(199.4)	(173.9)	(565.3)
Administrative Expenses	(105.1)	(28.8)	(24.6)	(30.2)	(83.7)
Other Operating Income	12.5	4.2	3.6	1.4	9.2
Other Operating Expenses	(2.9)	(0.8)	(0.9)	(2.1)	(3.8)
<b>EBIT</b>	<b>(113.9)</b>	<b>(27.9)</b>	<b>31.5</b>	<b>(2.6)</b>	<b>1.0</b>
<i>% margin</i>	(6.5%)	(5.6%)	5.8%	(0.5%)	0.1%
Net Financial Result	(3.3)	(0.8)	(0.8)	0.8	(0.8)
<b>EBT</b>	<b>(117.3)</b>	<b>(28.7)</b>	<b>30.7</b>	<b>(1.8)</b>	<b>0.2</b>
<i>% margin</i>	(6.7%)	(5.7%)	5.6%	(0.4%)	0.0%
Income and Other Tax	0.7	(0.2)	(1.6)	1.3	(0.6)
<b>Net Income</b>	<b>(116.6)</b>	<b>(28.9)</b>	<b>29.0</b>	<b>(0.5)</b>	<b>(0.4)</b>
<i>% margin</i>	(6.6%)	(5.8%)	5.3%	(0.1%)	(0.0%)
Depreciation & Amortization	14.9	5.5	6.9	7.1	19.4
<b>EBITDA</b>	<b>(99.0)</b>	<b>(22.4)</b>	<b>38.4</b>	<b>4.5</b>	<b>20.5</b>
<i>% margin</i>	(5.6%)	(4.5%)	7.0%	0.9%	1.3%
Equity-Settled Share Based Compensation (SBC)	5.3	5.1	3.7	6.4	15.2
<b>Adj. EBIT (adj. for SBC)</b>	<b>(108.6)</b>	<b>(22.8)</b>	<b>35.1</b>	<b>3.8</b>	<b>16.2</b>
<i>% margin</i>	(6.2%)	(4.5%)	6.4%	0.8%	1.0%
<b>Adj. EBITDA (adj. for SBC)</b>	<b>(93.7)</b>	<b>(17.3)</b>	<b>42.0</b>	<b>10.9</b>	<b>35.7</b>
<i>% margin</i>	(5.3%)	(3.5%)	7.7%	2.2%	2.3%

# SHARE BASED COMPENSATION

€m	FY/13	Q1/14	Q2/14	Q3/14	YTD/2014
<b>Per Income Statement Line Item</b>					
Cost of Sales	0.5	0.8	0.9	1.6	3.3
Selling and Distribution Costs	2.1	2.2	1.8	3.2	7.3
Administrative Expenses	2.7	2.1	0.9	1.6	4.7
<b>Share Based Compensation</b>	<b>5.3</b>	<b>5.1</b>	<b>3.7</b>	<b>6.4</b>	<b>15.2</b>
<b>As % of revenue</b>					
<b>Per Income Statement Line Item</b>					
Cost of Sales	0.0%	0.2%	0.2%	0.3%	0.2%
Selling and Distribution Costs	0.1%	0.4%	0.3%	0.6%	0.5%
Administrative Expenses	0.2%	0.4%	0.2%	0.3%	0.3%
<b>Share Based Compensation</b>	<b>0.3%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>1.3%</b>	<b>1.0%</b>

# SEGMENTS

€m	FY/13	Q1/14	Q2/14	Q3/14	YTD/2014
<b>Revenue</b>	<b>1,762.0</b>	<b>500.7</b>	<b>546.4</b>	<b>501.4</b>	<b>1,548.5</b>
DACH	1,056.1	283.9	310.3	276.3	870.5
Rest of Europe	630.2	193.2	206.1	197.8	597.1
Other	75.7	23.5	30.0	27.3	80.9
<b>As % of total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
DACH	59.9%	56.7%	56.8%	55.1%	56.2%
Rest of Europe	35.8%	38.6%	37.7%	39.4%	38.6%
Other	4.3%	4.7%	5.5%	5.4%	5.2%
<b>EBIT</b>	<b>(113.9)</b>	<b>(27.9)</b>	<b>31.5</b>	<b>(2.6)</b>	<b>1.0</b>
DACH	5.3	(3.1)	25.5	7.5	29.9
Rest of Europe	(100.8)	(23.5)	2.2	(11.7)	(33.0)
Other	(18.4)	(1.3)	3.8	1.6	4.1
<b>% margin</b>	<b>(6.5%)</b>	<b>(5.6%)</b>	<b>5.8%</b>	<b>(0.5%)</b>	<b>0.1%</b>
DACH	0.5%	(1.1%)	8.2%	2.7%	3.4%
Rest of Europe	(16.0%)	(12.2%)	1.0%	(5.9%)	(5.5%)
Other	(24.3%)	(5.5%)	12.8%	6.0%	5.1%
<b>EBIT (excl. SBC)</b>	<b>(108.6)</b>	<b>(22.8)</b>	<b>35.1</b>	<b>3.8</b>	<b>16.2</b>
DACH	8.2	(0.2)	27.5	10.9	38.2
Rest of Europe	(99.1)	(21.8)	3.4	(9.4)	(27.8)
Other	(17.8)	(0.7)	4.2	2.3	5.8
<b>% margin</b>	<b>(6.2%)</b>	<b>(4.5%)</b>	<b>6.4%</b>	<b>0.8%</b>	<b>1.0%</b>
DACH	0.8%	(0.1%)	8.9%	3.9%	4.4%
Rest of Europe	(15.7%)	(11.3%)	1.7%	(4.7%)	(4.6%)
Other	(23.5%)	(3.1%)	14.0%	8.4%	7.1%



# BALANCE SHEET

€m	Q4/13 YTD	Q2/14 YTD	Q3/14 YTD
<b>Total Non-Current Assets</b>	<b>176.1</b>	<b>190.1</b>	<b>188.0</b>
Thereof: Property, Plant and Equipment	105.7	116.6	112.1
Other Financial Assets	48.1	49.0	48.9
Other Non-Current Assets	22.3	24.5	27.0
<b>Total Current Assets</b>	<b>895.7</b>	<b>842.2</b>	<b>1,572.7</b>
Thereof: Inventories	332.5	279.4	419.7
Trade and Other Receivables	87.2	115.7	103.5
Other Assets	58.7	59.8	582.6
Cash and Cash Equivalents	417.2	387.3	466.8
<b>Total Assets</b>	<b>1,071.7</b>	<b>1,032.3</b>	<b>1,760.8</b>
<b>Total Equity</b>	<b>546.5</b>	<b>556.0</b>	<b>1,076.9</b>
Thereof: Issued Capital	0.1	0.2	244.8
Capital Reserves	833.3	842.0	1,119.0
Retained earnings	(0.3)	0.3	0.1
Accumulated Loss	(286.6)	(286.4)	(287.0)
<b>Total Non-Current Liabilities</b>	<b>29.2</b>	<b>26.2</b>	<b>26.7</b>
Thereof: Financial Liabilities	17.0	17.2	16.4
Other Non-Current Liabilities	12.2	8.9	10.3
<b>Total Current Liabilities</b>	<b>496.0</b>	<b>450.1</b>	<b>657.1</b>
Thereof: Trade Payables and Similar Obligations	410.0	334.6	543.2
Other Current Liabilities	86.0	115.5	113.9
<b>Total Equity &amp; Liabilities</b>	<b>1,071.7</b>	<b>1,032.3</b>	<b>1,760.8</b>

# CASH FLOW STATEMENT

€m	Q4/13 YTD	Q2/14 YTD	Q3/14 YTD	Q3/14
<b>Net Income</b>	<b>(116.6)</b>	<b>0.2</b>	<b>(0.4)</b>	<b>(0.5)</b>
Non-Cash Expenses <sup>1</sup>	2.0	7.5	13.7	6.2
Depreciation	14.9	12.3	19.4	7.1
Change in Provisions	0.0	0.1	0.7	0.6
Change in Inventories and Receivables	(122.7)	24.7	(103.5)	(128.2)
Change in Trade Liabilities	101.5	(68.8)	143.9	212.6
Change in Other Assets/Other Liabilities	40.8	26.1	26.1	0.0
<b>Cash Flow from Operating Activities</b>	<b>(80.2)</b>	<b>2.1</b>	<b>99.9</b>	<b>97.9</b>
Payments for Investments in Fixed and Intangible Assets	(73.8)	(31.6)	(49.2)	(17.6)
Change in Restricted Cash	(16.4)	(0.6)	(0.5)	0.1
<b>Cash Flow from Investing Activities</b>	<b>(90.2)</b>	<b>(32.2)</b>	<b>(49.7)</b>	<b>(17.5)</b>
Payments Received from Capital Increases	199.3	0.0	0.0	(0.0)
Cash Received from Loans	9.1	1.9	1.9	(0.0)
Cash Repayments of Loans	(3.2)	(1.6)	(2.4)	(0.8)
<b>Cash Flow from Financing Activities</b>	<b>205.2</b>	<b>0.3</b>	<b>(0.5)</b>	<b>(0.8)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>34.9</b>	<b>(29.9)</b>	<b>49.7</b>	<b>79.5</b>

(1) Relates to stock-based compensation.

# KPI DEVELOPMENT

	2011	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	Q3/14
Site Visits (m) <sup>1</sup>	324.6	133.4	159.3	195.8	249.8	738.3	274.5	294.4	291.0	357.0	1,217.0	331.8	322.7	321.7
Mobile Visit Share (in % of Site Visits) <sup>2</sup>	4.6%	9.3%	10.7%	13.5%	16.2%	13.0%	21.3%	24.9%	28.2%	31.6%	26.8%	36.2%	40.7%	43.3%
Active Customers (m) <sup>3</sup>	4.8	5.7	6.7	7.8	9.2	9.2	10.3	11.6	12.3	13.1	13.1	13.5	13.7	14.1
Number of Orders (m) <sup>4</sup>	11.0	4.3	5.3	5.8	7.4	23.0	7.8	9.3	8.2	9.8	35.1	9.7	10.4	9.7
Average Order per Active Customer	2.29x	2.36x	2.41x	2.47x	2.50x	2.50x	2.56x	2.62x	2.67x	2.68x	2.68x	2.74x	2.77x	2.81x
Average Basket Size (in €) <sup>5</sup>	58.1	61.5	57.5	61.3	66.9	62.3	60.5	58.4	60.7	69.3	62.5	63.9	65.7	64.4
Fulfillment Cost Ratio (in % of revenue) <sup>6</sup>	26%	26%	28%	25%	24%	26%	28%	26%	24%	20%	24%	24%	23%	23%
Marketing Cost Ratio (in % of revenue) <sup>7</sup>	27%	23%	25%	24%	20%	23%	17%	18%	19%	17%	18%	14%	13%	11%

(1) Site Visits defined as the number of series of page requests from the same uniquely identified client at Zalando, including website, m.site and apps in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) Mobile is defined as tablets, mobile site and apps.

(3) Active Customers defined as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancellations or returns.

(4) Number of Orders defined as the number of customer orders placed in the measurement period irrespective of cancellations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) Average Basket Size defined as the gross merchandise volume (including VAT) after cancellations or returns customers spend in proportion to delivered orders in the measurement period.

(6) Fulfillment Cost Ratio defined as fulfillment cost as a proportion of revenue in the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment costs therefore comprises all selling and distribution costs, except for marketing costs. All numbers shown excluding equity-settled SBC costs.

(7) Marketing Cost Ratio defined as Marketing cost as a proportion of revenue in the measurement period. Marketing cost mainly consists of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead cost. All numbers shown excluding equity-settled SBC costs.

# SHAREHOLDER STRUCTURE

Shareholder	Ownership
Verdere S.à r.l. (Kinnevik)	32.04%
Global Founders GmbH	15.03%
Anders Holch Povlsen	9.43%
Yuri Milner (DST Europe)	7.10%
HV Holtzbrinck Ventures Holding GmbH	6.88%
Tengelmann Verwaltungs- und Beteiligungs GmbH	5.06%
Len Blavatnik	3.22%
Other shareholders	11.24%
Public free float	10.00%

Note: Shareholder structure as of 25-November-2014. Based on basic shares outstanding.

## Capital increase through IPO

- Prior to the IPO, the share capital of Zalando was €220,286,000 divided into **220,286,000 registered shares with no-par value**
- **24,476,223 new shares** were issued in connection with the IPO
- Company's outstanding share capital now amounts to €244,762,223 and is divided into **244,762,223 ordinary bearer shares with no-par value**

## Stock option programs (as of 1-Nov-14)

Program	# options granted	Strike price
Various	2,062,610	1.00
Stock Option Program 2011	3,085,500	5.65
Stock Option Program 2013	9,817,500	15.63
Stock Option Program 2014	5,310,800	17.72
<b>Total</b>	<b>20,276,410</b>	

# FINANCIAL CALENDAR 2015



March 2015					May 2015					August 2015					November 2015				
M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F
2	3	4	5	6					1	3	4	5	6	7	2	3	4	5	6
9	10	11	12	13	4	5	6	7	8	10	11	12	13	14	9	10	11	12	13
16	17	18	19	20	11	12	13	14	15	17	18	19	20	21	16	17	18	19	20
23	24	25	26	27	18	19	20	21	22	24	25	26	27	28	23	24	25	26	27
30	31				25	26	27	28	29	31					30				

Date	Action
Thursday, 5 March	Full-Year Results 2014
Tuesday, 12 May	Q1/2015 Results
Thursday, 13 August	Q2/2015 Results
Thursday, 12 November	Q3/2015 Results



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