



EUROPE'S LEADING ONLINE FASHION DESTINATION

Q2 2015 Earnings Call
13 August 2015

Results highlights and business update

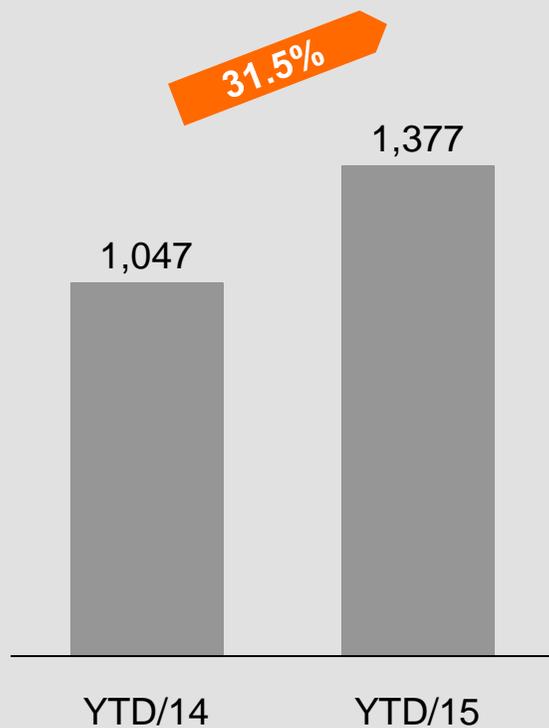


SUCCESSFUL FIRST HALF YEAR 2015 WITH ACCELERATING GROWTH



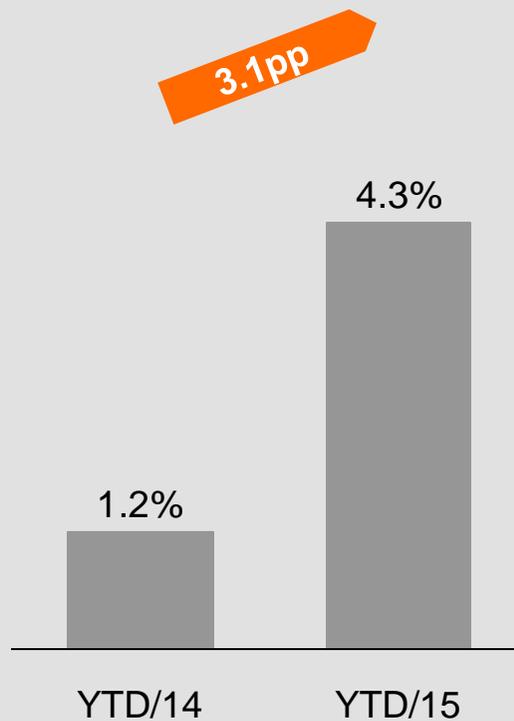
Growth accelerates YTD

(Revenue in €m)



Solid YTD profitability

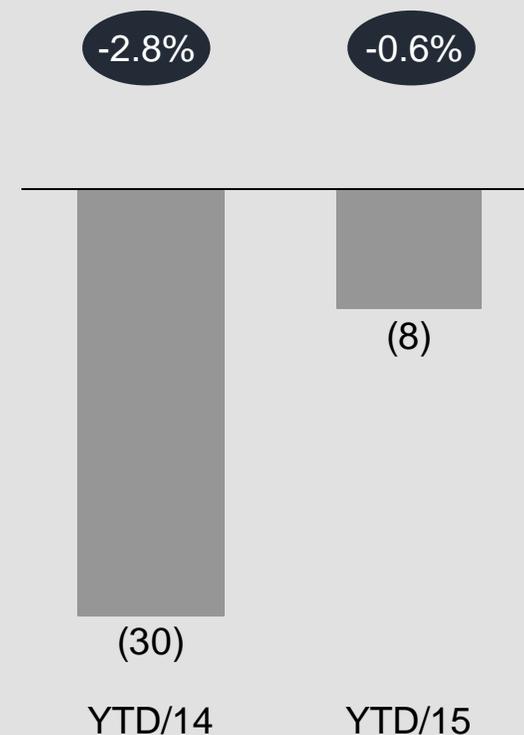
(EBIT margin excl. SBC¹ in percent)



Improving free cash flow

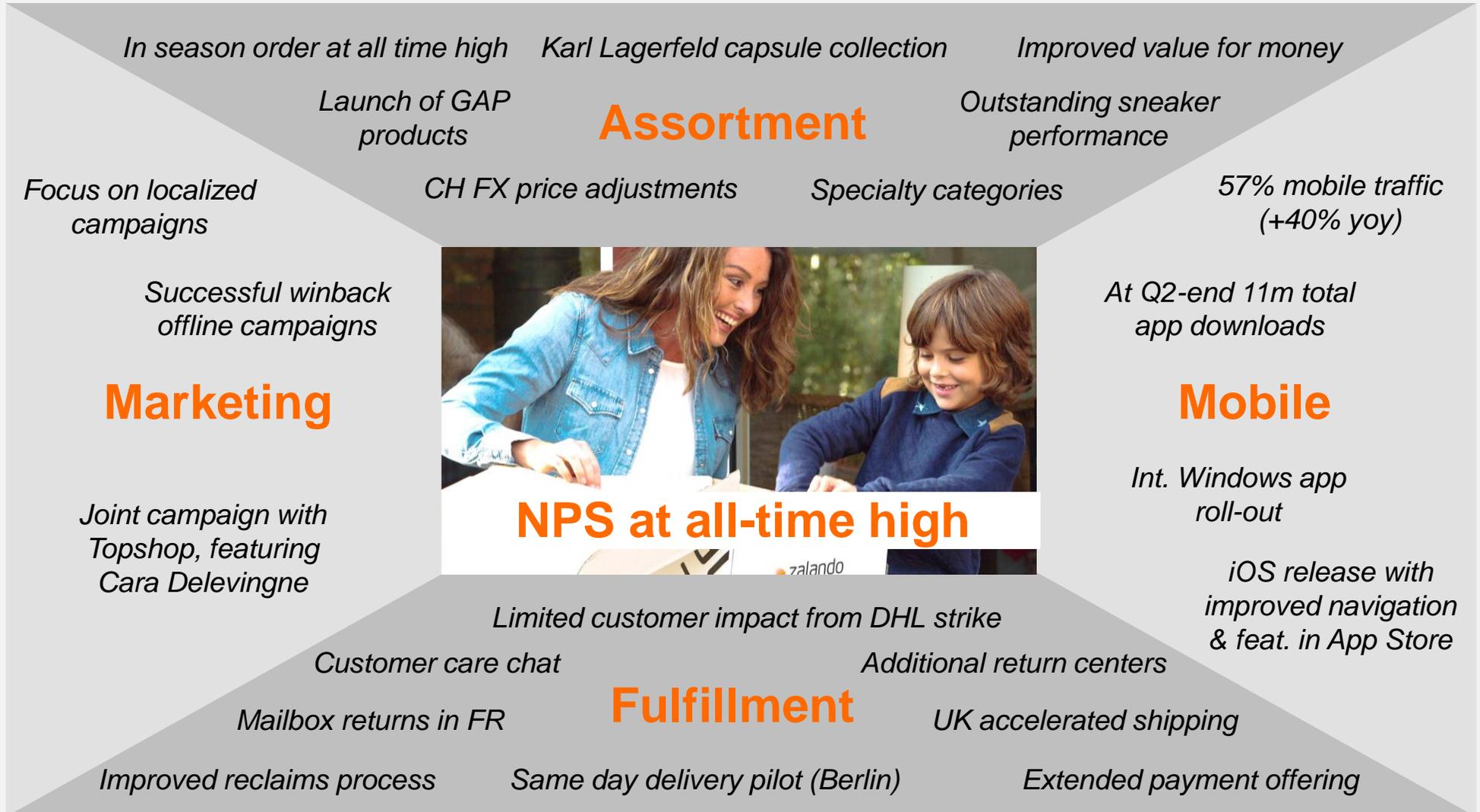
(Total free cash flow² in €m)

as percent of revenue



(1) Excluding equity-settled stock based compensation costs ("SBC") of €8.4m in YTD/15.

(2) Includes operating cash flow less investing cash flow (investments in fixed, intangible assets and payments for acquisitions); excludes changes in restricted cash and investments into short-term deposits with maturity of more than 3 and less than 12 months (total of -€76.5m).



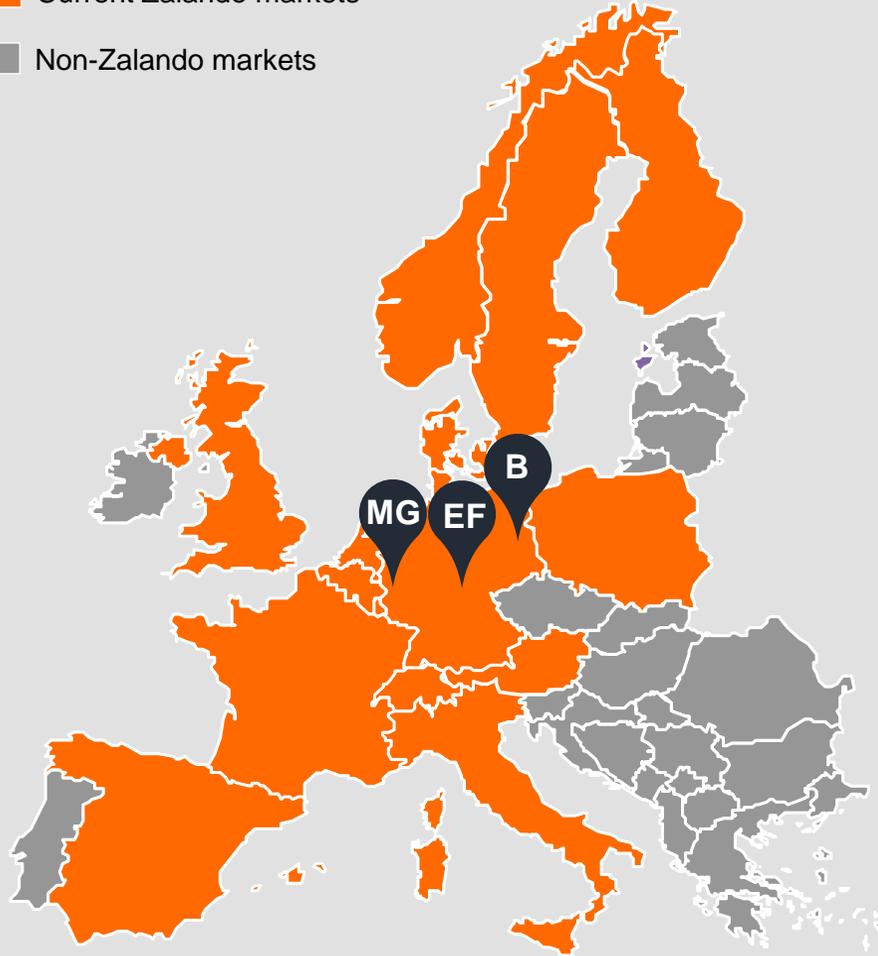
CONNECTING PEOPLE AND FASHION



- ✓ Opening of two international tech hubs in Dublin and Helsinki
- ✓ Starting internationalization of Zalon
- ✓ Investment in marketplace software company Anatwine
- ✓ Bread & Butter acquisition

■ Current Zalando markets

■ Non-Zalando markets



- ✓ **Build-out of sections 4 & 5 in Mönchengladbach**
- ✓ **Accelerate planning of new central hub in Germany**
- ✓ **Build-out of hub & spoke system with first satellite warehouse in Northern Italy (service provider)**

Financial update Q2 2015 and YTD 2015

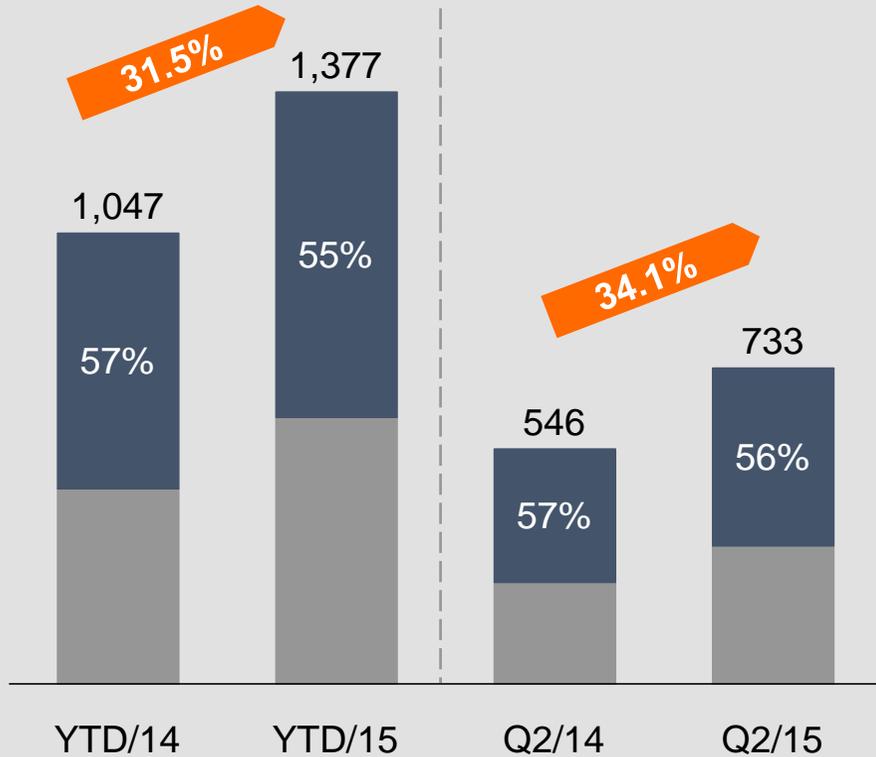


GROWTH ACCELERATED EVEN FURTHER IN Q2

Group revenue

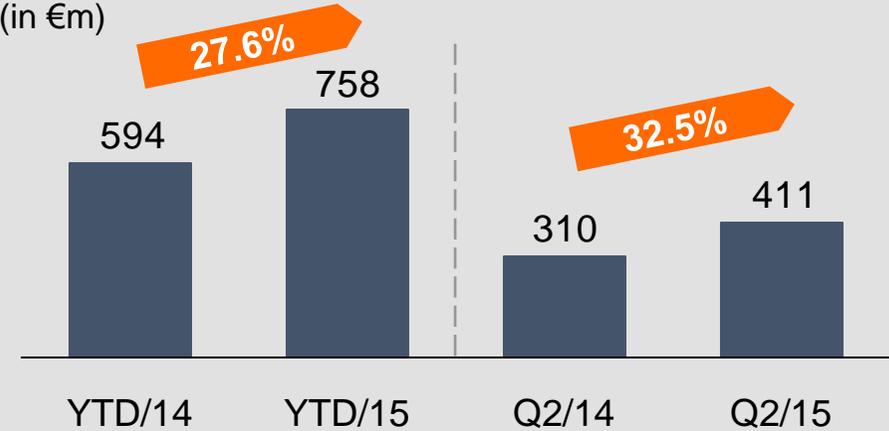
(in €m)

■ DACH
■ Rest of Europe and Others¹



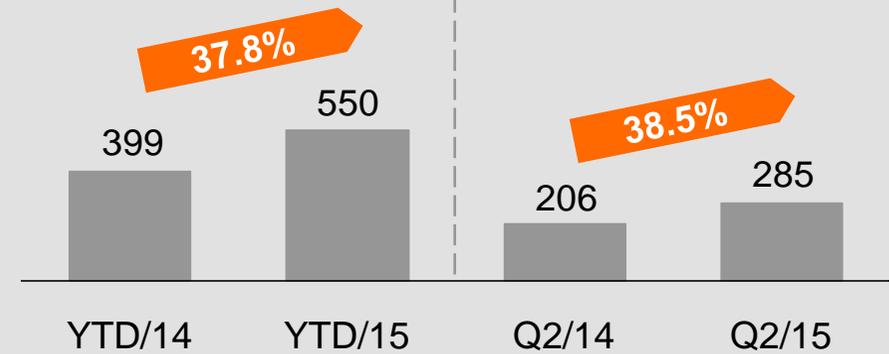
DACH revenue

(in €m)



Rest of Europe revenue

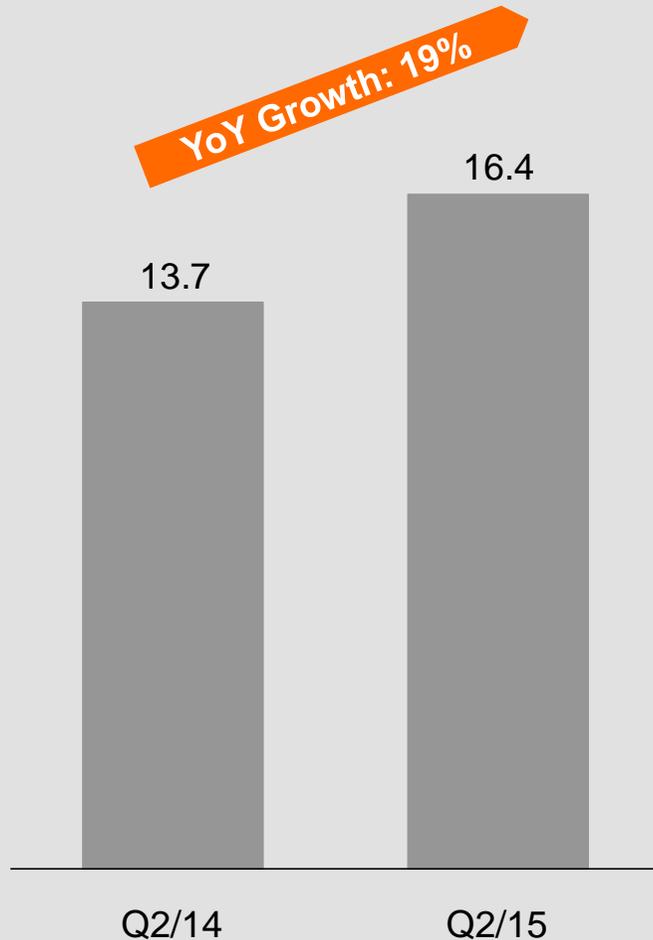
(in €m)



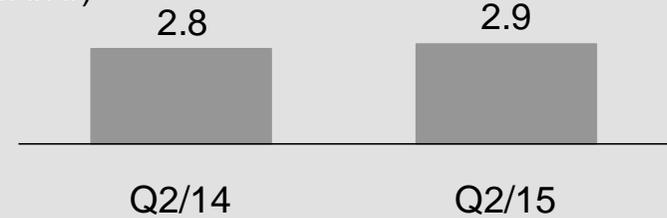
(1) Segment "Others" includes revenues from Zalando Lounge, as well as two outlet stores in Berlin and Frankfurt and others.

STRONG CUSTOMER KPIS DRIVE REVENUE GROWTH

Active customers (in m)



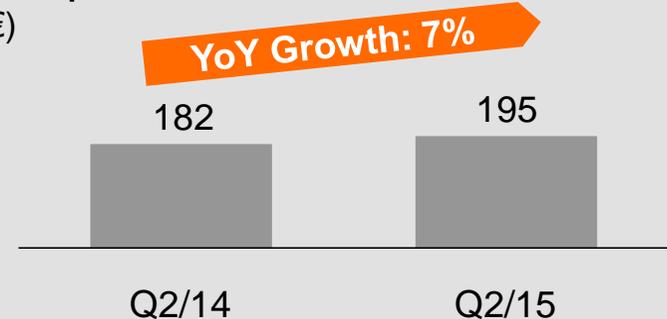
Average orders per active customer (LTM in #)



Average basket size after returns¹ (in €)



GMV per active customer² (in €)



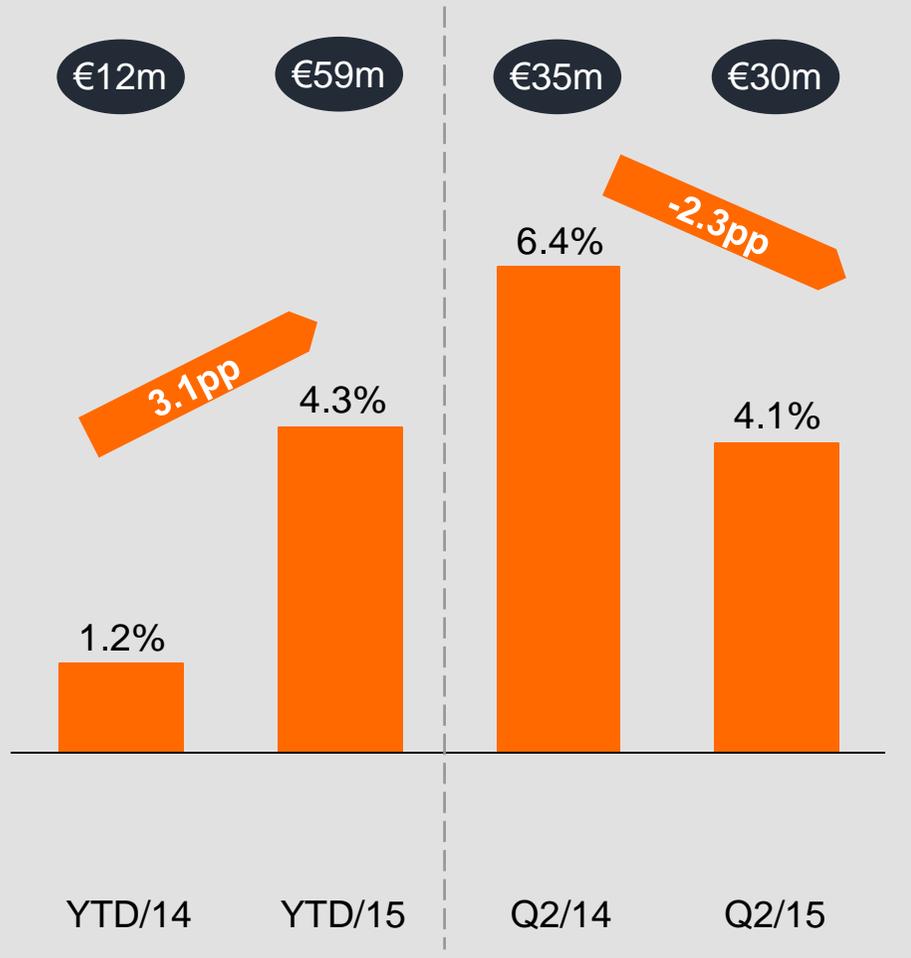
(1) Defined as the transactional revenue (incl. VAT and transactional volume of Partner Program) after cancellations or returns divided by the number of orders.

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

CLEAR GROUP PROFITABILITY IN Q2

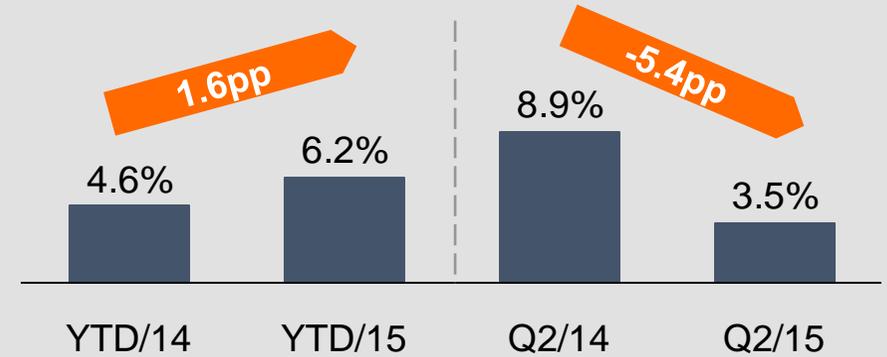
Group EBIT profitability

EBIT margin (excl. SBC¹)



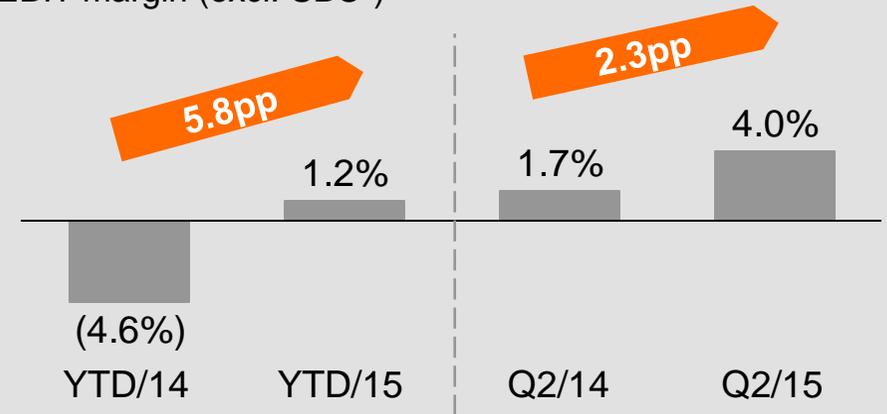
DACH consistently profitable

EBIT margin (excl. SBC¹)



Rest of Europe break-even YTD/15

EBIT margin (excl. SBC¹)



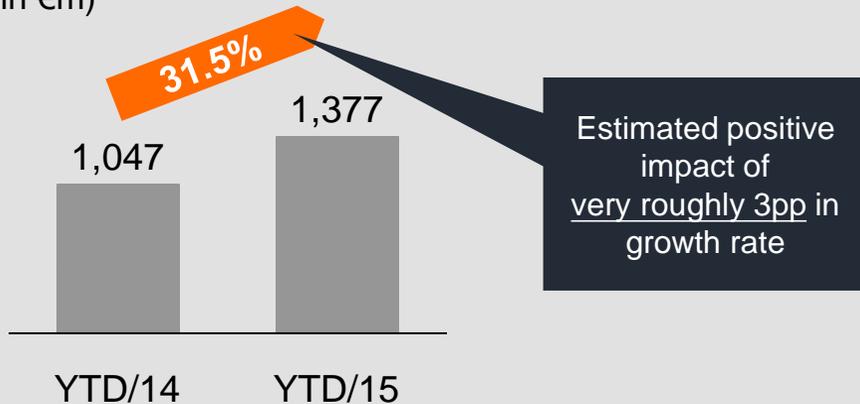
(1) Excluding equity-settled stock based compensation costs ("SBC") of €4.4m and €8.4m in Q2 and YZD/ 2015, respectively.

EXCURSION: PAYMENT COST

- **Payment costs:** Expenses for payment methods such as credit card fees, and also credit risk for invoice¹. Invoice is a popular payment method in several countries, e.g., DACH, Benelux and Nordics, driving customer satisfaction and check-out conversion
- **Payment risk steering:** Determines invoice offering to customers. Continuous strive to maintain balance between opportunities and risks associated with the payment offering
- **What happened:**
 - Historically, the algorithm has been very robust, successfully limiting risk
 - In late 2014, we changed the payment offer to allow for more invoice for new customers
 - At the same time, due to an unexpected wave of systematic fraud, we took on more credit risk than we had anticipated
 - In Q2, we reversed the invoice offering back to prior levels. Monitoring and early detection capabilities were significantly increased
 - As a result we booked higher allowances within payment costs in Q2

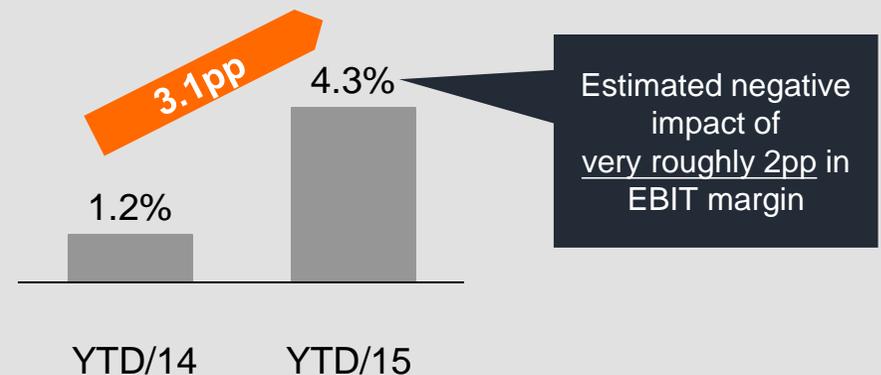
Group revenue

(in €m)



Group EBIT

EBIT margin (excl. SBC²)



(1) Invoice: customer receives package with merchandise, plus a bill asking customer to pay within payment period, e.g. 14 days in Germany.

(2) Excluding equity-settled stock based compensation costs ("SBC") of €8.4m in YTD/15.

CONTINUED OPERATING LEVERAGE; TEMPORARY IMPACT IN PAYMENT

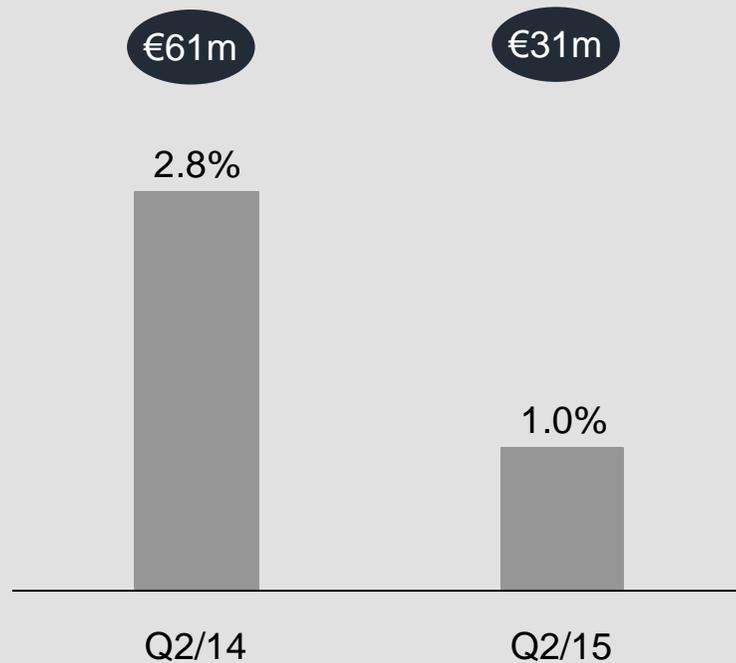
Costs and margins (YTD and Q2)

(excl. SBC in percent of revenue¹)

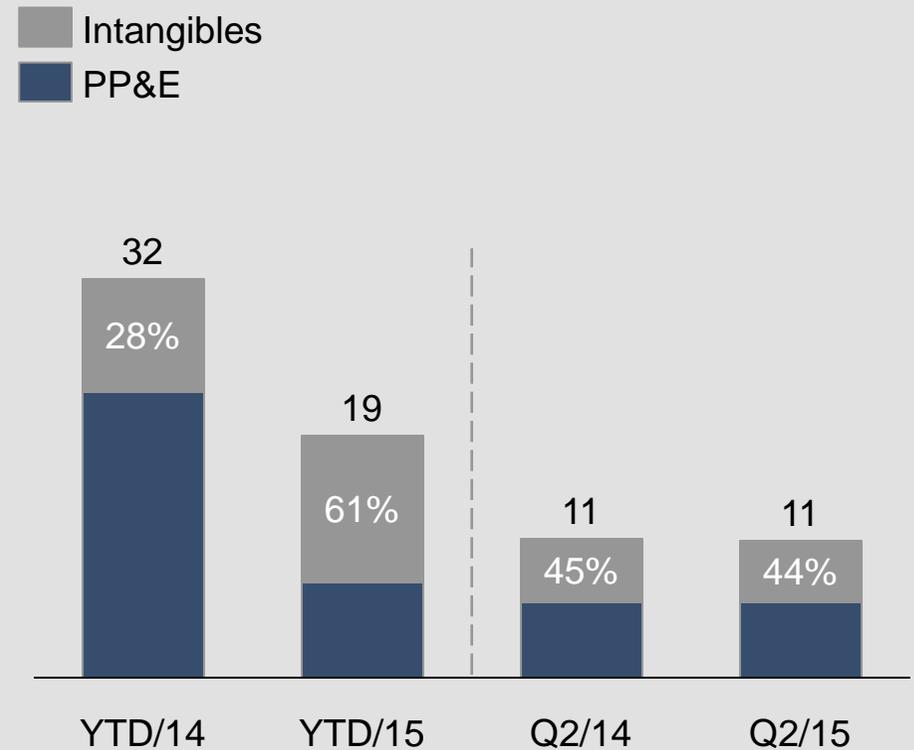
	YTD			Q2		
	2014	2015	Delta	2014	2015	Delta
Cost of sales	(57.6%)	(53.0%)	(4.6pp)	(53.6%)	(51.5%)	(2.1pp)
Gross profit	42.4%	47.0%	4.6pp	46.4%	48.5%	2.1pp
Fulfillment costs	(23.4%)	(26.6%)	3.2pp	(22.9%)	(28.3%)	5.4pp
Marketing costs	(13.6%)	(11.9%)	(1.7pp)	(13.3%)	(12.0%)	(1.3pp)
Administrative expenses & Other	(4.2%)	(4.2%)	(0.1pp)	(3.8%)	(4.1%)	0.3pp
EBIT	1.2%	4.3%	3.1pp	6.4%	4.1%	(2.3pp)

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

Net working capital (end of Q2)
(as of 30-June, in % of annualized Q2 revenue)



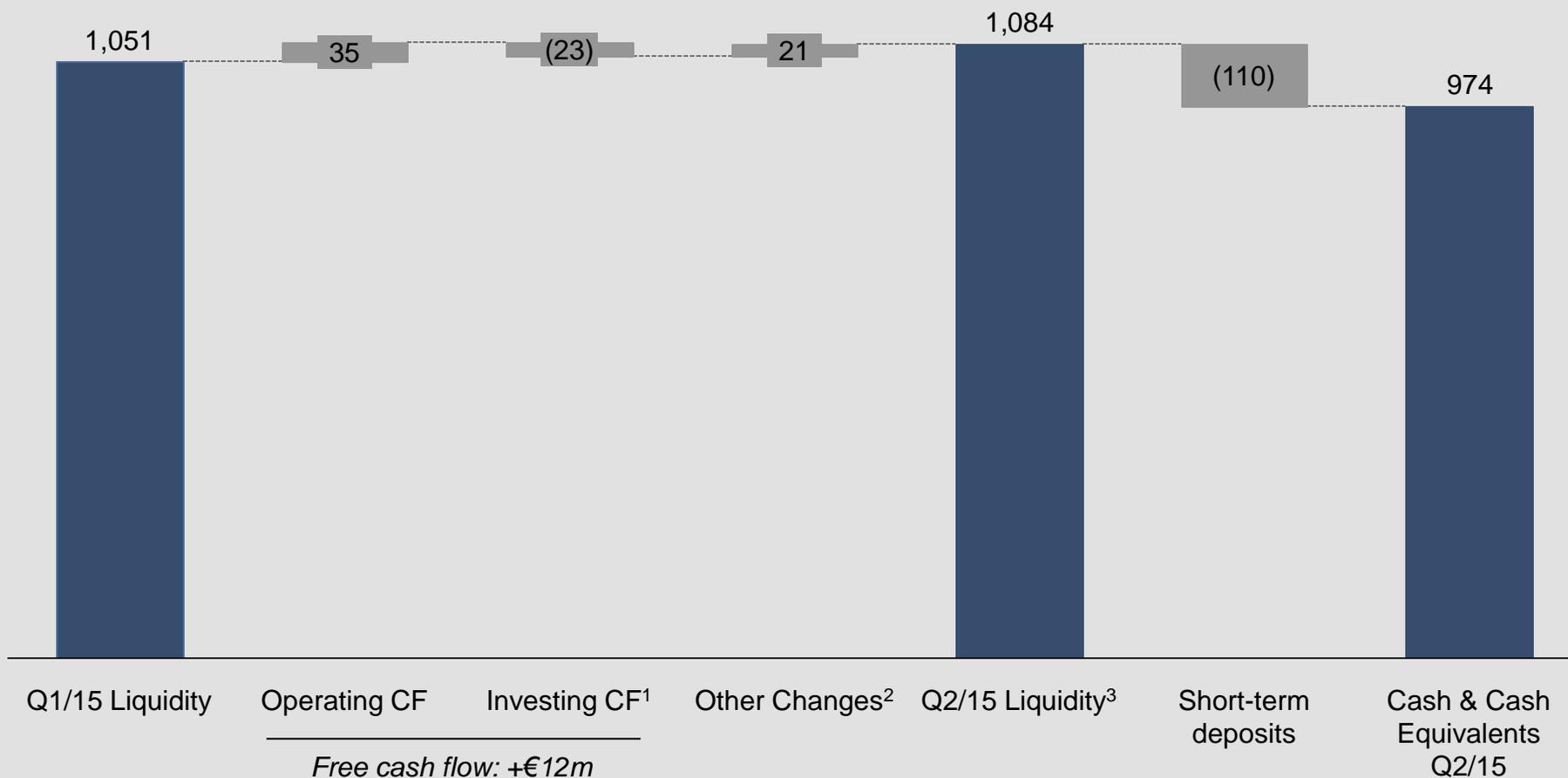
Capital expenditure¹ (YTD and Q2)
(in €m)



(1) Excludes payments for acquisitions of €12.2m (Q2 and YTD 2015).

Cash flow development (Q2)

(in €m)



(1) Includes investments in fixed, intangible assets and payments for acquisitions; excludes changes in restricted cash and investments into short-term deposits with maturity of more than 3 and less than 12 months (total of -€2.2m).

(2) Includes changes in restricted cash (€17.8m), financing cash flow (€3.2m) and effect of exchange rate on cash and cash equivalents (€-0.2m).

(3) Q2/15 liquidity includes investments into short-term deposits with maturity of more than 3 and less than 12 months of €110.0m.

Outlook





Revenue growth of 28% - 31%



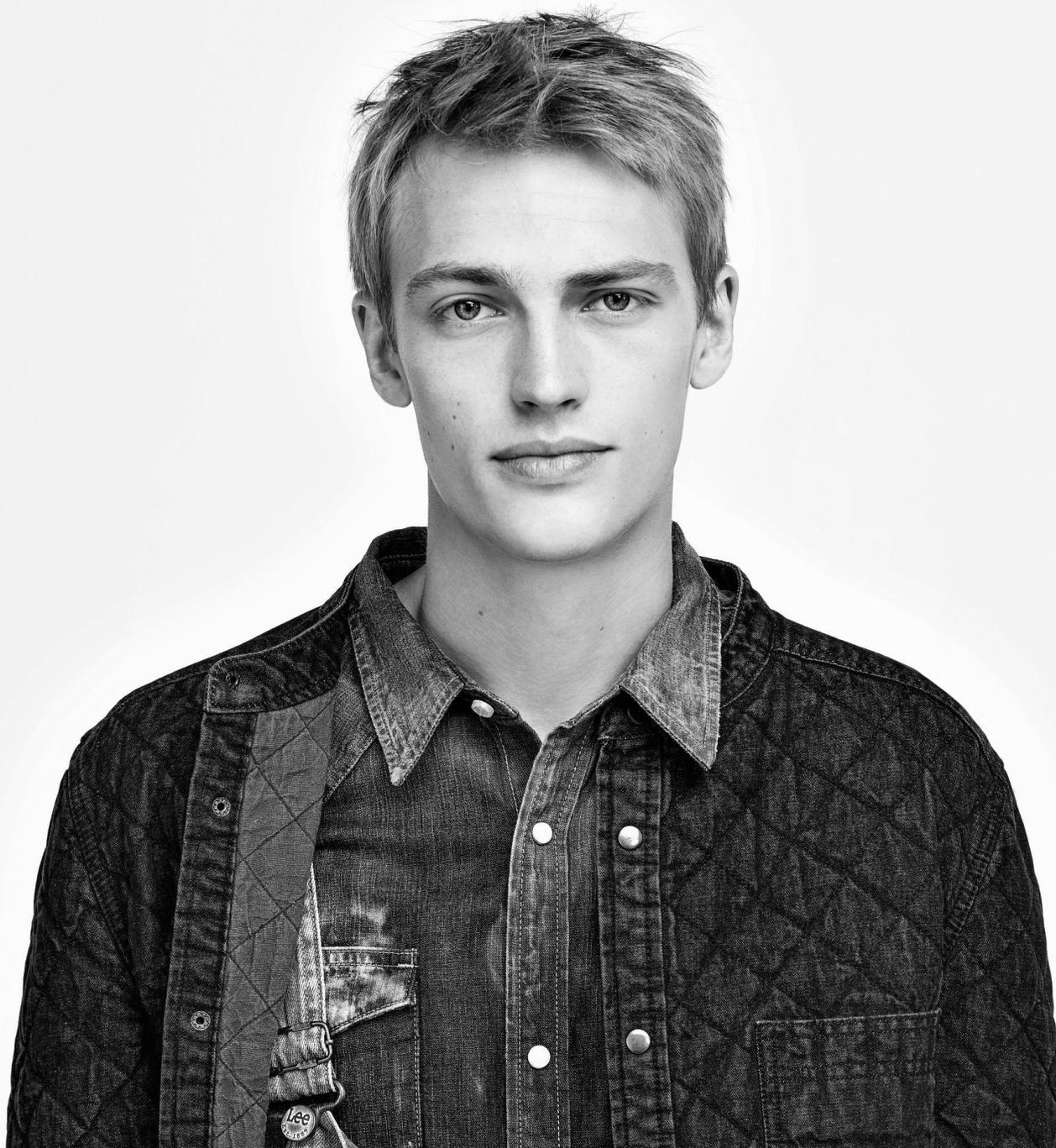
Adj. EBIT¹ margin of around 4.5%



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 30-June-15)

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 (1.3% share ¹)
Total Number of Shares Outstanding	246,619,133
Issued Share Capital	€246,619,133

Stock option programs (as of 30-June-15)

Program	# Options outstanding	Strike price
Various	427,295	1.00
Stock Option Program 2011	2,842,400	5.65
Stock Option Program 2013	9,817,500	15.63
Stock Option Program 2014 – Tranche pre IPO	5,303,203	17.72
Stock Option Program 2014 – Tranche Mar 2015	654,900	22.79
Stock Option Program 2014 – Tranche May 2015	371,800	25.03
Total	19,417,098	

(1) Average June-2015.

INCOME STATEMENT

€m	FY/13	FY/14	Q1/15	Q2/15	YTD/15
Revenue	1,762.0	2,214.0	643.6	733.0	1,376.6
<i>% growth</i>	52.1%	25.7%	28.5%	34.1%	31.5%
Cost of Sales	(1,047.0)	(1,255.3)	(353.5)	(378.5)	(732.0)
Gross Profit	715.1	958.7	290.1	354.5	644.6
<i>% margin</i>	40.6%	43.3%	45.1%	48.4%	46.8%
Selling and Distribution Costs	(733.5)	(793.8)	(236.8)	(297.4)	(534.2)
Administrative Expenses	(105.1)	(109.1)	(29.1)	(31.7)	(60.8)
Other Operating Income	12.5	12.2	3.0	2.2	5.2
Other Operating Expenses	(2.9)	(5.8)	(2.0)	(2.0)	(4.0)
EBIT	(113.9)	62.1	25.1	25.7	50.8
<i>% margin</i>	(6.5%)	2.8%	3.9%	3.5%	3.7%
Net Financial Result	(3.3)	(4.5)	5.4	(0.9)	4.5
EBT	(117.3)	57.7	30.6	24.8	55.3
<i>% margin</i>	(6.7%)	2.6%	4.7%	3.4%	4.0%
Income and Other Tax	0.7	(10.5)	(6.3)	(1.8)	(8.1)
Net Income	(116.6)	47.2	24.3	23.0	47.3
<i>% margin</i>	(6.6%)	2.1%	3.8%	3.1%	3.4%
Depreciation & Amortization	14.9	25.8	7.5	8.0	15.5
EBITDA	(99.0)	88.0	32.6	33.7	66.3
<i>% margin</i>	(5.6%)	4.0%	5.1%	4.6%	4.8%
Share Based Compensation (SBC)	5.3	19.8	4.0	4.4	8.4
Adj. EBIT (adj. for SBC)	(108.6)	82.0	29.1	30.2	59.2
<i>% margin</i>	(6.2%)	3.7%	4.5%	4.1%	4.3%
Adj. EBITDA (adj. for SBC)	(93.7)	107.8	36.6	38.1	74.7
<i>% margin</i>	(5.3%)	4.9%	5.7%	5.2%	5.4%

SHARE BASED COMPENSATION

€m	FY/13	FY/14	Q1/15	Q2/15	YTD/15
Per Income Statement Line Item					
Cost of Sales	0.5	4.4	1.0	1.1	2.1
Selling and Distribution Costs	2.1	9.6	2.0	2.2	4.2
Administrative Expenses	2.7	5.8	1.0	1.1	2.1
Share Based Compensation	5.3	19.8	4.0	4.4	8.4
As % of revenue					
Per Income Statement Line Item					
Cost of Sales	0.0%	0.2%	0.2%	0.2%	0.2%
Selling and Distribution Costs	0.1%	0.4%	0.3%	0.3%	0.3%
Administrative Expenses	0.2%	0.3%	0.2%	0.2%	0.2%
Share Based Compensation	0.3%	0.9%	0.6%	0.6%	0.6%

SEGMENTS

€m	FY/13	FY/14	Q1/15	Q2/15	YTD/15
Revenue	1,762.0	2,214.0	643.6	733.0	1,376.6
DACH	1,056.1	1,234.0	347.1	411.0	758.1
Rest of Europe	630.2	862.6	265.0	285.3	550.3
Other	75.7	117.4	31.5	36.6	68.1
As % of total	100.0%	100.0%	100.0%	100.0%	100.0%
DACH	59.9%	55.7%	53.9%	56.1%	55.1%
Rest of Europe	35.8%	39.0%	41.2%	38.9%	40.0%
Other	4.3%	5.3%	4.9%	5.0%	4.9%
EBIT	(113.9)	62.1	25.1	25.7	50.8
DACH	5.3	72.3	30.2	11.9	42.1
Rest of Europe	(100.8)	(18.6)	(6.3)	9.7	3.4
Other	(18.4)	8.4	1.2	4.1	5.3
% margin	(6.5%)	2.8%	3.9%	3.5%	3.7%
DACH	0.5%	5.9%	8.7%	2.9%	5.5%
Rest of Europe	(16.0%)	(2.2%)	(2.4%)	3.4%	0.6%
Other	(24.3%)	7.2%	3.9%	11.3%	7.8%
Adjusted EBIT	(108.6)	82.0	29.1	30.2	59.2
DACH	8.2	83.0	32.3	14.4	46.8
Rest of Europe	(99.1)	(11.6)	(4.7)	11.3	6.6
Other	(17.8)	10.5	1.4	4.4	5.8
% adjusted margin	(6.2%)	3.7%	4.5%	4.1%	4.3%
DACH	0.8%	6.7%	9.3%	3.5%	6.2%
Rest of Europe	(15.7%)	(1.3%)	(1.8%)	4.0%	1.2%
Other	(23.5%)	9.0%	4.5%	12.0%	8.5%

BALANCE SHEET

€m	Q2/14	Q2/14 (% of total assets)	Q2/15	Q2/15 (% of total assets)
Total Non-Current Assets	190.1	18.4%	175.6	9.0%
Thereof: Property, Plant and Equipment	116.6	11.3%	110.1	5.7%
Other Financial Assets	49.0	4.7%	26.3	1.4%
Non-Financial Assets	0.0	0.0%	4.0	0.2%
Other Non-Current Assets	24.5	2.4%	35.2	1.8%
Total Current Assets	842.2	81.6%	1,767.1	91.0%
Thereof: Inventories	279.4	27.1%	432.5	22.3%
Trade and Other Receivables	115.7	11.2%	167.3	8.6%
Other Assets ¹	59.8	5.8%	193.8	10.0%
Cash and Cash Equivalents ¹	387.3	37.5%	973.5	50.1%
Total Assets	1,032.3	100.0%	1,942.7	100.0%
Total Equity	556.0	53.9%	1,182.0	60.8%
Thereof: Issued Capital	0.2	0.0%	246.6	12.7%
Capital Reserves	842.0	81.6%	1,130.1	58.2%
Retained earnings	0.3	0.0%	(2.6)	(0.1%)
Accumulated Loss	(286.4)	(27.7%)	(192.2)	(9.9%)
Total Non-Current Liabilities	26.2	2.5%	33.0	1.7%
Thereof: Financial Liabilities	17.2	1.7%	16.0	0.8%
Other Non-Current Liabilities	8.9	0.9%	17.0	0.9%
Total Current Liabilities	450.1	43.6%	727.6	37.5%
Thereof: Trade Payables and Similar Obligations	334.6	32.4%	569.1	29.3%
Other Current Liabilities	115.5	11.2%	158.5	8.2%
Total Equity & Liabilities	1,032.3	100.0%	1,942.7	100.0%
Net Working Capital	60.5	5.9%	30.7	1.6%

(1) Other assets includes investments into short-term deposits of €110m, 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

€m1	FY/14	Q1/15 YTD	Q2/15 YTD	Q2/15
Net Income	47.2	24.3	47.3	23.0
Non-Cash Expenses from Share-Based Payments	19.8	4.0	8.4	4.4
Cash Settlement of Claims from Share-Based Payments	0.0	(2.0)	(2.3)	(0.3)
Depreciation	25.8	7.5	15.5	8.0
Change in Provisions	1.0	(0.4)	(0.3)	0.1
Other Non-Cash Income	(0.2)	(0.9)	(2.5)	(1.6)
Change in Inventories and Receivables	(68.7)	(155.4)	(110.8)	44.6
Change in Trade Liabilities	94.9	117.5	78.2	(39.3)
Change in Other Assets/Other Liabilities	55.1	(6.4)	(10.2)	(3.9)
Cash Flow from Operating Activities	174.9	(11.8)	23.3	35.0
Payments for Investments in Fixed and Intangible Assets	(51.1)	(8.4)	(19.3)	(10.9)
Payments for Acquisitions	0.0	0.0	(12.2)	(12.2)
Cash Paid for Investments in Term Deposits	0.0	(90.0)	(110.0)	(20.0)
Change in Restricted Cash	(0.8)	15.8	33.5	17.8
Cash Flow from Investing Activities	(51.9)	(82.6)	(108.0)	(25.4)
Payments Received from Capital Increases	510.1	1.5	5.5	4.0
Cash Received from Loans	3.9	0.0	0.0	0.0
Cash Repayments of Loans	(3.2)	(0.8)	(1.6)	(0.8)
Cash Flow from Financing Activities	510.8	0.7	3.9	3.2
Change in Cash & Cash Equivalents	633.8	(93.7)	(80.8)	12.8
Effects of Exchange Rate on Cash & Cash Equivalents	0.0	3.6	3.4	(0.2)

KPI DEVELOPMENT

	2013	Q1/14	Q2/14	Q3/14	Q4/14	2014	Q1/15	Q2/15
Site Visits (m) ¹	1,217.0	331.8	322.7	321.7	387.6	1,363.8	392.8	411.8
Mobile Visit Share (in % of Site Visits) ²	26.8%	36.2%	40.7%	43.3%	47.9%	42.3%	52.6%	56.6%
Active Customers (m) ³	13.1	13.5	13.7	14.1	14.7	14.7	15.4	16.4
Number of Orders (m) ⁴	35.1	9.7	10.4	9.7	11.6	41.4	12.0	14.0
Average Order per Active Customer	2.68x	2.74x	2.77x	2.81x	2.82x	2.82x	2.84x	2.89
Average Basket Size (in €) ⁵	62.5	63.9	65.7	64.4	71.7	66.6	68.0	67.4
Fulfillment Cost Ratio (in % of revenue) ⁶	24%	24%	23%	23%	20%	22%	25%	28%
Marketing Cost Ratio (in % of revenue) ⁷	18%	14%	13%	11%	14%	13%	12%	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.

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
Thursday, 17-Sep	Deutsche Bank Technology Conference, Las Vegas
Monday, 21-Sep	Berenberg & Goldman Sachs German Corp. Conference, Munich
Tuesday, 22-Sep	Baader Investment Conference, Munich
Oct-2015	Q3/2015 Trading Update
Thursday, 12-Nov	Q3/2015 Results
Friday, 13-Nov	Morgan Stanley European TMT Conference, Barcelona

German ad hoc disclosure rules (*Section 15 WpHG, "German Securities Trading Act"*)

- Requires companies to immediately publish material non-public information that is (i) sufficiently concrete, and (ii) has the potential to influence the share price significantly
- Hence, ad hoc disclosures are never pre-announced

Zalando quarterly trading updates

- Provide the financial community with a voluntary update on revenue and profitability shortly after quarter-end
- Zalando pre-announces the date of each trading update via press release

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