



**EUROPE'S LEADING ONLINE FASHION DESTINATION**

Q1 2015 Earnings Call  
12 May 2015

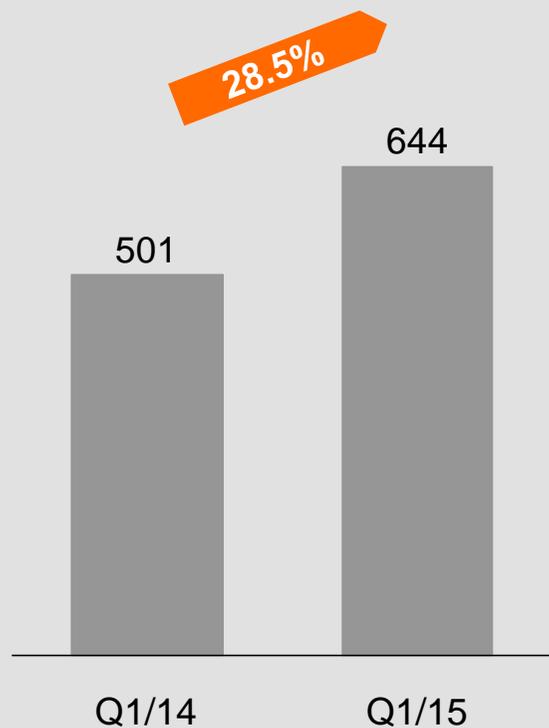
# Results highlights and business update



# REACCELERATED REVENUE GROWTH WHILE PROFITABILITY IMPROVEMENTS CONTINUE

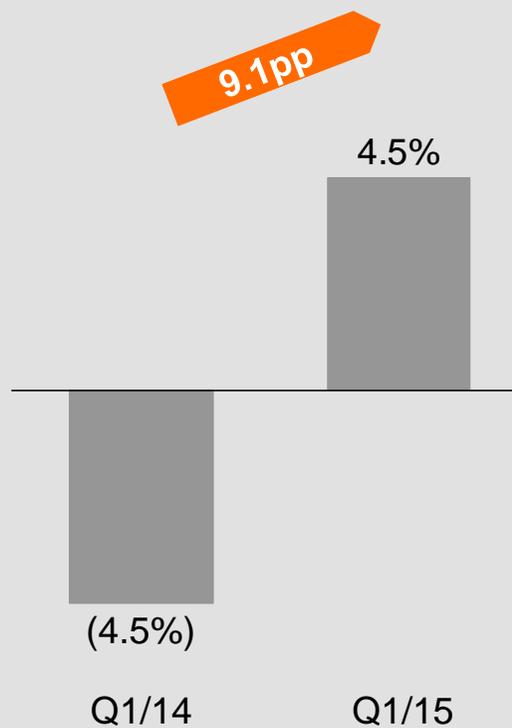
## Revenue growth above target corridor

(Revenue in €m)



## First ever profitability in Q1

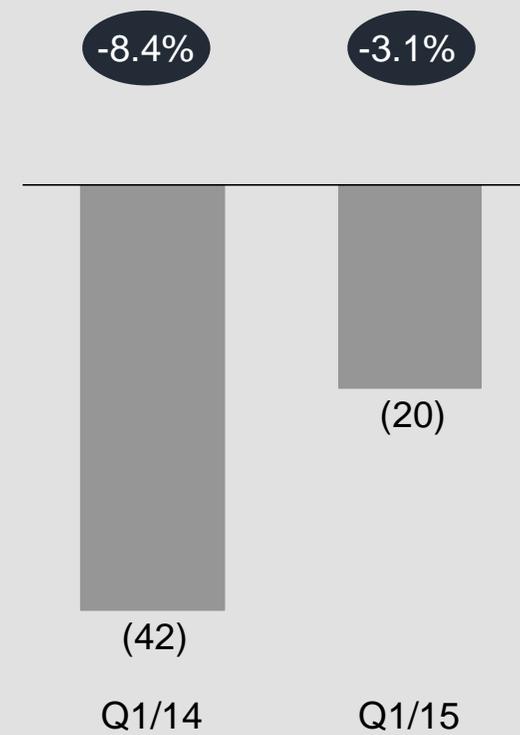
(EBIT margin excl. SBC<sup>1</sup> in percent)



## Improvement in Q1 free cash flow

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

● as percent of revenue



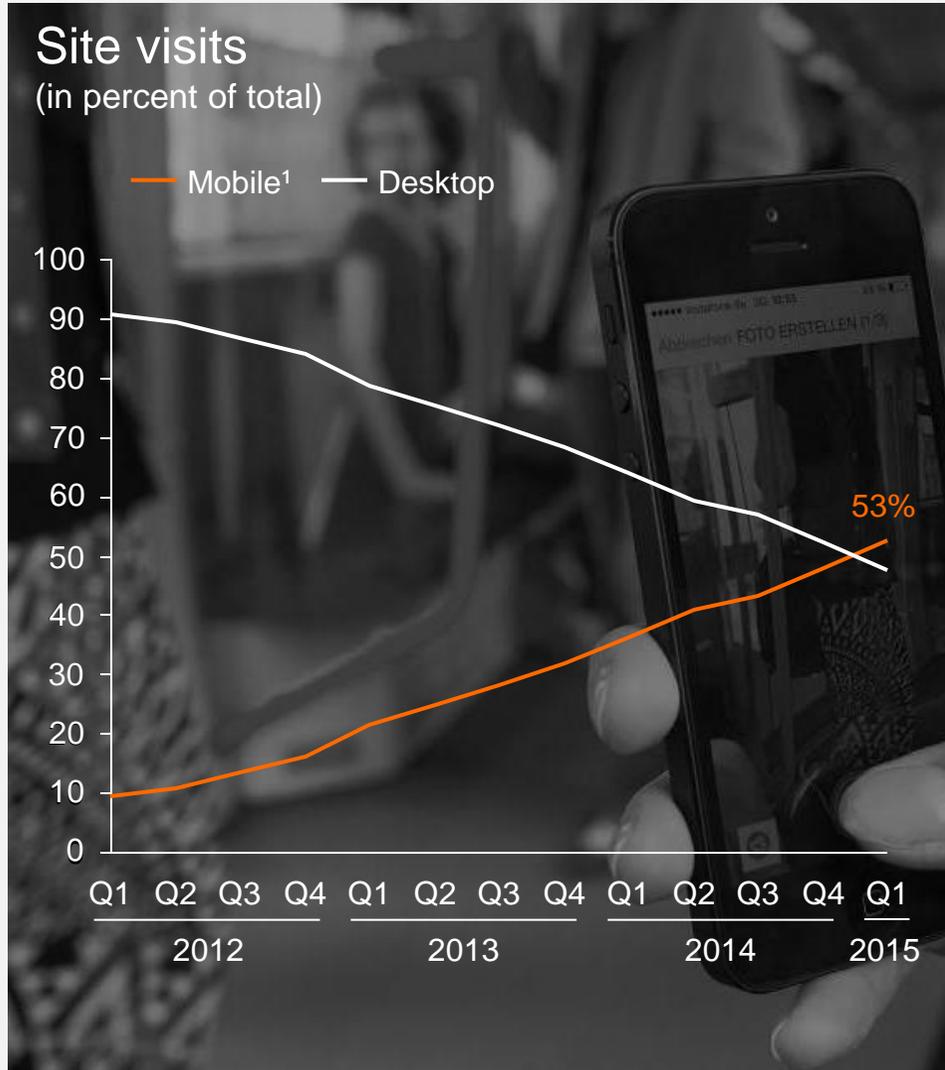
(1) Excluding equity-settled stock based compensation costs ("SBC") of €4.0m in Q1 2015.

(2) Includes operating cash flow less investing cash flow (investments in fixed and intangible assets); excludes changes in restricted cash and investments into short-term deposits with maturity of more than 3 and less than 12 months (total of -€74.2m).



- ✓ **Next day delivery in CH**
- ✓ **Improved cut-off times with Post NL for next day delivery**
- ✓ **Roll-out of return label in parcel**
- ✓ **Improved payment offering across markets**
- ✓ **Customer care chat pilot in DE**

# WE ARE A MOBILE FIRST COMPANY



✓ **Mobile traffic > desktop with 53% in Q1**

✓ **8.5m total app downloads**

✓ **Internet World Business Shop Award for app & best mobile shop**



(1) Includes smartphones and tablets.



TOPSHOP @ ZALANDO  
#WhereverYouAre

- ✓ **Joint campaign with Topshop, featuring Cara Delevingne launched on 19-Apr-2015**
- ✓ **Credentializing Zalando fashion competence**
- ✓ **Positive buzz and revenue impact**





- ✓ **1<sup>st</sup> international tech hub opened on 22-April-2015**
- ✓ **Focus: Fashion Insights Center**
- ✓ **Hiring up to 200 data scientists and data engineers**

# NEW SERVICE “ZALON” LAUNCHING TODAY



- ✓ After initial pilot phase Zalon launches today in Germany
- ✓ >100 stylists provide personalized free fashion advice
- ✓ Leverages Zalando’s fashion infrastructure (assortment, fulfillment, etc.)

# Financial update Q1 2015

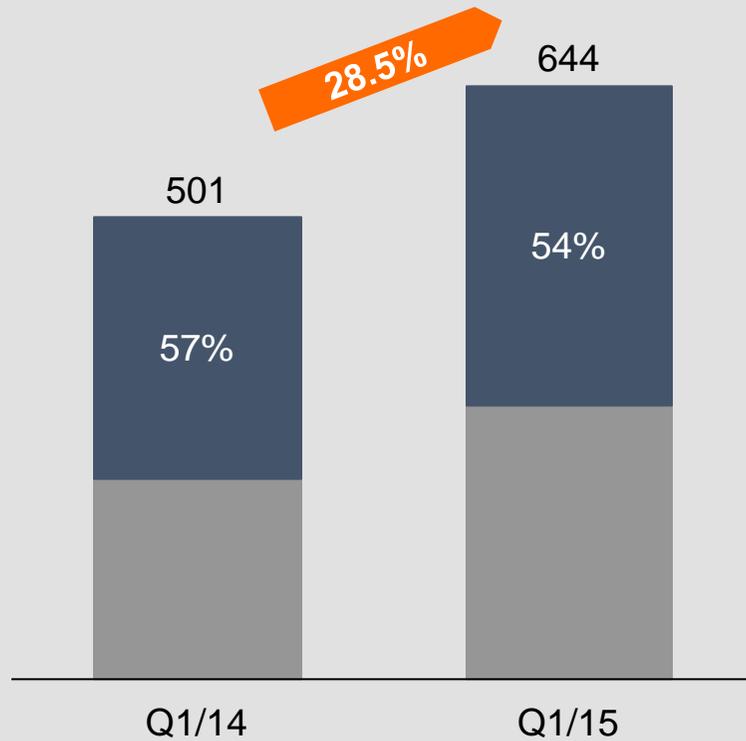


# REVENUE GROWTH ABOVE TARGET CORRIDOR

## Group revenue

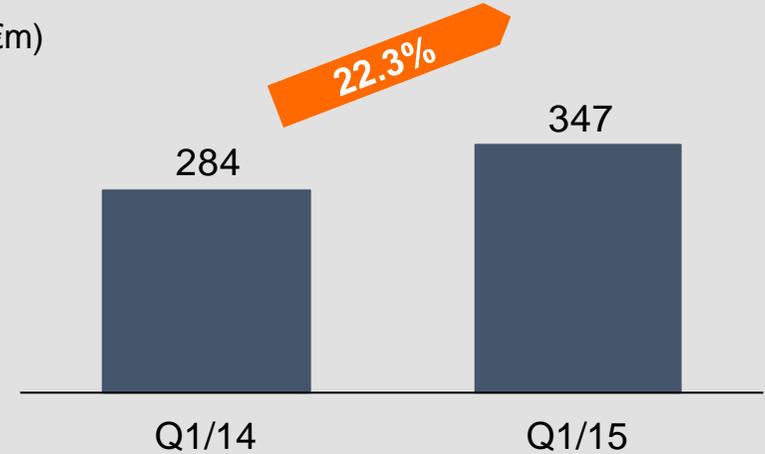
(in €m)

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



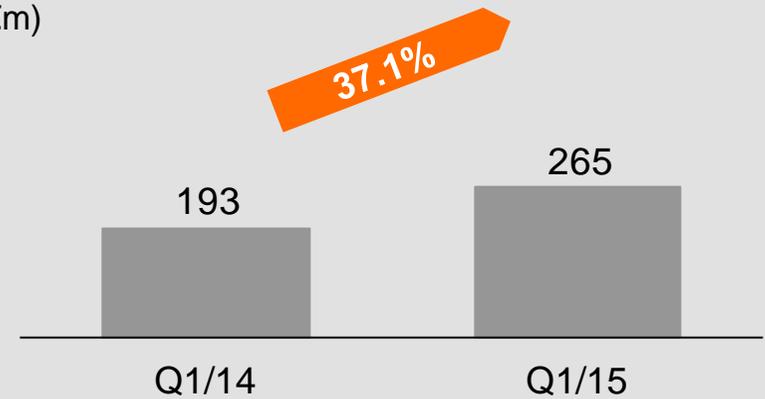
## DACH revenue

(in €m)



## Rest of Europe revenue

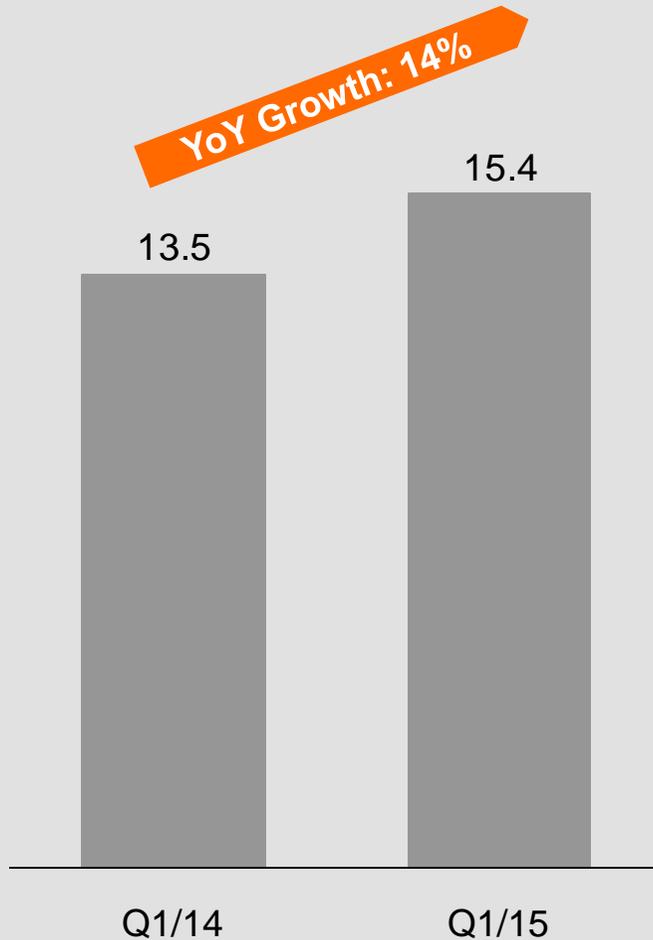
(in €m)



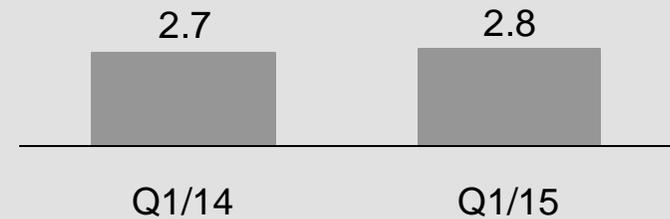
(1) Segment "Others" mainly includes revenues from "Zalando Lounge", as well as two outlet stores in Berlin and Frankfurt.

# STRONG CUSTOMER KPIS DRIVE REVENUE GROWTH

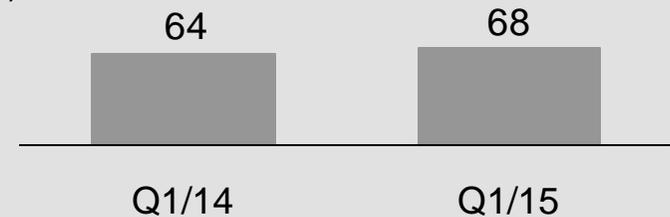
## Active customers (in m)



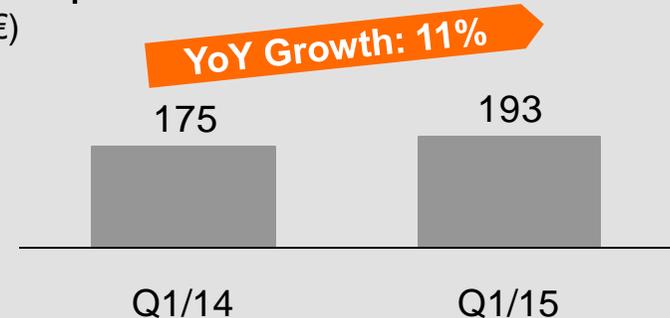
## Average orders per active customer (LTM in #)



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



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



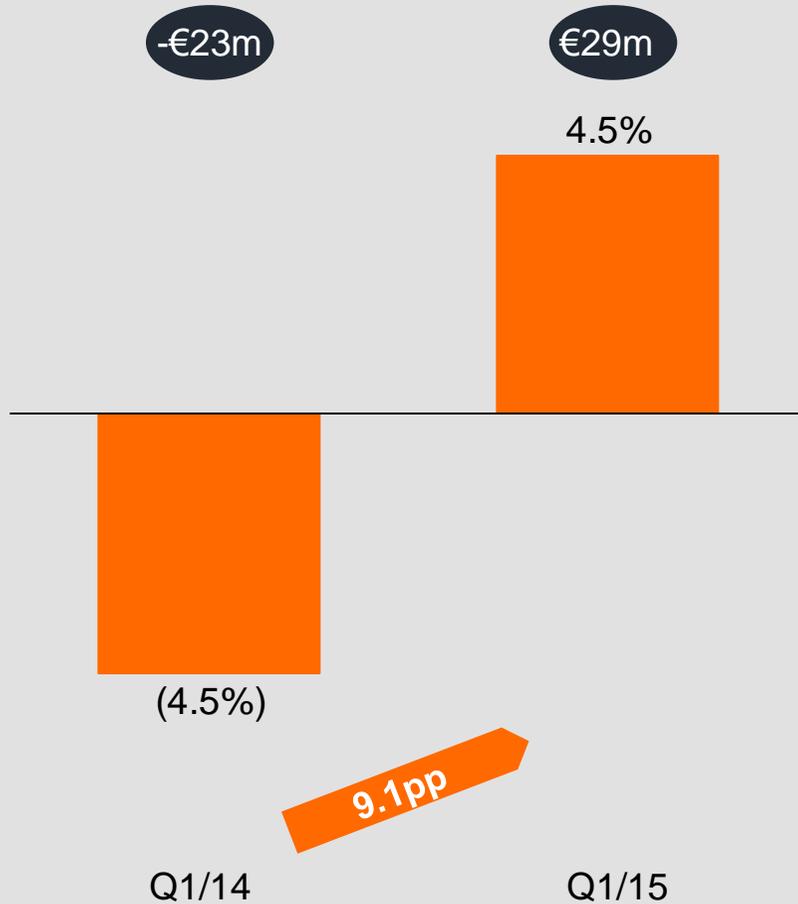
(1) Defined as the transactional revenue (incl. VAT and transactional volume of Partner Program) after cancellations or returns divided by the number of orders.

(2) GMV (gross merchandise volume) per active customer = average orders per active customer (LTM in #) x average basket size after returns (in €).

# FIRST EVER GROUP PROFITABILITY IN Q1

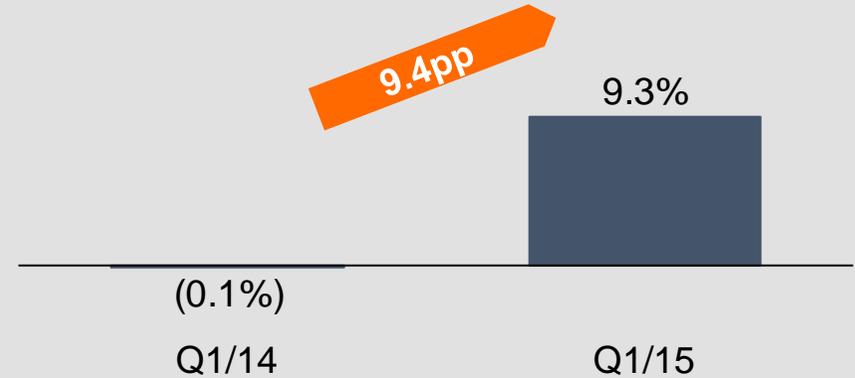
## Group EBIT profitability

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



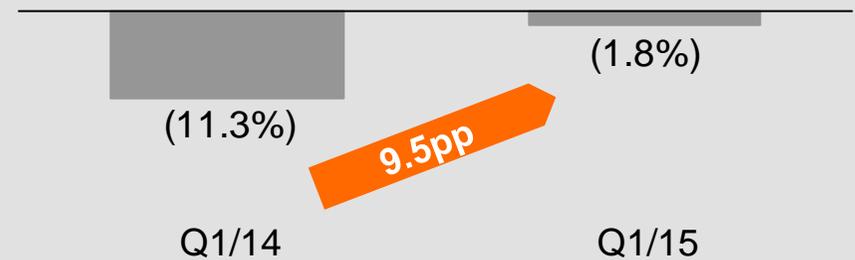
## DACH with strong profitability

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



## Rest of Europe close to break-even

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



(1) Excluding equity-settled stock based compensation costs ("SBC") of €4.0m in Q1 2015.

# STRONG IMPROVEMENT IN GROSS PROFIT

## Costs and margins (Q1)

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

	Q1		
	2014	2015	Delta
<b>Cost of sales</b>	(62.0%)	(54.8%)	(7.2pp)
<b>Gross profit</b>	38.0%	45.2%	7.2pp
<b>Fulfillment costs</b>	(24.0%)	(24.7%)	0.7pp
<b>Marketing costs</b>	(13.9%)	(11.8%)	(2.1pp)
<b>Administrative expenses &amp; Other</b>	(4.6%)	(4.2%)	(0.4pp)
<b>EBIT</b>	(4.5%)	4.5%	9.1pp

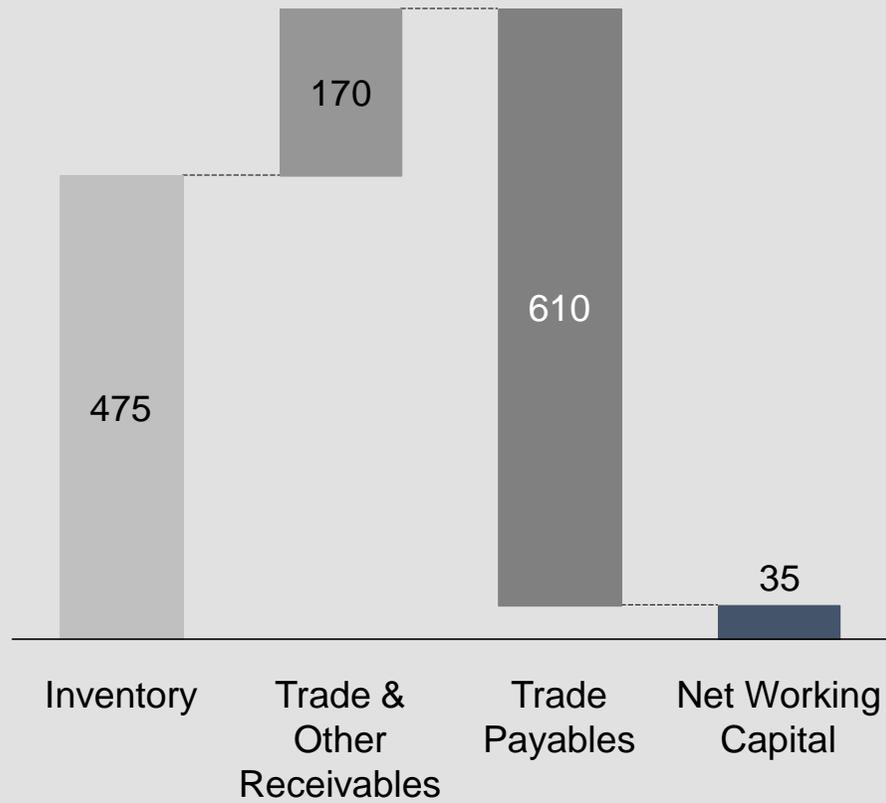
Flexible sourcing structure, plus good SS15 start with low discounts

Additional delivery options, plus customer-friendly payment mix with higher invoice share

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

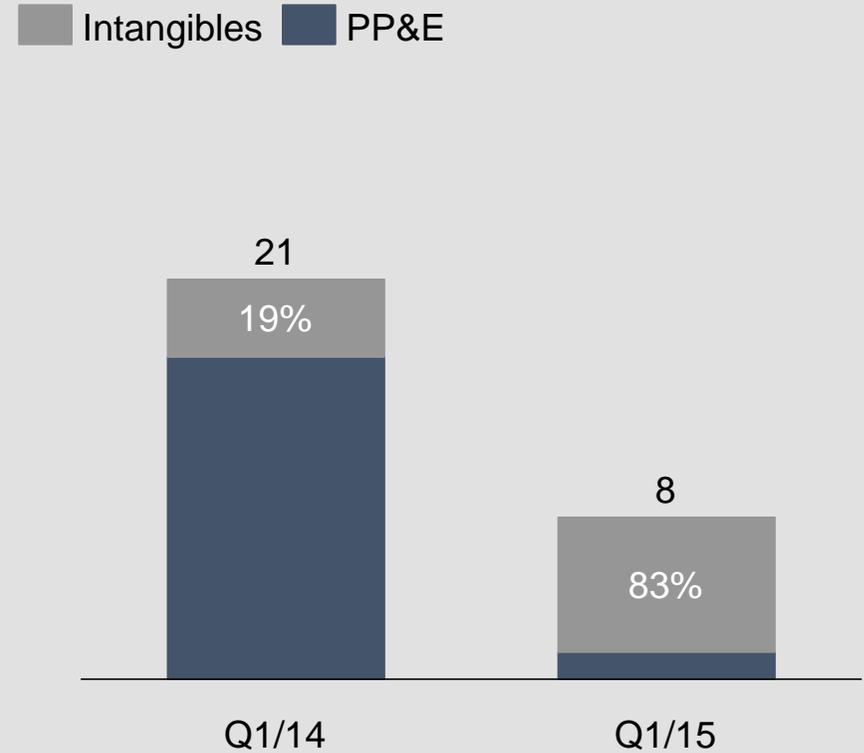
## Net working capital broadly neutral

(As of 31-Mar-2015, in €m)



## Capex mostly in intangibles

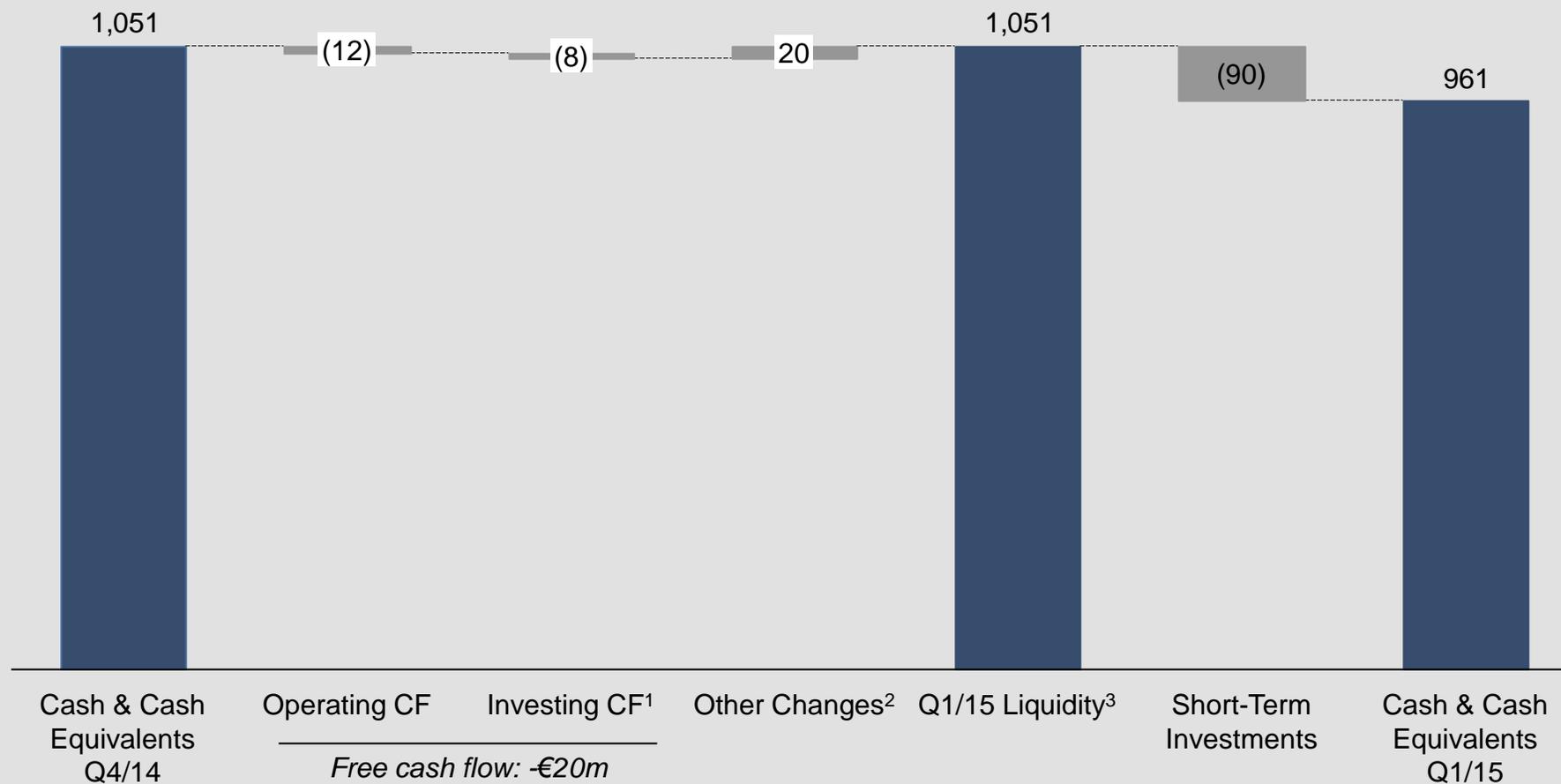
(in €m)



# LIQUIDITY REMAINS CONSTANT

## Cash flow development (Q1)

(in €m)



(1) Includes investments in fixed and intangible assets; excludes changes in restricted cash and investments into short-term deposits with maturity of more than 3 and less than 12 months (total of -€74.2m).

(2) Includes changes in restricted cash (€15.8m), financing cash flow (€0.7m) and effect of exchange rate on cash and cash equivalents (€3.6m).

(3) Q1/15 liquidity includes investments into short-term deposits with maturity of more than 3 and less than 12 months of €90m.

# Outlook



**Revenue growth on the higher end of target corridor of 20-25%;  
if the positive momentum continues growth can be slightly above the corridor**

**Adj. EBIT<sup>1</sup> margin of around 4.5%, which is in line with prior guidance,  
adjusted for over-performance in Q1**

**Continued focus on operational capital efficiency**

(1) Adjusted EBIT margin of 4.5%, or un-adjusted margin of 3.9%.

# Q&A



## Share information (as of 31-March-15<sup>1</sup>)

Type of Shares	Ordinary bearer shares with no-par value ( <i>Stückaktien</i> )
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market ( <i>Prime Standard</i> )
Index Listings	SDAX (4.4% share <sup>2</sup> )
<b>Total Number of Shares Outstanding</b>	<b>245,605,593</b>
<b>Issued Share Capital</b>	<b>€245,605,593</b>

## Stock option programs (as of 31-March-15<sup>1</sup>)

Program	# Options outstanding	Strike price
Various	1,352,010	1.00
Stock Option Program 2011	2,945,250	5.65
Stock Option Program 2013	9,817,500	15.63
Stock Option Program 2014 – Tranche pre IPO	5,310,800	17.72
Stock Option Program 2014 – Tranche Mar 2015	654,900	22.79
<b>Total</b>	<b>20,080,460</b>	

(1) The share capital has been increased since 31-Mar-15 and amounts to €246,297,493 as of 12-May-2015 and a total number of shares of 246,297,493. New shares are from the exercise of 626,450 and 65,450 stock options from the "Various" program and SOP2011, respectively.

(2) Average for March-2015.

# INCOME STATEMENT

€m	FY/13	FY/14	Q1/15
<b>Revenue</b>	<b>1,762.0</b>	<b>2,214.0</b>	<b>643.6</b>
<i>% growth</i>	52.1%	25.7%	28.5%
Cost of Sales	(1,047.0)	(1,255.3)	(353.5)
<b>Gross Profit</b>	<b>715.1</b>	<b>958.7</b>	<b>290.1</b>
<i>% margin</i>	40.6%	43.3%	45.1%
Selling and Distribution Costs	(733.5)	(793.8)	(236.8)
Administrative Expenses	(105.1)	(109.1)	(29.1)
Other Operating Income	12.5	12.2	3.0
Other Operating Expenses	(2.9)	(5.8)	(2.0)
<b>EBIT</b>	<b>(113.9)</b>	<b>62.1</b>	<b>25.1</b>
<i>% margin</i>	(6.5%)	2.8%	3.9%
Net Financial Result	(3.3)	(4.5)	5.4
<b>EBT</b>	<b>(117.3)</b>	<b>57.7</b>	<b>30.6</b>
<i>% margin</i>	(6.7%)	2.6%	4.7%
Income and Other Tax	0.7	(10.5)	(6.3)
<b>Net Income</b>	<b>(116.6)</b>	<b>47.2</b>	<b>24.3</b>
<i>% margin</i>	(6.6%)	2.1%	3.8%
Depreciation & Amortization	14.9	25.8	7.5
<b>EBITDA</b>	<b>(99.0)</b>	<b>88.0</b>	<b>32.6</b>
<i>% margin</i>	(5.6%)	4.0%	5.1%
Share Based Compensation (SBC)	5.3	19.8	4.0
<b>Adj. EBIT (adj. for SBC)</b>	<b>(108.6)</b>	<b>82.0</b>	<b>29.1</b>
<i>% margin</i>	(6.2%)	3.7%	4.5%
<b>Adj. EBITDA (adj. for SBC)</b>	<b>(93.7)</b>	<b>107.8</b>	<b>36.6</b>
<i>% margin</i>	(5.3%)	4.9%	5.7%

# SHARE BASED COMPENSATION

€m	FY/13	FY/14	Q1/15
<b>Per Income Statement Line Item</b>			
Cost of Sales	0.5	4.4	1.0
Selling and Distribution Costs	2.1	9.6	2.0
Administrative Expenses	2.7	5.8	1.0
<b>Share Based Compensation</b>	<b>5.3</b>	<b>19.8</b>	<b>4.0</b>
<b>As % of revenue</b>			
<b>Per Income Statement Line Item</b>			
Cost of Sales	0.0%	0.2%	0.2%
Selling and Distribution Costs	0.1%	0.4%	0.3%
Administrative Expenses	0.2%	0.3%	0.2%
<b>Share Based Compensation</b>	<b>0.3%</b>	<b>0.9%</b>	<b>0.6%</b>

# SEGMENTS

€m	FY/13	FY/14	Q1/15
<b>Revenue</b>	<b>1,762.0</b>	<b>2,214.0</b>	<b>643.6</b>
DACH	1,056.1	1,234.0	347.1
Rest of Europe	630.2	862.6	265.0
Other	75.7	117.4	31.5
<b>As % of total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
DACH	59.9%	55.7%	53.9%
Rest of Europe	35.8%	39.0%	41.2%
Other	4.3%	5.3%	4.9%
<b>EBIT</b>	<b>(113.9)</b>	<b>62.1</b>	<b>25.1</b>
DACH	5.3	72.3	30.2
Rest of Europe	(100.8)	(18.6)	(6.3)
Other	(18.4)	8.4	1.2
<b>% margin</b>	<b>(6.5%)</b>	<b>2.8%</b>	<b>3.9%</b>
DACH	0.5%	5.9%	8.7%
Rest of Europe	(16.0%)	(2.2%)	(2.4%)
Other	(24.3%)	7.2%	3.9%
<b>Adjusted EBIT</b>	<b>(108.6)</b>	<b>82.0</b>	<b>29.1</b>
DACH	8.2	83.0	32.3
Rest of Europe	(99.1)	(11.6)	(4.7)
Other	(17.8)	10.5	1.4
<b>% adjusted margin</b>	<b>(6.2%)</b>	<b>3.7%</b>	<b>4.5%</b>
DACH	0.8%	6.7%	9.3%
Rest of Europe	(15.7%)	(1.3%)	(1.8%)
Other	(23.5%)	9.0%	4.5%

# BALANCE SHEET

€m	FY/14	FY/14 (% of total assets)	Q1/15	Q1/15 (% of total assets)
<b>Total Non-Current Assets</b>	<b>194.0</b>	<b>10.9%</b>	<b>179.1</b>	<b>9.2%</b>
Thereof: Property, Plant and Equipment	111.0	6.2%	108.8	5.6%
Other Financial Assets	49.4	2.8%	32.3	1.7%
Non-Financial Assets	3.7	0.2%	3.0	0.2%
Other Non-Current Assets	29.9	1.7%	35.0	1.8%
<b>Total Current Assets</b>	<b>1,591.6</b>	<b>89.1%</b>	<b>1,758.8</b>	<b>90.8%</b>
Thereof: Inventories	348.4	19.5%	474.6	24.5%
Trade and Other Receivables	140.1	7.8%	169.8	8.8%
Other Assets <sup>1</sup>	52.1	2.9%	153.6	7.9%
Cash and Cash Equivalents <sup>1</sup>	1,051.0	58.9%	960.9	49.6%
<b>Total Assets</b>	<b>1,785.5</b>	<b>100.0%</b>	<b>1,937.9</b>	<b>100.0%</b>
<b>Total Equity</b>	<b>1,126.7</b>	<b>63.1%</b>	<b>1,148.1</b>	<b>59.2%</b>
Thereof: Issued Capital	244.8	13.7%	245.6	12.7%
Capital Reserves	1,120.4	62.7%	1,123.0	57.9%
Retained earnings	0.9	0.1%	(5.3)	(0.3)%
Accumulated Loss	(239.4)	(13.4%)	(215.2)	(11.1%)
<b>Total Non-Current Liabilities</b>	<b>30.9</b>	<b>1.7%</b>	<b>33.9</b>	<b>1.8%</b>
Thereof: Financial Liabilities	17.6	1.0%	16.8	0.9%
Other Non-Current Liabilities	13.3	0.7%	17.1	0.9%
<b>Total Current Liabilities</b>	<b>627.9</b>	<b>35.2%</b>	<b>755.9</b>	<b>39.0%</b>
Thereof: Trade Payables and Similar Obligations	492.1	27.6%	609.8	31.5%
Other Current Liabilities	135.9	7.6%	146.1	7.5%
<b>Total Equity &amp; Liabilities</b>	<b>1,785.5</b>	<b>100.0%</b>	<b>1,937.9</b>	<b>100.0%</b>
<b>Net Working Capital</b>	<b>(3.6)</b>	<b>(0.2%)</b>	<b>34.5</b>	<b>1.8%</b>

(1) Other financial assets includes investments into short-term deposits of €90m, which are no longer listed under Cash and Cash Equivalents due to their maturity of more than 3 but less than 12 months.

# CASH FLOW STATEMENT

€m	FY/14	Q1/15
<b>Net Income</b>	<b>47.2</b>	<b>24.3</b>
Non-Cash Expenses <sup>1</sup>	19.8	1.9
Depreciation	25.8	7.5
Change in Provisions	1.0	(0.4)
Other Non-Cash Income	(0.2)	(0.9)
Change in Inventories and Receivables	(68.7)	(155.4)
Change in Trade Liabilities	94.9	117.5
Change in Other Assets/Other Liabilities	55.1	(6.4)
<b>Cash Flow from Operating Activities</b>	<b>174.9</b>	<b>(11.8)</b>
Payments for Investments in Fixed and Intangible Assets	(51.1)	(8.4)
Cash paid for investments in term deposits	0.0	(90.0)
Change in Restricted Cash	(0.8)	15.8
<b>Cash Flow from Investing Activities</b>	<b>(51.9)</b>	<b>(82.6)</b>
Payments Received from Capital Increases	510.1	1.5
Cash Received from Loans	3.9	0.0
Cash Repayments of Loans	(3.2)	(0.8)
<b>Cash Flow from Financing Activities</b>	<b>510.8</b>	<b>0.7</b>
<b>Change in Cash &amp; Cash Equivalents</b>	<b>633.8</b>	<b>(93.7)</b>
<b>Effects of Exchange Rate on Cash &amp; Cash Equivalents</b>	<b>0.0</b>	<b>3.6</b>

(1) Relates to stock-based compensation of €4.0m less expenses for reversal of claims to share based payment of €2.0m for Q1 2015.

# KPI DEVELOPMENT

	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15
Site Visits (m) <sup>1</sup>	274.5	294.4	291.0	357.0	1,217.0	331.8	322.7	321.7	387.6	1,363.8	392.8
Mobile Visit Share (in % of Site Visits) <sup>2</sup>	21.3%	24.9%	28.2%	31.6%	26.8%	36.2%	40.7%	43.3%	47.9%	42.3%	52.6%
Active Customers (m) <sup>3</sup>	10.3	11.6	12.3	13.1	13.1	13.5	13.7	14.1	14.7	14.7	15.4
Number of Orders (m) <sup>4</sup>	7.8	9.3	8.2	9.8	35.1	9.7	10.4	9.7	11.6	41.4	12.0
Average Order per Active Customer	2.56x	2.62x	2.67x	2.68x	2.68x	2.74x	2.77x	2.81x	2.82x	2.82x	2.84x
Average Basket Size (in €) <sup>5</sup>	60.5	58.4	60.7	69.3	62.5	63.9	65.7	64.4	71.7	66.6	68.0
Fulfillment Cost Ratio (in % of revenue) <sup>6</sup>	28%	26%	24%	20%	24%	24%	23%	23%	20%	22%	25%
Marketing Cost Ratio (in % of revenue) <sup>7</sup>	17%	18%	19%	17%	18%	14%	13%	11%	14%	13%	12%

(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 transactional revenue (incl. VAT and transactional volume of Partner Program) after cancellations or returns divided by the number of orders.

(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. 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.

# FINANCIAL CALENDAR 2015



## June 2015

M	T	W	T	F
1	2	3	4	5
8	9	10	11	12
15	16	17	18	19
22	23	24	25	26
29	30			

## August 2015

M	T	W	T	F
3	4	5	6	7
10	11	12	13	14
17	18	19	20	21
24	25	26	27	28
31				

## November 2015

M	T	W	T	F
2	3	4	5	6
9	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30				

Date	Action
Tuesday, 2 June	Annual General Meeting 2015
July / August	Q2/2015 Trading Update
Thursday, 13 August	Q2/2015 Results
October / November	Q3/2015 Trading Update
Thursday, 12 November	Q3/2015 Results

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