

EUROPE'S LEADING ONLINE FASHION DESTINATION



Q1 2016 EARNINGS CALL

12-05-2016

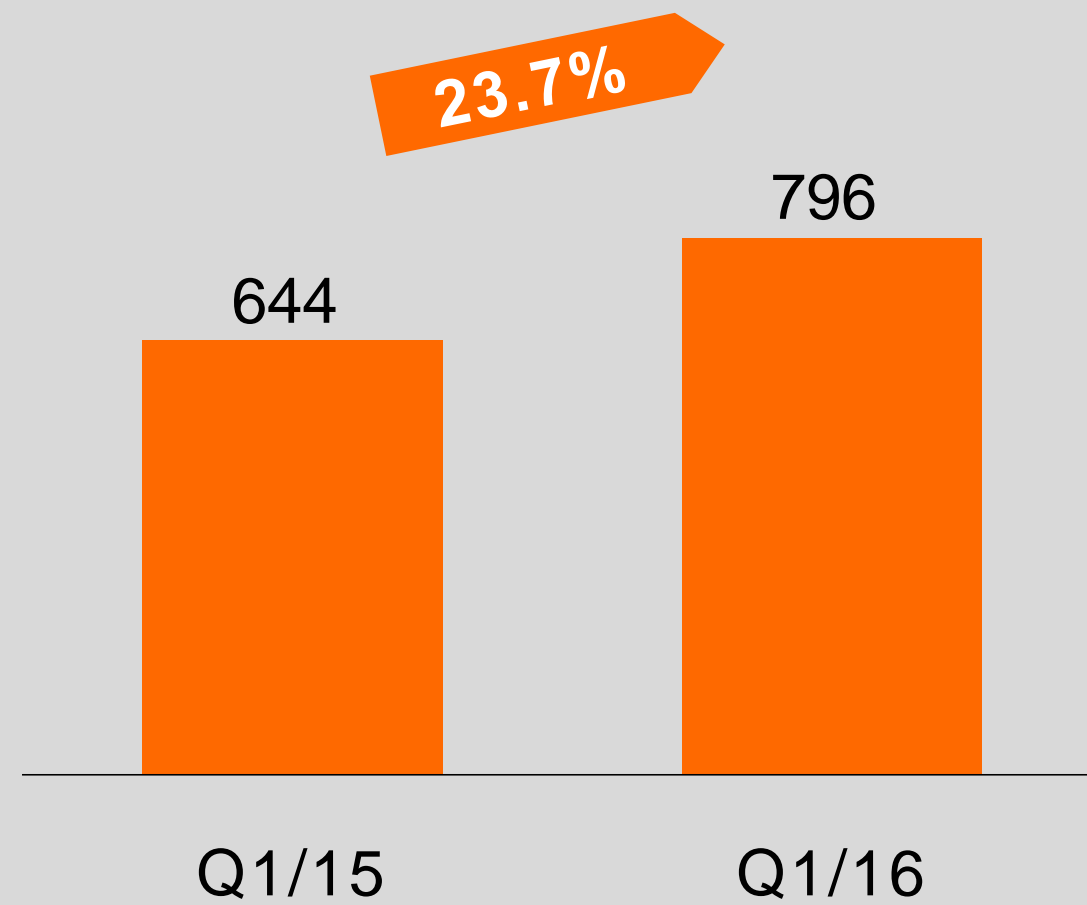


**RESULTS HIGHLIGHTS AND
BUSINESS UPDATE**

ZALANDO WITH GOOD START INTO 2016: STRONG GROWTH COUPLED WITH STRATEGIC INVESTMENTS

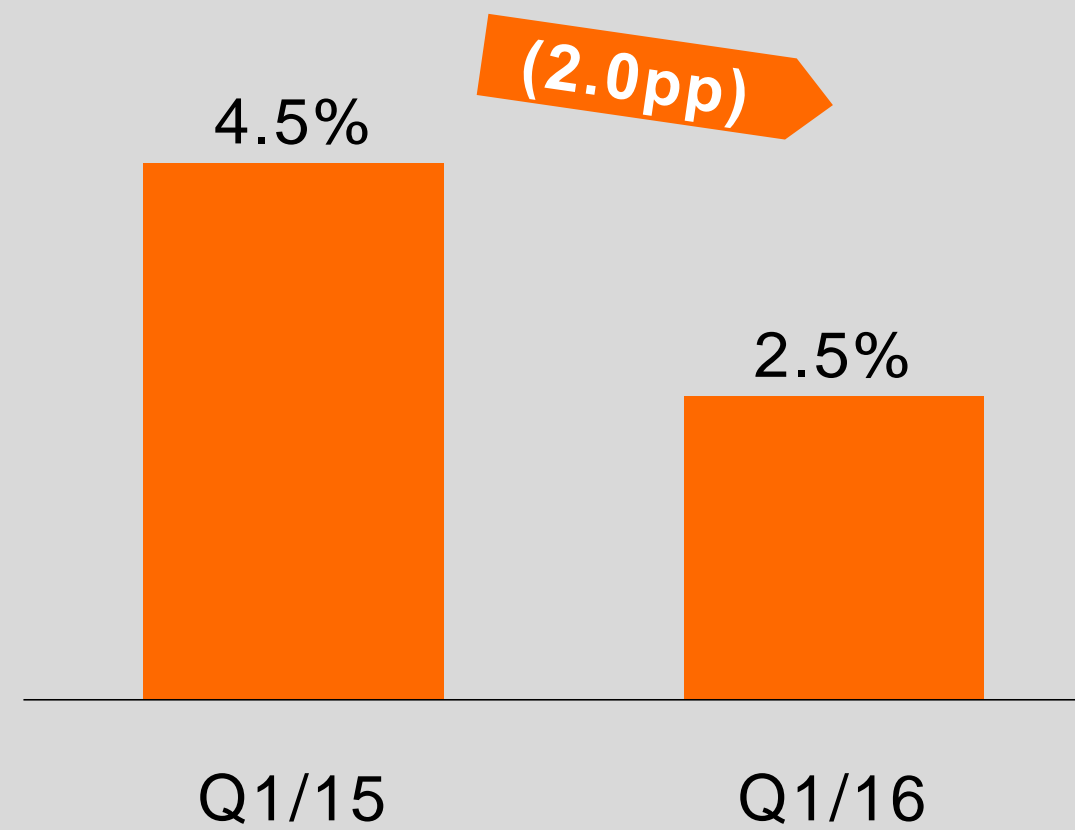
REVENUE GROWTH AT UPPER END OF GROWTH CORRIDOR

In €m



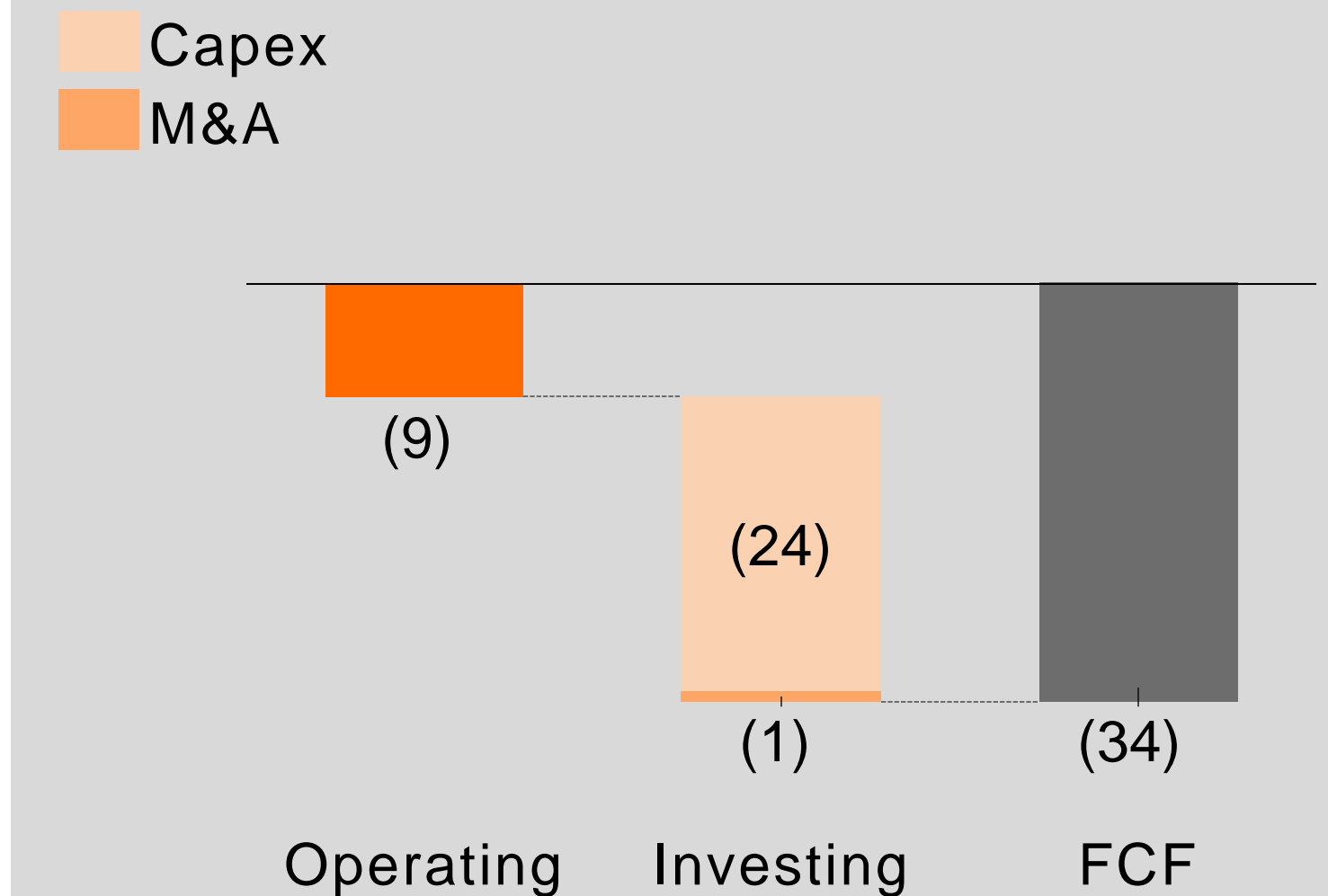
PROFITABILITY DRIVEN BY PLANNED INVESTMENTS

EBIT margin excl. SBC¹ in percent



FREE CASH FLOW ALSO DRIVEN BY OPERATING INVESTMENTS

Cash flows in €m



PUSH TOWARDS BEING DIGITAL STRATEGY FOR BRAND PARTNERS



IVY PARK

- ✓ New-to-market, active wear line for women with high buzz
- ✓ JV between Beyoncé + Topshop
- ✓ Zalando is premier partner for Europe
- ✓ Joint campaign between Ivy Park and Zalando launched on 14-April-2016

NEW IN STORE

- ✓ Key new other brands: Missguided, Marc'O Polo Denim, Etam, Vivienne Westwood, AllSaints

OUR FULFILLMENT FOOTPRINT KEEPS GROWING AND IMPROVING

LAHR



BUILD-OUT OF HUB & SPOKE

- ✓ Stradella fulfills up to 50% of Italian orders with reduced lead time of up to 1.5 days
- ✓ On track with construction at Lahr – manual operations to commence in fall
- ✓ Finalizing planning of next hub
- ✓ Instant return pilot for Berlin

STOCK INTEGRATION AS KEY FEATURE OF UNIQUE PLATFORM STRATEGY



CONNECTING STOCK

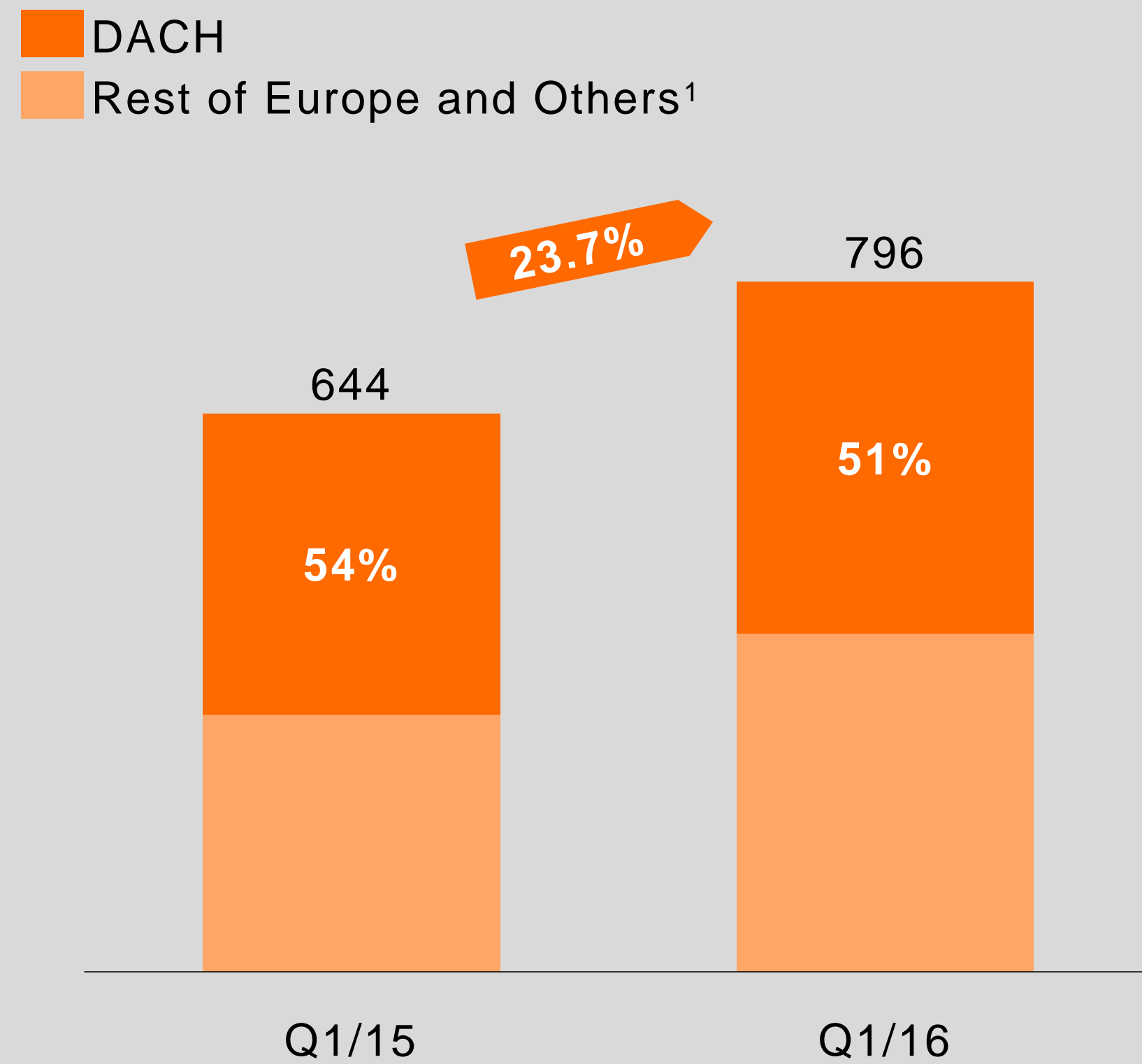
- ✓ Tech as the enabler: ~1,150 tech employees (+68% YoY)
- ✓ 150 brand partners connected with our partner program with ~22K SKUs shown
- ✓ First offline pilot store „Bodycheck“ in Berlin successfully connected to platform
- ✓ Acquisition of marketplace software company Tradebyte

FINANCIAL UPDATE Q1 2016

STRONG REVENUE GROWTH AT UPPER END OF GROWTH CORRIDOR

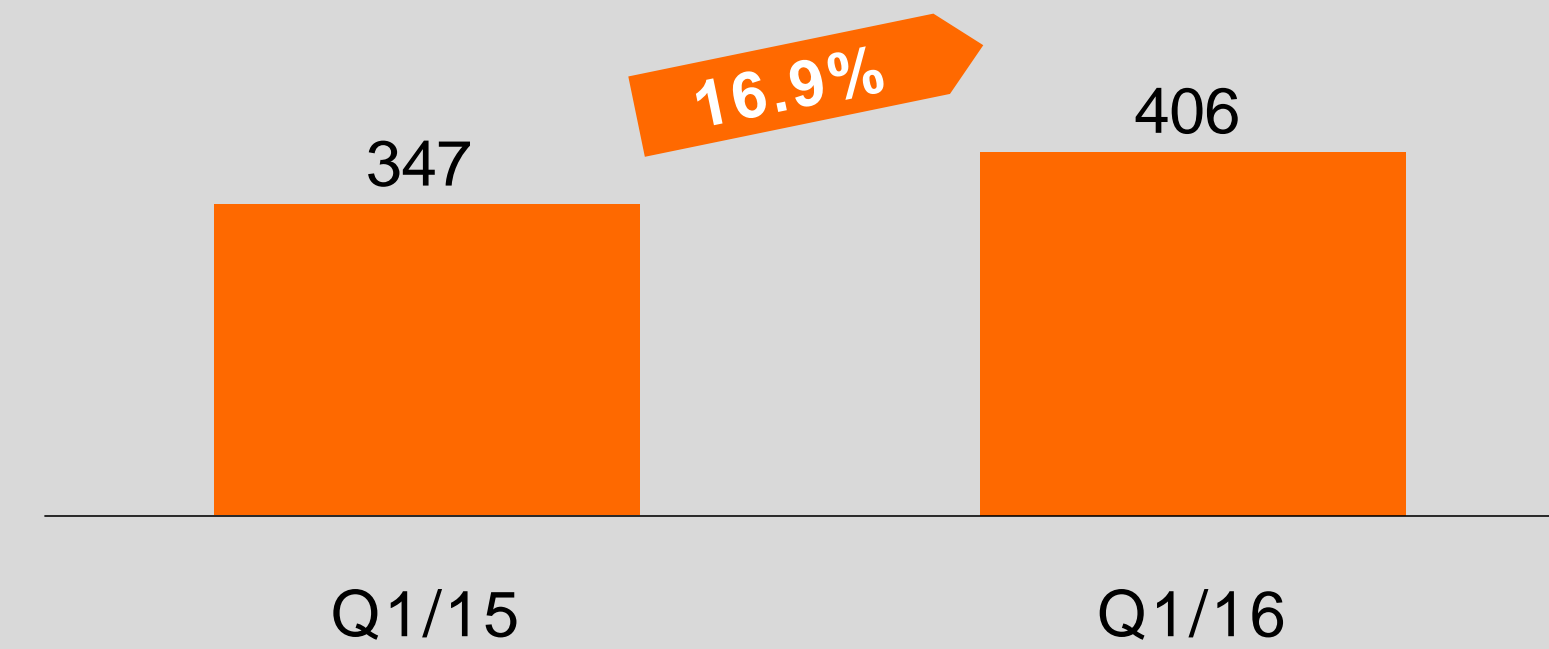
GROUP REVENUE

In €m



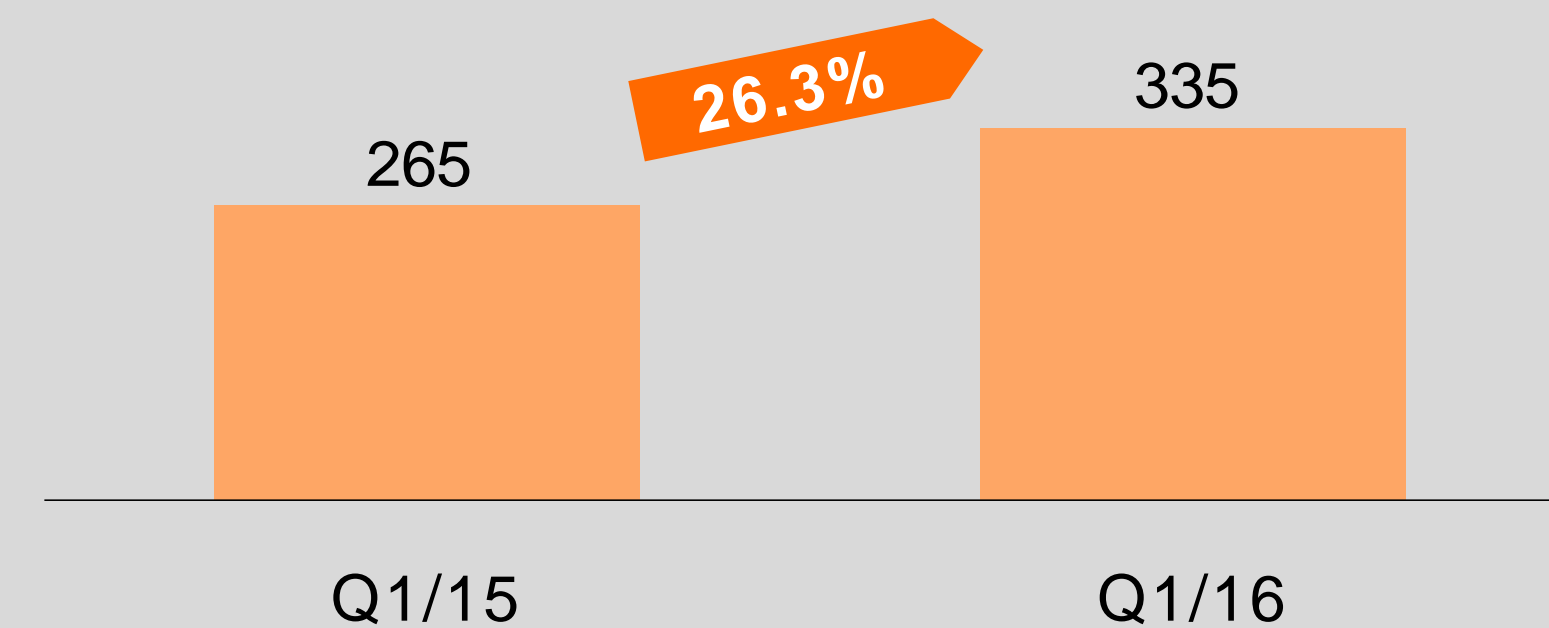
DACH REVENUE

In €m



REST OF EUROPE REVENUE

In €m



STRONG CUSTOMER KPIS DRIVE REVENUE GROWTH

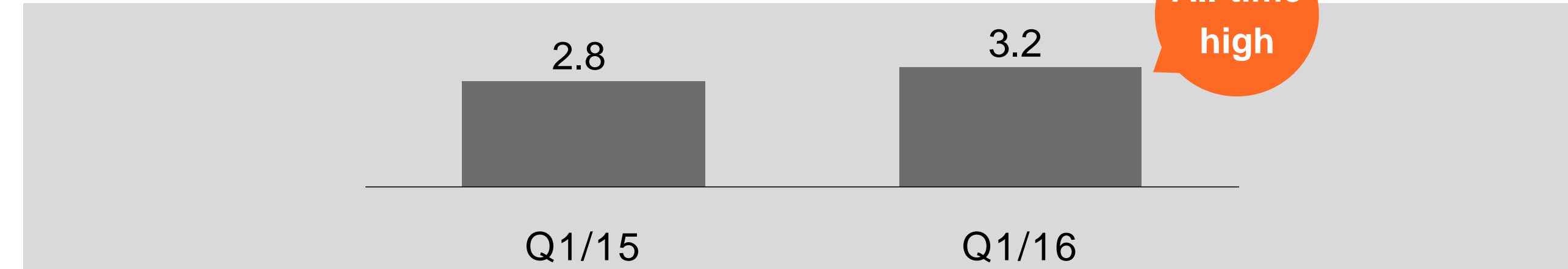
ACTIVE CUSTOMERS

In #m

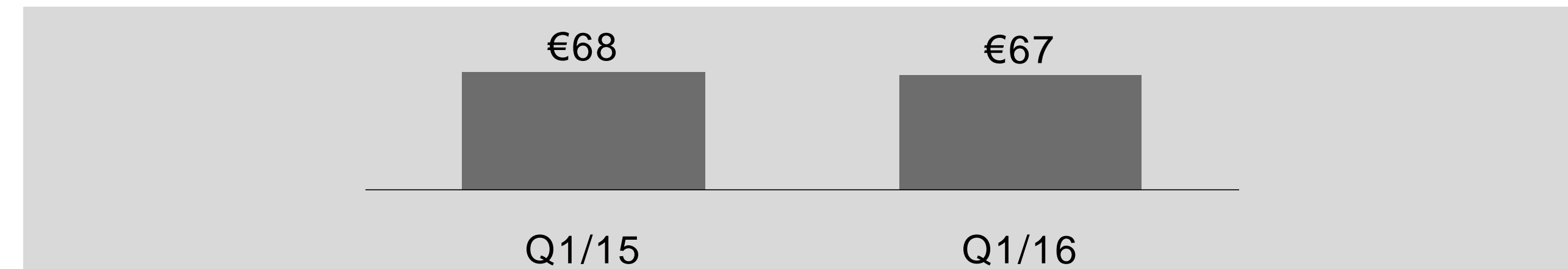


AVERAGE ORDER PER ACTIVE CUSTOMER

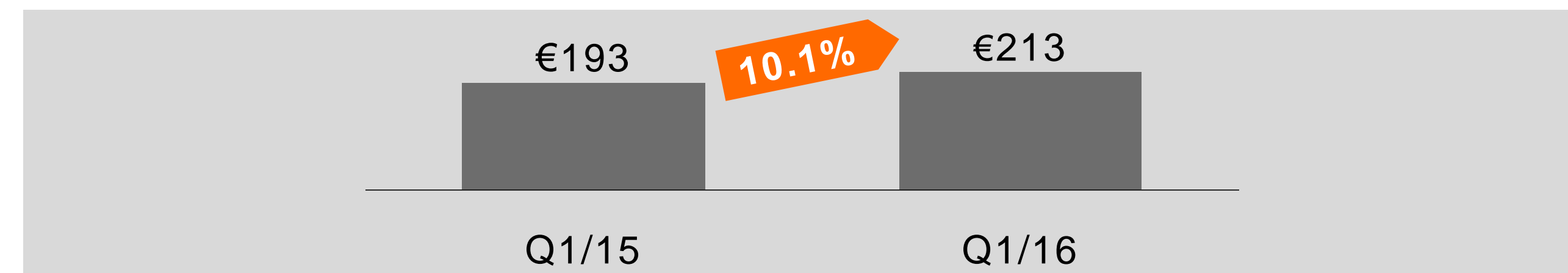
LTM in #



AVERAGE BASKET SIZE AFTER RETURNS¹



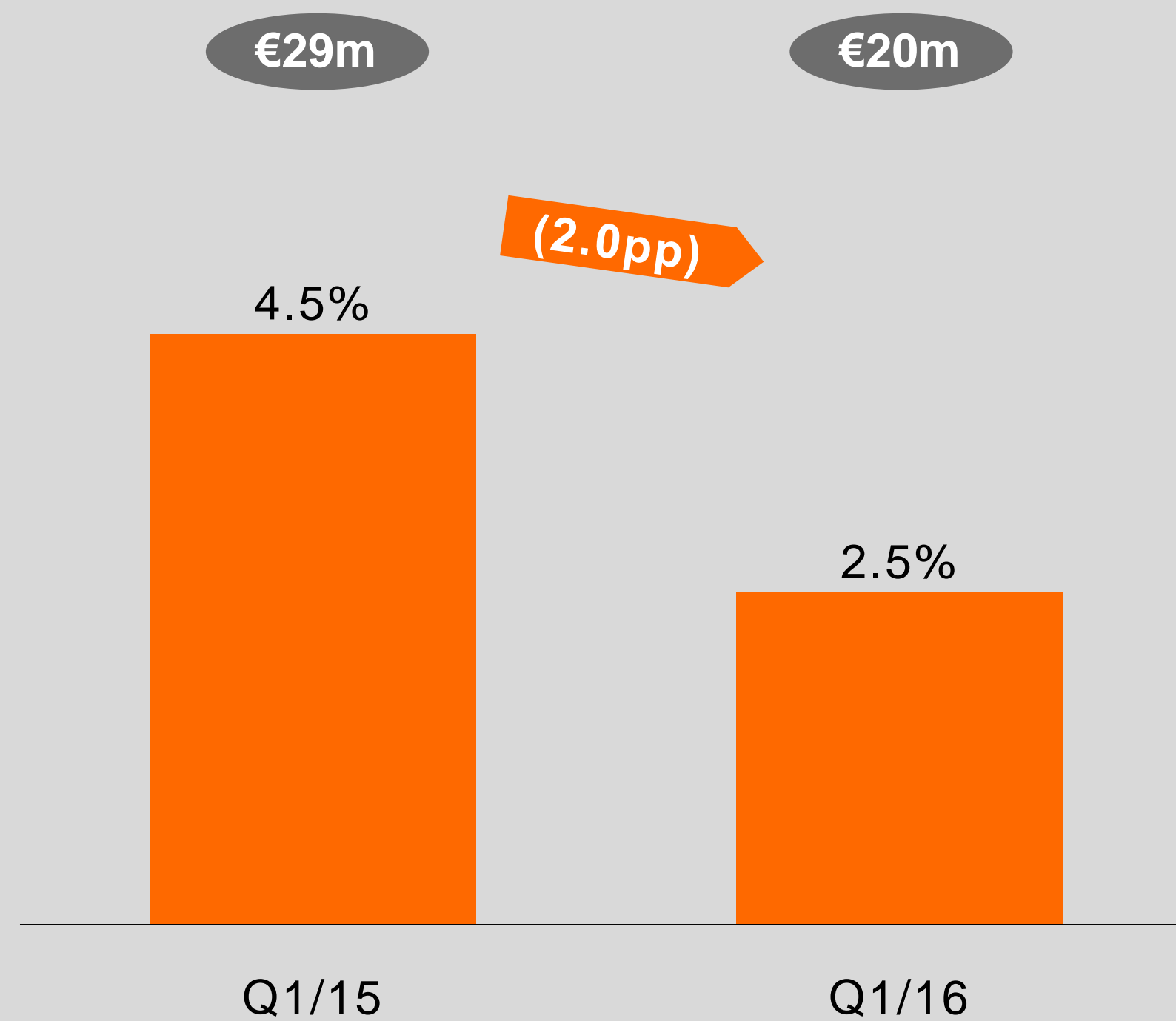
GMV PER ACTIVE CUSTOMER²



SOLID PROFITABILITY IN Q1 DESPITE PLANNED INVESTMENTS

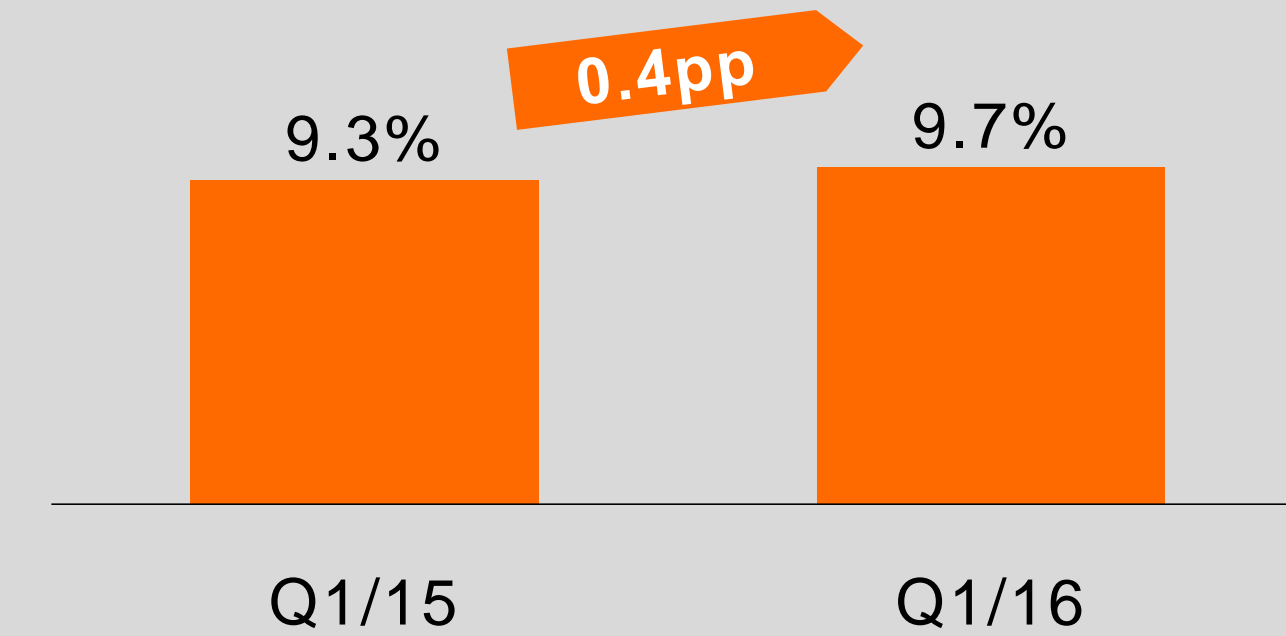
GROUP EBIT PROFITABILITY

EBIT margin (excl. SBC¹)



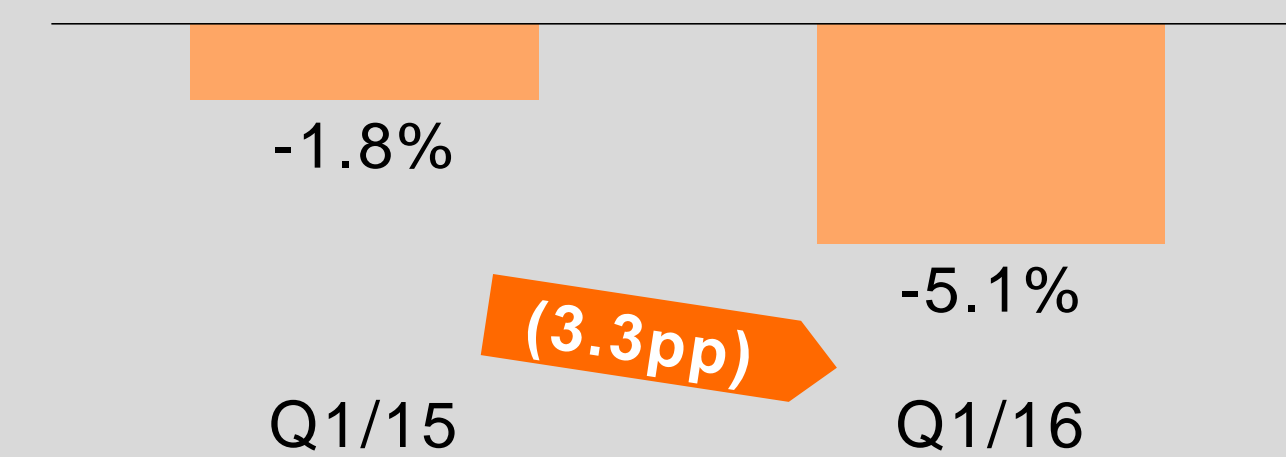
DACH EBIT

EBIT margin (excl. SBC¹)



REST OF EUROPE EBIT

EBIT margin (excl. SBC¹)



EBIT MARGIN DRIVERS AS PLANNED

COSTS AND MARGINS (Q1) excl. SBC¹ in percent of revenue

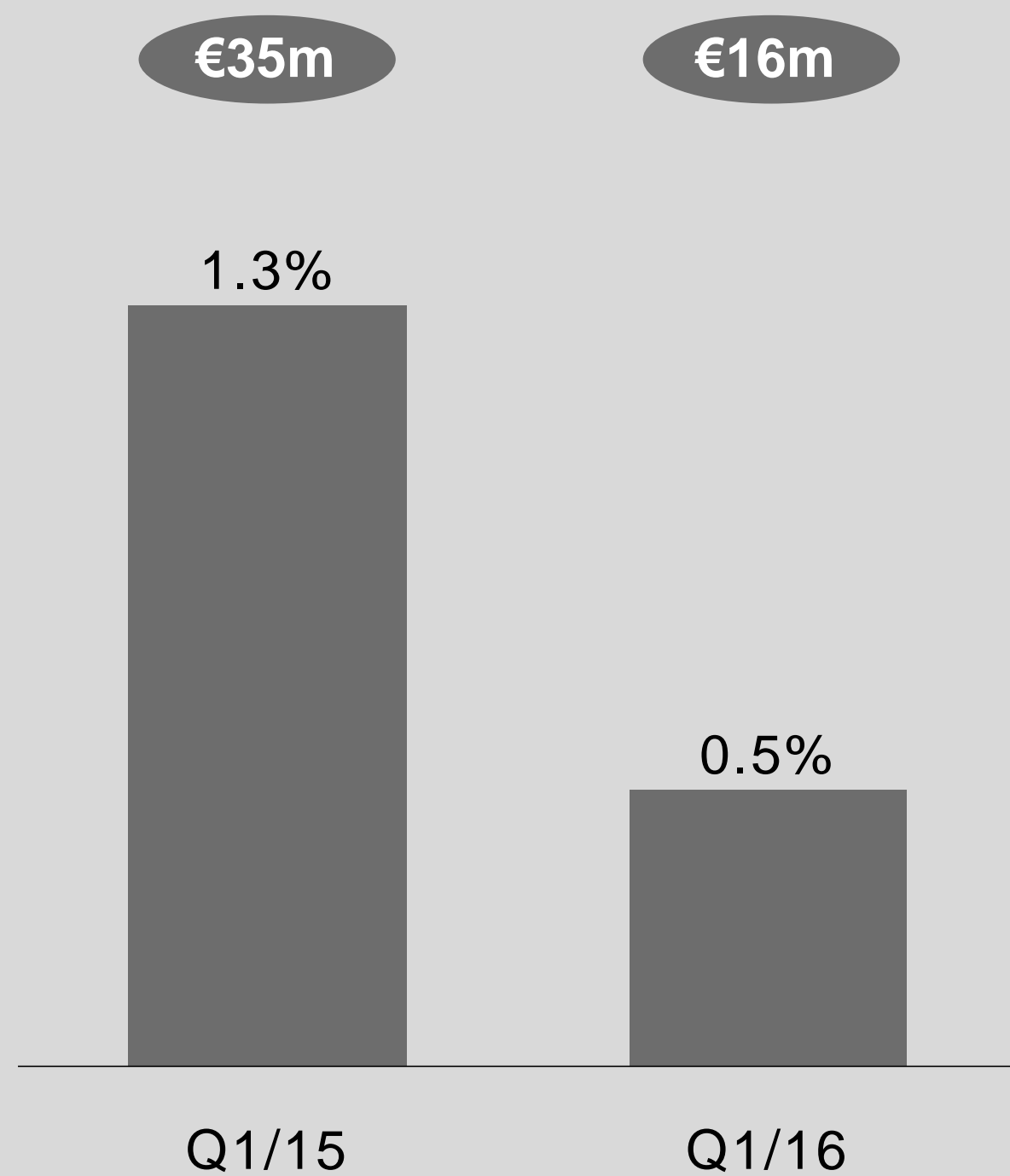
	Q1		
	2015	2016	Delta
COST OF SALES	(54.8%)	(58.0%)	3.2pp
GROSS PROFIT	45.2%	42.0%	(3.2pp)
FULFILLMENT COSTS	(24.7%)	(24.1%)	(0.6pp)
MARKETING COSTS	(11.8%)	(10.5%)	(1.3pp)
ADMINISTRATIVE EXPENSES & OTHER	(4.2%)	(4.9%)	0.7pp
EBIT	4.5%	2.5%	(2.0pp)

- “Normal” season vs. Q1/15
- FX (mostly USD)
- Overproportionate Lounge growth

FOCUS ON OPERATIONAL CAPITAL EFFICIENCY

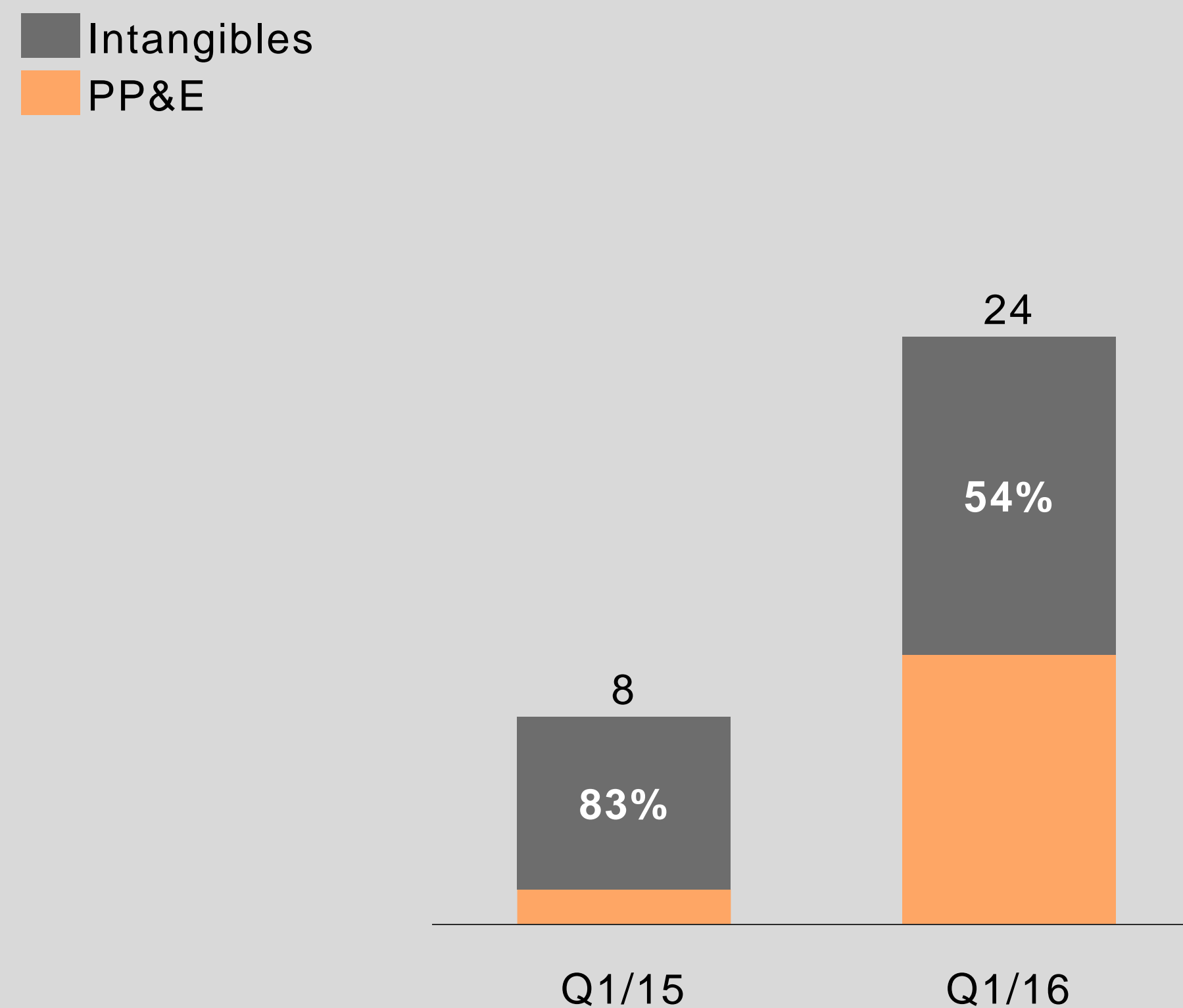
NET WORKING CAPITAL (END OF Q1)

in percent of annualized Q1 revenue



CAPITAL EXPENDITURE¹

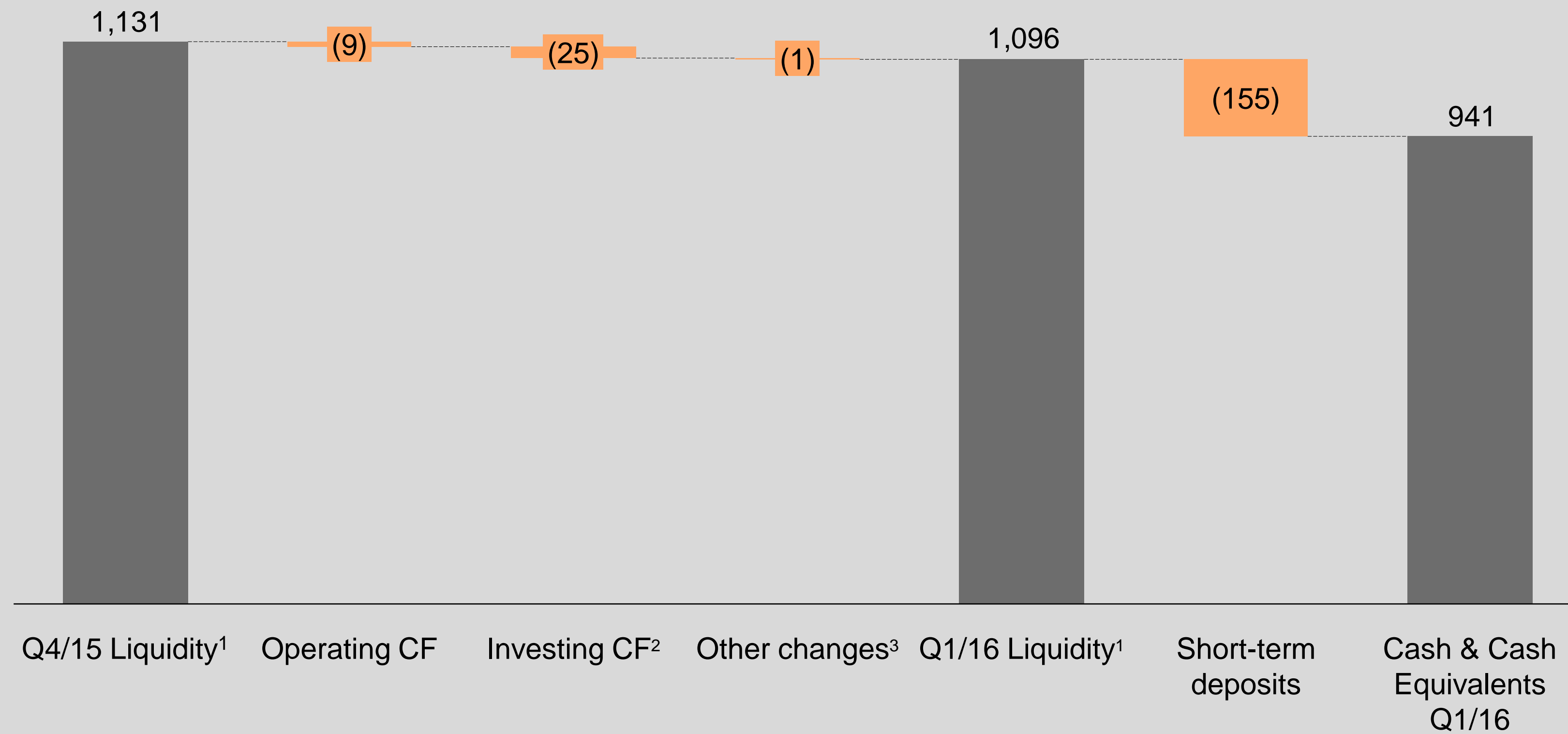
in €m



LIQUIDITY REMAINS STRONG AT €1.1 BILLION

CASH FLOW DEVELOPMENT (Q1)

In €m



(1) Both Q4/15 and Q1/16 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of €155m.

(2) Includes investments in fixed, intangible assets and payments for acquisitions.

(3) Includes financing cash flow (€-0.8m) and effect of exchange rate on cash and cash equivalents (-€0.4m).

OUTLOOK

OUTLOOK FOR FY2016 UNCHANGED – FOCUS ON PROFITABLE GROWTH

Revenue growth at upper end of target corridor of 20 - 25%

Adj. EBIT¹ margin: 3.0 - 4.5%

~Neutral working capital at year-end and ~€200m capex²



ISSUED SHARE CAPITAL

SHARE INFORMATION

As of 31-Mar-2016

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	MDAX (2.4% share ¹)
Total Number of Shares Outstanding	247,063,258
Issued Share Capital	€247,063,258

SHARE STOCK OPTION PROGRAMS

As of 31-Mar-2016

Program	# Options outstanding	Strike price
Various	95,370	1.00
Stock Option Program 2011	2,730,200	5.65
Stock Option Program 2013	9,817,500	15.63
Stock Option Program 2014 – Tranche pre IPO	5,200,209	17.72
Stock Option Program 2014 – Tranche Mar 2015	644,145	22.79
Stock Option Program 2014 – Tranche May 2015	371,800	25.03
Stock Option Program 2014 – Tranche Aug 2015	193,500	29.92
Stock Option Program 2014 – Tranche Nov 2015	58,900	30.48
Stock Option Program 2014 – Tranche Mar 2016	342,450	31.60
Total	19,454,074	

INCOME STATEMENT

€m	FY/13	FY/14	FY/15	Q1/15	Q1/16
Revenue	1,762.0	2,214.0	2,958.2	643.6	796.1
<i>% growth</i>	52.1%	25.7%	33.6%	28.5%	23.7%
Cost of Sales	(1,047.0)	(1,255.3)	(1,624.0)	(353.5)	(462.7)
Gross Profit	715.1	958.7	1,334.1	290.1	333.4
<i>% margin</i>	40.6%	43.3%	45.1%	45.1%	41.9%
Selling and Distribution Costs	(733.5)	(793.8)	(1,118.9)	(236.8)	(277.2)
Administrative Expenses	(105.1)	(109.1)	(129.0)	(29.1)	(40.6)
Other Operating Income	12.5	12.2	10.2	3.0	1.5
Other Operating Expenses	(2.9)	(5.8)	(7.0)	(2.0)	(0.7)
EBIT	(113.9)	62.1	89.6	25.1	16.4
<i>% margin</i>	(6.5%)	2.8%	3.0%	3.9%	2.1%
Net Financial Result	(3.3)	(4.5)	(3.0)	5.4	(6.2)
EBT	(117.3)	57.7	86.6	30.6	10.3
<i>% margin</i>	(6.7%)	2.6%	2.9%	4.7%	1.3%
Income and Other Tax	0.7	(10.5)	34.9	(6.3)	(5.7)
Net Income	(116.6)	47.2	121.5	24.3	4.6
<i>% margin</i>	(6.6%)	2.1%	4.1%	3.8%	0.6%
Depreciation & Amortization	14.9	25.8	34.2	7.5	9.1
EBITDA	(99.0)	88.0	123.8	32.6	25.5
<i>% margin</i>	(5.6%)	4.0%	4.2%	5.1%	3.2%
Share Based Compensation (SBC)	5.3	19.8	17.9	4.0	3.8
Adj. EBIT (adj. for SBC)	(108.6)	82.0	107.5	29.1	20.2
<i>% margin</i>	(6.2%)	3.7%	3.6%	4.5%	2.5%
Adj. EBITDA (adj. for SBC)	(93.7)	107.8	141.7	36.6	29.3
<i>% margin</i>	(5.3%)	4.9%	4.8%	5.7%	3.7%

SHARE BASED COMPENSATION

€m	FY/13	FY/14	FY/15	Q1/15	Q1/16
Per Income Statement Line Item					
Cost of Sales	0.5	4.4	4.5	1.0	0.9
Selling and Distribution Costs	2.1	9.6	9.0	2.0	1.9
Administrative Expenses	2.7	5.8	4.5	1.0	0.9
Share Based Compensation	5.3	19.8	17.9	4.0	3.8
As % of revenue					
Per Income Statement Line Item					
Cost of Sales	0.0%	0.2%	0.2%	0.2%	0.1%
Selling and Distribution Costs	0.1%	0.4%	0.3%	0.3%	0.2%
Administrative Expenses	0.2%	0.3%	0.2%	0.2%	0.1%
Share Based Compensation	0.3%	0.9%	0.6%	0.6%	0.5%

SEGMENTS

€m	FY/13	FY/14	FY/15	Q1/15	Q1/16
Revenue	1,762.0	2,214.0	2,958.2	643.6	796.1
DACH	1,056.1	1,234.0	1,580.1	347.1	405.8
Rest of Europe	630.2	862.6	1,211.6	265.0	334.5
Other	75.7	117.4	166.5	31.5	55.8
As % of total	100.0%	100.0%	100.0%	100.0%	100.0%
DACH	59.9%	55.7%	53.4%	53.9%	51.0%
Rest of Europe	35.8%	39.0%	41.0%	41.2%	42.0%
Other	4.3%	5.3%	5.6%	4.9%	7.0%
EBIT	(113.9)	62.1	89.6	25.1	16.4
DACH	5.3	72.3	92.2	30.2	37.4
Rest of Europe	(100.8)	(18.6)	(10.2)	(6.3)	(18.5)
Other	(18.4)	8.4	7.5	1.2	(2.4)
% margin	(6.5%)	2.8%	3.0%	3.9%	2.1%
DACH	0.5%	5.9%	5.8%	8.7%	9.2%
Rest of Europe	(16.0%)	(2.2%)	(0.8%)	(2.4%)	(5.5%)
Other	(24.3%)	7.2%	4.5%	3.9%	(4.4%)
Adjusted EBIT	(108.6)	82.0	107.5	29.1	20.2
DACH	8.2	83.0	101.9	32.4	39.3
Rest of Europe	(99.1)	(11.6)	(3.3)	(4.7)	(17.0)
Other	(17.8)	10.5	8.9	1.4	(2.1)
% adjusted margin	(6.2%)	3.7%	3.6%	4.5%	2.5%
DACH	0.8%	6.7%	6.4%	9.3%	9.7%
Rest of Europe	(15.7%)	(1.3%)	(0.3%)	(1.8%)	(5.1%)
Other	(23.5%)	9.0%	5.3%	4.5%	(3.7%)

BALANCE SHEET

€m	Q1/15	Q1/15 (% of total assets)	Q1/16	Q1/16 (% of total assets)
Total Non-Current Assets	179.1	9.2%	264.8	12.1%
Thereof: Property, Plant and Equipment	108.8	5.6%	136.6	6.2%
Other Financial Assets	32.3	1.7%	24.1	1.1%
Non-Financial Assets	3.0	0.2%	3.3	0.2%
Other Non-Current Assets	35.0	1.8%	100.8	4.6%
Total Current Assets	1,758.8	90.8%	1,931.6	87.9%
Thereof: Inventories	474.6	24.5%	590.4	26.9%
Trade and Other Receivables	169.8	8.8%	162.8	7.4%
Other Assets ¹	153.6	7.9%	237.2	10.8%
Cash and Cash Equivalents ¹	960.9	49.6%	941.2	42.9%
Total Assets	1,937.9	100.0%	2,196.4	100.0%
Total Equity	1,148.1	59.2%	1,278.3	58.2%
Thereof: Issued Capital	245.6	12.7%	247.0	11.2%
Capital Reserves	1,123.0	57.9%	1,144.7	52.1%
Retained earnings	(5.3)	(0.3%)	(0.1)	(0.0%)
Accumulated Loss	(215.2)	(11.1%)	(113.4)	(5.2%)
Total Non-Current Liabilities	33.9	1.8%	29.6	1.3%
Thereof: Financial Liabilities	16.8	0.9%	13.6	0.6%
Other Non-Current Liabilities	17.1	0.9%	16.0	0.7%
Total Current Liabilities	755.9	39.0%	888.4	40.4%
Thereof: Trade Payables and Similar Obligations	609.8	31.5%	737.7	33.6%
Other Current Liabilities	146.1	7.5%	150.8	6.9%
Total Equity & Liabilities	1,937.9	100.0%	2,196.4	100.0%
Net Working Capital	34.5	1.8%	15.5	0.7%

CASH FLOW STATEMENT

€m	FY2013	FY2014	FY2015	Q1/15	Q1/16
Net Income	(116.6)	47.2	121.5	24.3	4.6
Non-Cash Expenses from Share-Based Payments	2.0	19.8	17.9	4.0	3.8
Cash Settlement of Claims from Share-Based Payments	0.0	0.0	(2.3)	(2.0)	0.0
Depreciation	14.9	25.8	34.2	7.5	9.1
Income Taxes	(0.7)	10.5	(34.9)	6.3	5.7
Income Taxes Paid, Less Refunds	0.0	0.0	(0.0)	0.0	(20.1)
Change in Provisions	0.0	1.0	(0.5)	(0.4)	3.6
Other Non-Cash Income	0.0	(0.2)	(1.0)	(0.9)	(0.0)
Change in Inventories and Receivables	(122.7)	(68.7)	(154.2)	(155.4)	(108.3)
Change in Trade Liabilities	101.5	94.9	154.9	117.5	89.6
Change in Other Assets/Other Liabilities	41.4	44.6	(16.2)	(12.6)	2.8
Cash Flow from Operating Activities	(80.2)	174.9	119.4	(11.8)	(9.2)
Payments for Investments in Fixed and Intangible Assets	(73.8)	(51.1)	(60.0)	(7.5)	(23.7)
Payments for Acquisitions	0.0	0.0	(16.8)	(0.8)	(0.9)
Cash Paid for Investments in Term Deposits	0.0	0.0	(155.0)	(90.0)	0.0
Change in Restricted Cash	(16.4)	(0.8)	35.3	15.8	(0.0)
Cash Flow from Investing Activities	(90.2)	(51.9)	(196.5)	(82.6)	(24.6)
Payments Received from Capital Increases	199.3	510.1	6.4	1.5	0.0
Cash Received from Loans	9.1	3.9	0.0	0.0	0.0
Repurchase of treasury shares	0.0	0.0	(1.7)	0.0	0.0
Cash Repayments of Loans	(3.2)	(3.2)	(3.2)	(0.8)	(0.8)
Cash Flow from Financing Activities	205.2	510.8	1.5	0.7	(0.8)
Change in Cash & Cash Equivalents	34.9	633.8	(75.7)	(93.7)	(34.7)
Effects of Exchange Rate on Cash & Cash Equivalents	0.0	0.0	0.9	3.6	(0.4)

KPI DEVELOPMENT

	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015	Q1/16
Site Visits (m) ¹	1,363.8	392.8	411.8	393.9	457.9	1,656.4	479.5
Mobile Visit Share (in % of Site Visits) ²	42.3%	52.6%	56.6%	58.8%	59.9%	57.1%	62.3%
Active Customers (m) ³	14.7	15.4	16.4	17.2	17.9	17.9	18.4
Number of Orders (m) ⁴	41.4	12.0	14.0	13.8	15.4	55.3	15.6
Average Order per Active Customer	2.82x	2.84x	2.89x	3.00x	3.08x	3.08x	3.20x
Average Basket Size (in €) ⁵	66.6	68.0	67.4	63.3	72.1	67.8	66.5
Fulfillment Cost Ratio (in % of revenue) ⁶	22%	25%	28%	27%	23%	26%	24%
Marketing Cost Ratio (in % of revenue) ⁷	13%	12%	12%	12%	11%	12%	10%

(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 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.

FINANCIAL CALENDAR 2016

May 2016				
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	31			

August 2016				
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				

November 2016				
M	T	W	T	F
	1	2	3	4
7	8	9	10	11
14	15	16	17	18
21	22	23	24	25
28	29	30		

Date	Action
Tuesday, 17-May	Citi European Internet, E-Commerce and Digital Media Conference, London
Tuesday, 31-May	Annual General Meeting 2016, Berlin
Wednesday, 8-June	Deutsche Bank, dbAccess - German, Swiss & Austrian Conference, Berlin
July-2016 ¹	Q2/2016 Trading Update
Thursday, 11-Aug	Q2/2016 Results
Tuesday, 6-Sep	Citi Global Tech Conference, New York
Thursday, 10-Nov	Q3/2016 Results

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