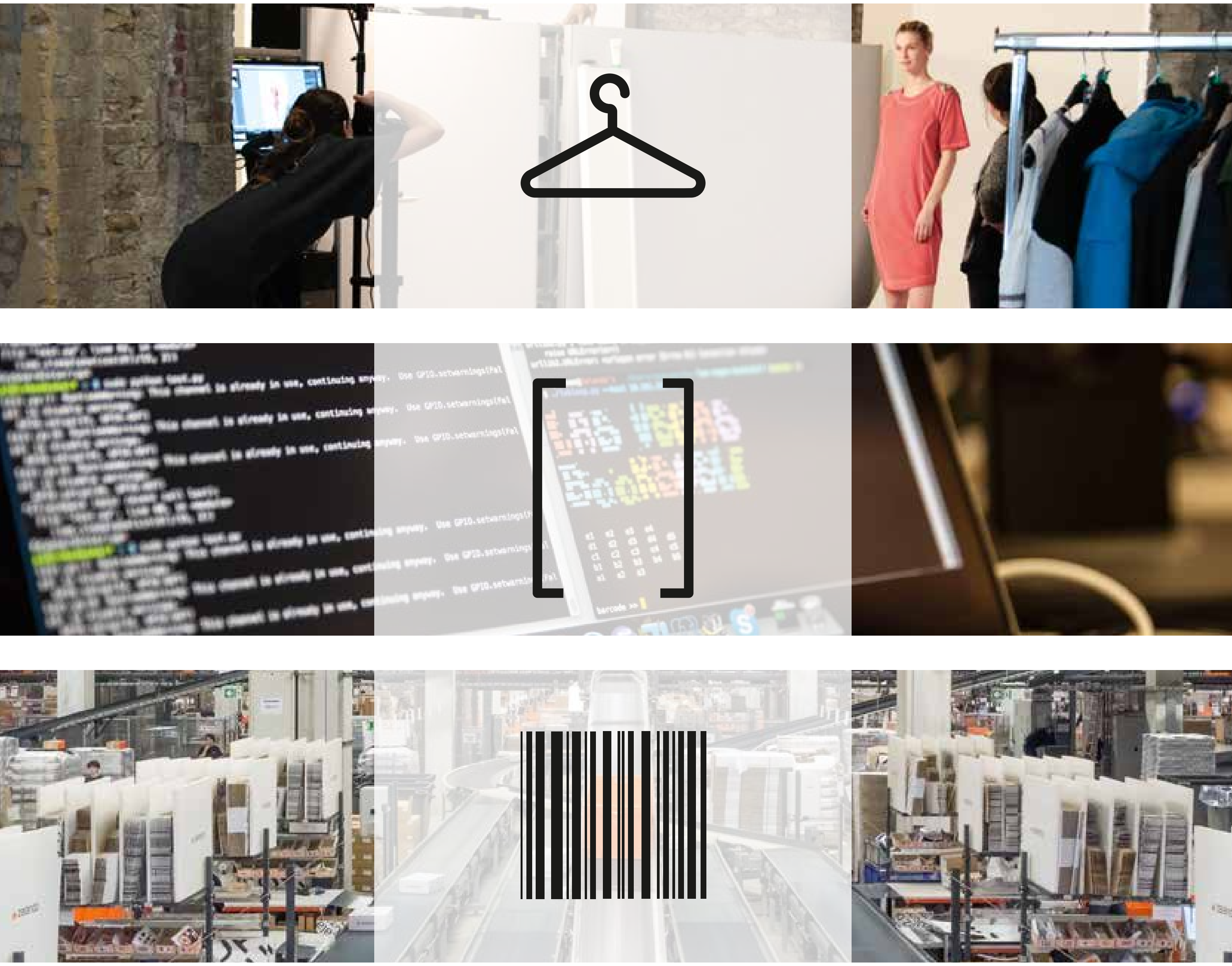


FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2014

zalando

00 CONTENT

01.1 BALANCE SHEET

ASSETS

	31.12.2014 IN EUR	31.12.2013 IN EUR K
A. Fixed assets		
I. Intangible assets		
Internally generated industrial and similar rights and assets	19,708,674.00	11,962
Purchased franchises. industrial and similar rights and assets. and licenses in such rights and assets	6,700,422.16	7,927
Prepayments	2,626,653.22	1,384
	29,035,749.38	*21,273*
II. Property. plant and equipment		
Buildings on third-party land	4,512.00	819
Other equipment. furniture and fixtures	11,168,643.00	10,128
Prepayments and assets under construction	161,082.71	387
	11,334,237.71	*11,334*
III. Financial assets		
Shares in affiliates	113,415,020.69	97,361
	153,785,007.78	*129,968*
B. Current assets		
I. Inventories		
Merchandise	337,046,808.63	326,795
Prepayments	877,865.09	794
	337,924,673.72	*327,589*
II. Receivables and other assets		
Trade receivables	183,741,860.91	114,963
Receivables from affiliates	18,185,113.90	23,130
Other assets	19,478,935.97	31,293
	221,405,910.78	*169,386*
III. Securities	520,007,893.09	0
IV. Cash on hand and bank balances	545,519,761.55	424,627
	1,624,858,239.14	*921,602*
C. Prepaid expenses	5,342,688.03	3,777
Total	**1,783,985,934.95**	**1,055,347**

EQUITY AND LIABILITIES

	31.12.2014 IN EUR	31.12.2013 IN EUR K
A. Equity		
I. Subscribed capital Conditional capital: EUR 16.549.500.00 (prior year: EUR 5k)	244,762,223.00	118
II. Capital reserves	1,133,307,127.05	832,329
III. Loss carryforward	–270,448,748.70	–155,955
IV. Net profit for the year (prior year: net loss)	35,709,474.14	–114,494
	1,143,330,075.49	*561,998*
B. Special item for government grants	3,244,914.47	1,969
C. Provisions		
Other provisions	146,635,180.50	75,099
D. Liabilities		
Prepayments received on account of orders	6,703,955.90	7,353
Trade payables	390,823,241.82	321,192
Liabilities to affiliates	21,765,815.04	44,102
Other liabilities	69,409,098.75	43,572
thereof from taxes: EUR 32.145.273.96 (prior year: EUR 22.844k)		
thereof for social security: EUR 127.482.44 (prior year: EUR 1.104k)		
	488,702,111.51	*416,219*
E. Deferred income	67,385.98	62
F. Deferred tax liabilities	2,006,267.00	0
Total	**1.783.985.934.95**	**1.055.347**

02.1 INCOME STATEMENT

FOR THE FISCAL YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

		2014 IN EUR	2013 IN EUR K
1.	Revenue	2,205,685,170.32	1,761,340
2.	Other own work capitalized	18,715,959.67	9,903
3.	Other operating income	94,468,229.91	113,372
	thereof income from currency translation: EUR 8.190.603.72 (prior year: EUR 5.689 k)		
		2,318,869,359.90	*1,884,615*
4.	Cost of materials		
	Cost of raw materials. consumables and supplies and of purchased merchandise	–1,240,098,419.49	–1,035,485
5.	Personnel expenses		
	a) Wages and salaries	–120,396,286.55	–92,643
	b) Social security. pension and other benefit costs thereof for old-age pensions: EUR 58.479.71 (prior year: EUR 47 k)	–17,164,448.88	–15,054
6.	Amortization. depreciation and write-downs		
	of intangible assets and property. plant and equipment	–18,190,920.79	–11,350
7.	Other operating expenses	–879,433,035.21	–842,675
	thereof expenses from currency translation: EUR 8.715.784.83 (prior year: EUR 6.629 k)		
		–2,275,283,110.92	*–1,997,207*
8.	Profit received under profit and loss transfer agreements	3,068,114.46	0
9.	Other interest and similar income	1,109,126.28	595
	thereof from affiliates: EUR 95.258.02 (prior year: EUR 56 k)		
10.	Write-downs of financial assets	–100,000.00	–10
11.	Interest and similar expenses	–3,871,030.96	–2,487
		206,209.78	*–1,902*
12.	*Result from ordinary activities*	*43,792,458.76*	*–114,494*
13.	*Taxes on income*	*–8,082,984.62*	*–*
14.	**Net profit for the year (prior year: net loss)**	**35,709,474.14**	**–114,494**

03.1 NOTES

A. GENERAL DISCLOSURES ON CONTENT AND CLASSIFICATION OF THE FINANCIAL STATEMENTS

The Company is a large corporation pursuant to Sec. 267 (3) HGB [“Handelsgesetzbuch”: German Commercial Code].

Based on the merger plan dated 24 March 2014 and the approving resolutions by the general meeting of Zalando AG on 15 May 2014 and the shareholder meeting of Zalando plc on 16 May 2014, Zalando plc with registered offices in London, Great Britain, was merged with Zalando AG. Zalando AG simultaneously assumed the legal form of a Societas Europaea (SE). On 28 May 2014, the company was entered in the commercial register. Since then the company has been named ZALANDO SE.

Since 1 October 2014, the shares of ZALANDO SE are traded on the regulated market of the Frankfurt Stock Exchange (Prime Standard). Since 22 December 2014, the shares have been included in the SDAX.

These financial statements were prepared in accordance with the accounting provisions of Sec. 242 et seq. HGB and the supplementary provisions for corporations (Sec. 264 et seq. HGB). The provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act] in conjunction with Art. 61 Regulation (EC) No 2157/2001 on preparing annual financial statements were also observed.

The income statement has been prepared using the nature of expense method in accordance with Sec. 275 (2) HGB.

B. ACCOUNTING AND VALUATION METHODS (SEC. 284 (2) NO. 1 HGB)

The accounting and valuation methods applied comply with the provisions of the HGB (Secs. 238 to 263 HGB) as well as with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act] in conjunction with Art. 61 Regulation (EC) No 2157/2001. Furthermore, the Company observed the supplementary accounting and valuation methods that apply to large corporations.

The Company has made use of the option pursuant to Sec. 248 (2) HGB to capitalize internally generated intangible assets and amortizes these assets, if they have a limited life. Amortization is recorded using the straight-line method over the useful life of three years. The cost of internally generated intangible assets includes direct costs as well as a proportionate share of overheads.

Intangible assets purchased from third parties are recognized at acquisition cost and are amortized if they have a limited life. Amortization is recorded using the straight-line method over the useful life of three to eight years.

Property, plant and equipment are recognized at acquisition cost and depreciated if they have a limited life. Depreciation is based on the estimated useful lives of the assets. Depreciation on property, plant and equipment is charged using the straight-line method. Depreciation is charged over the following useful lives:

USEFUL LIVES

	YEARS
Leasehold improvements	11–17
Plant and machinery	5–15
Furniture, fixtures and office equipment	2–15

Low-value assets (acquisition or production cost of between EUR 150.01 and EUR 1,000.00) are recorded in a collective item and depreciated over five years. Assets with an acquisition cost not exceeding EUR 150.00 are expensed upon acquisition.

With regard to financial assets, equity investments are recognized at the lower of cost or market. The attributable values were calculated based on the capitalized earnings value of the respective equity investment in accordance with IDW AcP HFA 10.

Merchandise is recognized at acquisition cost taking into account a weighted average in accordance with Sec. 240 (3) HGB or a lower market price. Apart from normal retentions of title, no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value. Impairments of trade receivables vis-à-vis our mail order customers are recognized on the basis of portfolio-based valuation allowances, which are calculated with the assistance of country-specific valuation allowances based on overdue receivables and other factors influencing value.

Customer returns that had not yet been completely processed in 2014, but were under the control of the Company by the balance sheet date, are deducted from receivables.

Other receivables that cannot be collected are written off in full.

Securities under current assets are recognized at cost or, if applicable, at the lower stock exchange or market price on the relevant date pursuant to Sec. 253 (4) HGB.

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses include payments made prior to the balance sheet date that relate to expenses for a particular period after this date.

The special item for government grants reports claims for expense and investment subsidies that have been approved but not yet been recorded with an effect on income. Income is realized on the same basis as the expenses of the subsidized measures.

Other provisions account for all recognizable risks and uncertain liabilities that relate to the past fiscal year and were identified by the date on which the financial statements were finalized. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Zalando granted options to management that entitle the beneficiaries to purchase shares in the Company after working for the Company for a certain period of time (equity-settled share-based payment awards). German GAAP does not explicitly state how to recognize these remuneration activities over the vesting period. Zalando recognizes share-based payment awards – where possible – in accordance with the international provisions of IFRS 2 and recognizes the personnel expenses incurred in the fiscal year at an equal amount in the capital reserves under equity.

Personnel expenses incurred in the fiscal year for phantom options (cash settled share-based payments) are accounted for by recognizing other provisions.

The cost of equity-settled share-based payment awards is calculated based on graded vesting; this means that the figure recorded for the cost of a plan reduces constantly over the vesting period.

Provisions for employee virtual stock options are valued based on best estimates of the amount and when they are expected to be utilized.

Revenue recognition was adjusted to reflect an appropriate provision for returns expected. The provision is made using the effective gross method. According to the gross method, in addition to the profit share attributable to returns, the cost of materials for expected returns is also deducted from revenue. A provision is also recognized for handling costs of expected returns.

Liabilities are recorded at the settlement value.

Liabilities from the sale of gift certificates are recognized in full under equity and liabilities and are adjusted to anticipated utilization in the course of time.

The Company controls the liquidity risk by means of ongoing planning and monitoring of liquidity. To optimize payment terms, reverse factoring agreements have been entered into with various suppliers and with various financial service provider. Under these agreements, the respective factor purchases the respective supplier receivables due from Zalando. They are recognized under trade payables on the face of the balance sheet.

Receivables and liabilities in foreign currency are translated at the mean closing rate on the balance sheet date in accordance with Sec. 256a HGB.

Part of the risks to be hedged relates to changes in the value of purchases made in USD and GBP. Another part of the risks to be hedged refers to sales in foreign currencies, including among others, CHF, DKK, GBP, NOK, PLN and SEK. ZALANDO SE hedges a portion of pending transactions with micro hedges as part of the hedging concept set out by management.

Derivative financial instruments with matching amounts and maturities were used as hedges. Hedging instruments have a term of up to twelve months. The derivative financial instruments also constitute pending transactions. Forward exchange contracts and the corresponding cash flows from orders qualify as hedges as defined by Sec. 254 HGB.

The net hedge method is initially applied to pending purchasing transactions and the corresponding forward exchange contracts. Changes in the value of forward exchange contracts are therefore not recognized if they are offset by changes in the value of the underlying. Once a liability has been recognized, the fair value through net income method is applied to changes in the value of liabilities and forward exchange contracts. Changes in the value of hedged transactions and the opposing changes in the value of forward exchange contracts are then recognized through profit and loss.

The market value of the forward exchange contracts is based on the ECB reference rate taking into account the forward discounts and premiums customary for the market. If ineffectivities are found, the negative market value of the corresponding derivative financial instrument is recorded in the provision for potential losses through profit and loss. The positive market value of the corresponding instruments is not recognized.

In case of purchases in foreign currency, the trade payables resulting from the orders are hedged against value changes after receipt of the invoice. In case of sales in foreign currency, the resulting trade receivables are hedged against value changes after delivery to the customer.

As of the balance sheet date, forward exchange contracts totaled EUR 133,288k (prior year: EUR 17,649k); thereof, contracts with a positive market value amounted to EUR 1,759k (prior year: EUR 69k), while contracts worth EUR 19k (prior year: EUR 285k) had a negative market value.

As of the balance sheet date, the option to form valuation units (hedges) had been exercised in the following cases:

USD trade payables amounting to EUR 481k were recognized together with forward exchange contracts of EUR 481k (market value: EUR 30k) in several micro valuation units by using the fair value through net income method in order to hedge the currency risk. The effectiveness is prospectively measured by means of the critical term match method and retrospectively by means of the dollar offset method. The value changes of the derivatives are expected to be fully balanced in the future, as the material valuation-related characteristics of the underlyings correspond with those of the hedges. These market values are shown in the balance sheet in the other assets item.

Merchandise orders with a volume of EUR 26,110k that were placed in USD were recognized together with forward exchange contracts of EUR 15,122k (market value: EUR 609k) in several micro valuation units using the net hedge method in order to hedge the currency risk. The effectiveness is prospectively measured by means of the critical term match method and retrospectively by means of the dollar offset method. The value changes of the derivatives are expected to be fully balanced in the future, as the material valuation-related characteristics of the underlyings correspond with those of the hedges.

Expected sales to customers in CHF, NOK, PLN and SEK with a volume of EUR 277.839k were recognized together with forward exchange contracts of EUR 117,685k (positive market value: EUR 1,120k; negative market value: EUR 19k) in several micro valuation units using the net hedge method in order to hedge the currency risk. The effectiveness is prospectively measured by means of the critical term match method and retrospectively by means of the dollar offset method. The value changes of the derivatives are expected to be fully balanced in the future, as the material valuation-related characteristics of the underlyings correspond with those of the hedges.

Deferred taxes are the result of temporary differences between the carrying amounts of assets, liabilities and deferred income in the statutory accounts and their tax carrying amounts or of tax loss carryforwards. Deferred taxes are measured on the basis of a tax rate of 29.125% (prior year: 30.175%).This includes the corporate income tax, trade tax and the solidarity surcharge of the ZALANDO SE tax unit. Deferred tax assets are recognized in the amount of the tax benefit that results from the use of taxable income from the reversal of taxable temporary differences under consideration of the rules on minimum taxation.

C. NOTES TO THE BALANCE SHEET

FIXED ASSETS

The development of the individual fixed asset items, including depreciation for the fiscal year, is shown in the analysis of fixed assets (Attachment A to the notes to the financial statements).

Development costs for internally generated intangible assets of EUR 18.716k (prior year: EUR 11,243k) were recognized in the fiscal year. As in the prior year, development costs accrued only in connection with internally developed software. As in the prior year, the Company did not incur significant research costs.

Under financial assets, an impairment loss of EUR 100k (prior year: EUR 10k) was charged on Zalando S.r.l., Milan, Italy.

List of shareholdings classified as fixed financial assets

The Company held direct and indirect shareholdings in the following affiliates as of 31 December 2014:

SHAREHOLDINGS

NAME	REGISTERED OFFICE	SHARE	NET INCOME/ LOSS FOR 2014 IN EUR K	EQUITY IN EUR K
zLabels GmbH	Berlin	100%	420	–2.331
Zalando Operations GmbH	Berlin	100%	–193	404
Zalando Logistics SE & Co. KG (formerly: Zalando Logistics GmbH & Co. KG)*	Brieselang	100%	–537	57,016
Zalando Logistics Mönchengladbach SE & Co. KG (formerly: Zalando Logistics Mönchengladbach GmbH & Co.KG)*	Mönchen-gladbach	100%	–4,082	34,548
Zalando Customer Care DACH SE & Co. KG (formerly: Zalando Customer Service DACH GmbH & Co. KG)*	Berlin	100%	–1,482	118
Zalando Content Creation SE & Co. KG (formerly: Zalando Content Creation GmbH & Co. KG)*	Erfurt	100%	–339	933
Zalando S.A.S.	Paris (Frankreich)	100%	121	577
MyBrands GmbH i.L.	Berlin	100%	0	0
Zalando Fashion Entrepreneurs GmbH (formerly: Kiomi GmbH)	Berlin	100%	1	27
MyBrands Zalando eStyles SE & Co. KG (formerly: MyBrands Zalando eStyles GmbH & Co. KG)*	Berlin	100%	–2	3
Portokali Property Development I SE & Co.KG (formerly: Portokali Property Development I GmbH & Co. KG)*	Berlin	100%	–24	–69
Portokali Property Development II SE & Co. KG (formerly: Portokali Property Development II GmbH & Co. KG)*	Berlin	100%	–13	–43
Portokali Property Development III SE & Co. KG (formerly: Portokali Property Development III GmbH & Co. KG)*	Berlin	100%	–5	–304
Zalando Customer Care International SE & Co. KG (vormals: Zalando Customer Service International GmbH & Co. KG)*	Berlin	100%	–20	659
Zalando Lounge Service GmbH (formerly: zVentures Operations GmbH)**	Berlin	100%	0	30
zOutlet Berlin GmbH**	Berlin	100%	0	279
zOutlet Frankfurt GmbH**	Frankfurt a.M.	100%	0	24

* ZALANDO SE is general partner of these companies.
** Net income 2014 after profit transfer

INVENTORIES

Inventories include goods, primarily containing shoe and textile product groups, as well as payments on account for goods.

RECEIVABLES AND OTHER ASSETS

As in the prior year, most of the receivables due from affiliates are trade receivables and loans. Letters of subordination totaling EUR 8,722k (prior year: EUR 5,986k) were issued for receivables from affiliates.

Other assets for the most part relate to creditors with debit balances and tax refund claims.

Other assets with a residual term of more than one year totaling EUR 3k (prior year: EUR 9k) were recognized as of the balance sheet date.

As in the prior year, the remaining receivables and other assets are due within one year.

Other assets include an amount of EUR 6k (prior year: EUR 1,609k) to which the Company gained title only after closing. These concern input tax deductible in the following year.

BANK BALANCES

Bank balances of EUR 37,690k (prior year: EUR 36,139k) are blocked in favor of third parties as of the balance sheet date and essentially serve as security for rental agreements.

EQUITY

SUBSCRIBED CAPITAL

Subscribed capital amounted to EUR 244,762k as of 31 December 2014 (prior year: EUR 118k).

In May 2014, subscribed capital was increased by a total of EUR 118k to EUR 236k by way of a capital contribution in cash; this has been fully paid up. All shareholders participated in the capital increase in relation to their respective shareholdings.

By way of resolution of the Company's extraordinary general meeting on 11 July 2014, subscribed capital was increased by EUR 220,050k from EUR 236k to EUR 220,286k by converting the Company's capital reserves to subscribed capital. The meeting also resolved to convert the registered shares to no-par bearer shares, maintaining the current denomination.

Additionally, 24,476,223 new shares with a notional nominal value of EUR 1.00 each were issued in the scope of the initial public offering. Together with the EUR 118k capital increase for cash and the conversions of capital reserves, the increase of subscribed capital totaled EUR 244,644 in the year under review.

Together with the entry of the aforementioned conversion and the new issue of shares, subscribed capital amounted to EUR 244,762k as of 31 December 2014. It is divided into 244.,762,223 no-par value bearer shares.

Each share represents a share of EUR 1.00 in subscribed capital and each share carries the entitlement to one vote in the Company's general meeting. There are no restrictions on voting rights. The shares carry full entitlement to dividends for fiscal years starting on or after 1 January 2014.

The share capital has been increased contingently by up to EUR 9,818k through the issue of up to 9,817,500 no-par value registered shares (conditional capital 2013). The conditional capital 2013 is linked to the servicing of subscription rights and was adjusted in connection with the capital increase. No option had been exercised in this regard by 31 December 2014.

The share capital has been increased contingently by up to EUR 6,732k through the issue of up to 6,732,000 no-par value registered shares (conditional capital 2014). The conditional capital 2014 is linked to the servicing of subscription rights. No option had been exercised in this regard by 31 December 2014.

Subject to the approval of the Supervisory Board, the management board is authorized until 28 October 2018 to increase the Company's share capital on one or several occasions by a total amount of up to EUR 5,359,420 by issuing up to 5,359,420 no-par value bearer shares against contributions in cash (authorized capital 2013). The authorized capital 2013 serves the fulfillment of option rights.

Subject to the approval of the Supervisory Board, the management board is authorized until 10 July 2019 to increase the Company's share capital on one or several occasions by a total amount of up to EUR 47,264,457 by issuing up to 47,264,457 no-par value bearer shares against contribution in cash or in kind (authorized capital 2014).

CAPITAL RESERVES

Capital reserves amounted to EUR 1,133,307k as of the balance sheet date. An amount of EUR 20,220k (prior year: EUR 4,915k) was recorded in capital reserves in fiscal year 2014 on account of equity-settled share-based payment awards. Capital reserves of EUR 220,050k were converted into subscribed capital in the scope of the capital increase in July 2014. EUR 500,808k from the IPO capital increase were transferred to the capital reserve.

VOTING RIGHTS NOTIFICATIONS

Pursuant to Sec. 160 (1) No. 8 AktG, the Company has to disclose shareholdings for which the Company received a notification as per Sec. 21 (1) or (1a) WpHG ["Wertpapiergesetz": German Securities Act].

The shareholdings that are subject to notification and that were reported to the Company are listed in Attachment B to the notes.

PROVISIONS

Other provisions of EUR 146,635k were recognized (prior year: EUR 75,099k). They mainly relate to marketing expenses (EUR 46,050k), obligations to take back returned goods (EUR 38,700k), outstanding invoices for logistics (EUR 28,374k) and personnel-related expenses (EUR 10,727k).

LIABILITIES

Liabilities to affiliates amount to EUR 21,766k (prior year: EUR 44,102k) as of the balance sheet date. As in the prior year, these mainly relate to trade payables.

As in the prior year, all the liabilities are due in up to one year. The liabilities are not secured by liens or similar rights.

DEFERRED TAXES

Zalando offsets deferred tax assets and liabilities before recognizing them in the balance sheet. Following offset, the Company recognized deferred tax liabilities in the amount of EUR 2,006k (prior year: EUR 0k). Deferred tax liabilities mainly refer to the recognition of internally generated intangible assets. Deferred tax assets on tax-deductible temporary differences mainly relate to differences between the carrying amounts of provisions in the statutory accounts and their tax carrying amounts and to loss carryforwards.

RESTRICTIONS ON DISTRIBUTION PURSUANT TO SEC. 268 (8) HGB

The total amount as defined by Sec. 268 (8) HGB comes to EUR 19,577k (prior year: EUR 11,962k). This item only relates to the recognition of internally generated assets.

CONTINGENT LIABILITIES AS DEFINED BY SEC. 251 HGB

Contingent liabilities as defined by Sec. 251 HGB as of the balance sheet date:

ZALANDO SE is jointly liable for the loan liabilities of Zalando Logistics SE & Co. KG, Brieselang, of EUR 20,887k (prior year: EUR 24,130k). As of the balance sheet date, EUR 20,887k (prior year: EUR 20,216k) of these loan liabilities had been drawn.

Furthermore, bank balances of EUR 10,074k (prior year: EUR 10,074k) are pledged as collateral for rental guarantees issued for rental agreements of Zalando Logistics SE & Co. KG, Brieselang, and of EUR 2,250k (prior year: EUR 450k) as collateral for rental guarantees issued for rental agreements of Zalando Logistics Mönchengladbach SE & Co. KG, Mönchengladbach. In addition, ZALANDO SE is liable for rental guarantees issued in the amount of EUR 1,137k (prior year: EUR 1,137k) for additional rental agreements of Zalando Logistics SE & Co. KG, Brieselang, and in the amount of EUR 11,367k (prior year: EUR 11,367k) for rental agreements of Zalando Logistics Mönchengladbach SE & Co. KG, and in the amount of EUR 198k (prior year: EUR 198k) for rental agreements of Zalando Operations GmbH, Berlin, and in the amount of EUR 31k (prior year: EUR 0k) for rental agreements of zOutlet Berlin GmbH, Berlin.

ZALANDO SE has entered into obligations towards Goodmann Cinnamon Logistics (Lux) S.à.r.l, Goodmann Boysenberry Logistics (Lux) S.à.r.l and Goodmann Tumbleweed Logistics (Lux) S.à.r.l, to provide Zalando Logistics GmbH & Co. KG, Brieselang and Zalando Logistics Mönchengladbach GmbH & Co. KG, Mönchengladbach, with financial resources so that they are in a position at all times to settle their liabilities from rental agreements for logistics space in Erfurt and Mönchengladbach.

ZALANDO SE submitted a letter of comfort for EUR 300k to Anschutz Entertainment Group Real Estate GmbH & Co. KG, Berlin. The letter of comfort serves to safeguard various costs and claims for damages that may arise from the property purchase agreements concluded by the following subsidiaries of ZALANDO SE: Portokali Property Development I SE & Co. KG, Portokali Property Development II SE & Co. KG, Portokali Property Development III SE & Co. KG.

Based on the economic situation and the forecasts available, ZALANDO SE deems the risk of claims being made from these contingent liabilities to be low.

OTHER FINANCIAL OBLIGATIONS PURSUANT TO SEC. 285 NO. 3A HGB

The Company has other financial obligations of EUR 61,357k as of the balance sheet date (prior year: EUR 41,094k) (as in the prior year, thereof to affiliates: EUR 0k).

These obligations relate to the following items:

OTHER FINANCIAL OBLIGATIONS

	IN EUR K
Rental agreements	60,895
Leases	462
Total	**61,357**

The rental and lease agreements expire between 31 July 2015 and 1 June 2024.

As of the balance sheet date, there are also other financial obligations for commitments to purchase merchandise for the spring/summer season 2015.

D. NOTES TO THE INCOME STATEMENT

REVENUE

In fiscal year 2014, around 59% of revenue related to the region Germany/Austria/Switzerland (see following table).

REVENUE

IN EUR K	2014		2013		CHANGE
DACH*	1,293,639	58.7%	1,095,041	62.2%	198,598
Rest of Europe**	912,046	41.3%	666,299	37.8%	245,747
ZALANDO SE	**2,205,685**	**100%**	**1,761,340**	**100%**	**444,345**

* As in the fiscal year 2013, DACH countries include Germany, Austria and Switzerland

** As in the fiscal year 2013, Rest of Europe countries include the Netherlands, France, Italy, the UK, Poland, Belgium, Sweden, Finland, Denmark, Spain, Norway and Luxembourg.

The Company has opted not to disclose a breakdown of revenue by division as there are no substantial differences considering the way the sales function is organized.

INCOME RELATING TO OTHER ACCOUNTING PERIODS

Income of EUR 8,641k (prior year: EUR 1,961k) relating to other accounting periods mainly includes income from the reversal of provisions.

RECONCILIATION OF NET RETAINED PROFIT/ACCUMULATED LOSS

Pursuant to Sec. 158 (1) AktG, net retained profit/accumulated loss is derived by rolling forward the net profit for the year as follows:

RECONCILIATION OF NET RETAINED PROFIT / ACCUMULATED LOSS

ITEM	IN EUR
Net profit for the year	35,709,474.14
Loss brought forward from the prior year	–270,448,748.70
Accumulated loss	**–234,739,274.56**

E. OTHER NOTES

NUMBER OF EMPLOYEES

An annual average of 2,228 (prior year: 2,086) persons were employed in the fiscal year.

The number of employees as of 31 December 2014 was as follows:

NUMBER OF EMPLOYEES

Commercial	793
Technology	651
Others	932
Total	**2.376**

GROUP RELATIONSHIPS

As the German parent company, ZALANDO SE prepares consolidated financial statements. The consolidated financial statements of ZALANDO SE, Berlin, are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (Sec. 315a HGB). The consolidated financial statements are published in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

AUDIT FEES

The Company has opted not to disclose audit fees in accordance with Sec. 285 No. 17 last clause HGB. They are disclosed in the consolidated financial statements of ZALANDO SE.

MEMBERS OF THE SUPERVISORY BOARD

In the reporting year, the following people were members of the Company's Supervisory Board:

MEMBERS OF THE SUPERVISORY BOARD

SUPERVISORY BOARD	CURRENT PROFESSION	MEMBER OF THE SUPERVISORY BOARD SINCE
Cristina Stenbeck (Chair)	Managing Chairman of the board of directors of Investment AB Kinnevik	since 10.02.2014
Lorenzo Grabau (Deputy chair)	CEO of Investment AB Kinnevik	since 12.12.2013
Anders Holch Povlsen	CEO of the Bestseller Group	since 12.12.2013
Lothar Lanz	Member of the Supervisory Board of Axel Springer SE and TAG Immobilien AG	since 10.02.2014
Kai-Uwe Ricke	Independent entrpreneur in the telecommunication sector	since 03.06.2014
Alexander Samwer	Independent entrepreneur in the internet sector and company founder	since 12.12.2013
Benjamin Krümel	Head of Buying Men and Lifestyle ZALANDO SE	since 28.05.2014
Dr. Christoph Stark	VP Logistics ZALANDO SE	since 28.05.2014
Christine De Wendel	Cluster Head France ZALANDO SE	since 28.05.2014
Mia Brunell Livfors	formerly Chief Executive Officer, Investment AB Kinnevik	until 10.02.2014
Mikael Larsson	formerly CFO of Investment AB Kinnevik	until 10.02.2014
Martin Weber	Managing Director and Partner of HV Holtzbrinck Ventures Adviser GmbH	until 03.06.2014

The members of the Supervisory Board will presumably receive payments totaling EUR 279k in the fiscal year 2014. Pursuant to Sec. 113 (2) AktG, the remuneration for the members of the Supervisory Board's first term of office until the annual general meeting on 2 June 2015 can only be determined by the annual general meeting. At the annual general meeting, the management and the Supervisory Board will propose to determine the remuneration in accordance with the provision in Article 15 of the Articles of Association of ZALANDO SE.

Additionally, reference is made to the remuneration report, which is included in the corporate governance report and is part of the management report.

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board of ZALANDO SE currently hold seats or have held seats on administrative, management or Supervisory Boards, or comparable German or foreign supervisory bodies in addition to the Supervisory Board of ZALANDO SE; the information covers the last five years:

CURRENT AND PAST SEATS

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Cristina Stenbeck	Investment AB Kinnevik (executive chairperson of the board of directors)	Modern Times Group MTG AB (board member)
	Millicom International Cellular S.A. (non-executive chairperson of the board of directors)	Invik & Co AB (board member)
		Metro International S.A. (board member)
		Tele2 AB (board member)
		Transcom WorldWide S.A. (board member)
Lorenzo Grabau	Qliro Group AB (board member)	Goldman Sachs (partner and managing director)
	Investment AB Kinnevik (CEO)	Rouge Partners S.à r.l. (board member)
	Millicom International Cellular S.A. (board member)	SoftKinetic International SA/NV (SoftKinetic BV), (board member)
	Modern Times Group MTG AB (board member)	CTC Media Inc. (co-chairman)
	Rocket Internet AG (chairman of the supervisory board)	Investment AB Kinnevik (board member)
	SecureValue E.E.I.G. (board member)	
	Tele2 AB (board member)	
	Avito Holding AB (chairman)	
	Global Fashion Holding S.A. (chairman)	

CURRENT AND PAST SEATS

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Lothar Lanz	Axel Springer SE (member of the supervisory board) Dogan TV Holding A.S. (board member) TAG Immobilien AG (member of the supervisory board)	Axel Springer SE (member of the management board)
Anders Holch Povlsen*	Aktieselskabet af 5.8.2013 A/S (member of the management board and member of the board of directors) Aktieselskabet af 5.5.2010 A/S (member of the management board and member of the board of directors) Aktieselskabet af 1.8.2007 A/S (member of the management board and member of the board of directors) Aktieselskabet af 1.8.2004 A/S (member of the management board and member of the board of directors) Aktieselskabet af 2.12.1998 A/S (member of the management board and member of the board of directors) Bestseller A/S (member of the management board and member of the board of directors) Bestseller United A/S (member of the management board and member of the board of directors) MandM Direct Limited (board member) www.nemlig.com A/S (member of the board of directors)	

* Furthermore, Mr. Holch Povlsen holds and held seats on the boards of management and/or directors of several companies belonging to the Bestseller Group.

CURRENT AND PAST SEATS

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Kai-Uwe Ricke	Delta Partners (chairman of the board of directors)	Assicurazioni Generali S.p.A. (member of the board of directors)
	euNetworks Group Ltd. (member of the board of directors)	easycash GmbH (now Ingencio Payment Services GmbH), (member of the advisory board)
		Exigen Capital Europa AG (member of the advisory board)
	1&1 Internet AG (member of the supervisory board)	Kabel Baden-Württemberg GmbH & Co. KG (member of the advisory board)
	1&1 Telecommunication AG (deputy chairman of the supervisory board)	Nordia Innovation AB (member of the board of directors)
	SUSI Partners AG (member of the board of directors)	Saudi Oger Telecom Ltd. (member of the board of directors)
	United Internet AG (member of the supervisory board)	
	United Internet Ventures AG (member of the supervisory board)	
	Virgin Mobile CEE (board member)	

CURRENT AND PAST SEATS

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Alexander Samwer	Aramis Management GmbH (managing director) Atonis Management GmbH (managing director) Kastanien Management GmbH (managing director) Portos Management GmbH (managing director) Sparta GmbH (ehemals: Trojanika GmbH), (managing director)	Augustus Immobilien GmbH (managing director) ACALDO Management GmbH (managing director) European Founders Fund Management GmbH (managing director) European Founders Fund Nr. 2 Geschäftsführungs GmbH (managing director) European Founders Fund Nr. 2 Verwaltungs GmbH (managing director) European Founders Fund Nr. 3 Beteiligungs GmbH (managing director) European Founders Fund Nr. 3 Management GmbH (managing director) European Founders Fund Nr. 3 Verwaltungs GmbH (managing director) Global Founders Capital Verwaltungs GmbH (formerly European Founders Fund Verwaltungs GmbH), (managing director) Global Founders GmbH (formerly European Founders Fund GmbH), (managing director) MOAS Verwaltung GmbH (managing director) Sparta GmbH (managing director) Troja GmbH (managing director)
Dr. Christoph Stark	Stark GbR (Gesellschaft bürgerlichen Rechts), (partner) Vermögensverwaltungsgesellschaft Kaulbachstraße 63 GbR (partner) Vermögensverwaltungsgesellschaft Karl-Albrecht-Hof GbR (partner)	

CURRENT AND PAST SEATS

NAME OF SUPERVISORY BOARD MEMBER	CURRENT SEATS	PAST SEATS
Christine de Wendel	Société Civile Immobilière Plantation Glanum (managing partner)	

MEMBERS OF THE MANAGEMENT BOARD

The management board of ZALANDO SE is comprised of the following persons:

MEMBERS OF THE MANAGEMENT BOARD

MANAGEMENT BOARD	CURRENT PROFESSION
Robert Gentz	Management board
David Schneider	Management board
Rubin Ritter	Management board

For the members of the management board, this is their full-time occupation.

Payments granted to the management board in the fiscal year 2014 totaled EUR 0.6m (prior year: EUR 31.8m). No new option rights were granted to the management board in the fiscal year 2014 (in the prior year: 9,817,500 options). The fair value of the options granted in the fiscal year 2013 amounted to EUR 31.3m on the day they were granted. They are included at that fair value in the disclosed figure for total payments granted. Options granted under the SOP 2013 can be vested in the management board members over a period of five years.

RELATED PARTIES DISCLOSURES

Related parties are legal or natural persons that can influence ZALANDO SE or that are subject to the control or significant influence of ZALANDO SE.

Related party transactions have been concluded in particular with ZALANDO SE's subsidiaries. These transactions are concluded at arm's length conditions.

APPROPRIATION OF PROFITS

The net loss was carried forward to new account.

CORPORATE GOVERNANCE DECLARATION

The declaration by the management board and the Supervisory Board regarding the Corporate Governance Code [Corporate Governance Kodex] pursuant to Sec. 161 AktG of December 2014 is published on the Company's website (https://corporate.zalando.de/).

SIGNING OF THE 2014 FINANCIAL STATEMENTS

Berlin, 26 February 2015

The management board

Robert Gentz David Schneider Rubin Ritter

03.2 ATTACHMENT A TO THE NOTES

03.2.1 STATEMENT OF CHANGES IN FIXED ASSETS FOR 2014

2014

	ACQUISITION AND PRODUCTION COST				
IN EUR	01.01.2014	ADDITIONS	DISPOSALS	RECLASSIFI-CATIONS	31.12.2014
Intangible assets					
Internally generated industrial and similar rights and assets	17,538,461.84	16,840,863.62	0.00	0.00	34,379,325.46
Purchased franchises. industrial and similar rights and assets. and licenses in such rights and assets	14,541,628.18	2,449,299.31	0.00	1,215,343.41	18,206,270.90
Prepayments	1,384,635.97	2,457,360.66	0.00	-1,215,343.41	2,626,653.22
	33,464,725.99	21,747,523.59	0.00	0.00	55,212,249.58
Property. plant and equipment					
Buildings on third-party land	870,091.82	4,722.49	0.00	-653,740.98	221,073.33
Other equipment. furniture and fixtures	16,101,729.24	4,065,432.06	38,800.11	1,040,276.96	21,168,638.15
Prepayments and assets under construction	386,535.98	161,082.71	0.00	-386,535.98	161,082.71
	17,358,357.04	4,231,237.26	38,800.11	0.00	21,550,794.19
Financial assets					
Shares in affiliates	97,490,618.69	16,211,501.00	167,100.00	0.00	113,535,019.69
	148,313,701.72	42,190,261.85	205,900.11	0.00	190,298,063.46

ACCUMULATED AMORTIZATION. DEPRECIATION AND WRITE-DOWNS					NET BOOK VALUES	
01.01.2014	ADDITIONS	DISPOSALS	RECLASSIFI-CATIONS	31.12.2014	31.12.2014	31.12.2013 IN EUR K
5,576,561.84	9,094,089.62	0.00	0.00	14,670,651.46	19,708,674.00	11,962
6,614,936.02	4,890,912.72	0.00	0.00	11,505,848.74	6,700,422.16	7,927
0.00	0.00	0.00	0.00	0.00	2,626,653.22	1,384
12,191,497.86	13,985,002.34	0.00	0.00	26,176,500.20	29,035,749.38	21,273
51,133.82	255,888.74	0.00	-90,461.23	216,561.33	4,512.00	819
5,973,377.24	3,950,029.71	13,873.03	90,461.23	9,999,995.15	11,168,643.00	10,128
0.00	0.00	0.00	0.00	0.00	161,082.71	387
6,024,511.06	4,205,918.45	13,873.03	0.00	10,216,556.48	11,334,237.71	11,334
129,998.00	100,000.00	109,999.00	0.00	119,999.00	113,415,020.69	97,361
18,346,006.92	18,290,920.79	123,872.03	0.00	36,513,055.68	153,785,007.78	129,968

03.3 ATTACHMENT B TO THE NOTES

03.3.1 DISCLOSURES PURSUANT TO SEC. 160 (1) NO. 8 AKTG ["AKTIENG-ESETZ": GERMAN STOCK CORPORATION ACT]

There are shareholdings in the Company that have been disclosed pursuant to Sec. 21 (1 or 1a) WpHG ["Wertpapiergesetz": German Securities Act] and published pursuant to Sec. 26 (1) of the WpHG as follows:

1. On 26 January 2015, Ms Rebecca David, Cyprus, informed us pursuant to Sec. 21 (1) WpHG that her share of voting rights in ZALANDO SE, Berlin, Germany exceeded the threshold of 3% and 5% on 28 December 2014 and amounted to 7,10% (17.381.650 voting rights) on this day. 7.10% of voting rights (equivalent to 17,381,650 voting rights) are attributed to Ms David pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by her, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P., DST Managers Limited, Newton Trustees Limited.

2. On 26 January 2015, Mr Alastair Tulloch, United Kingdom, informed us pursuant to Sec. 21 (1) WpHG that his share of voting rights in ZALANDO SE, Berlin, Germany was below the threshold of 5% and 3% on 28 December 2014 and amounted to 0.0% (equivalent to 0 voting rights) on this day.

On 21 November 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. Newton Trustees Limited, Charlestown, Nevis, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 7.10% (17,381,650 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 7.10% (17,381,650 voting rights) are attributed to Newton Trustees Limited pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P., DST Managers Limited.

2. Alastair Tulloch, United Kingdom, notified us pursuant to Sec. 21 (1a) WpHG that his share of voting rights in ZALANDO SE amounted to 7.10% (17.381.650 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 7.10% (17,381,650 voting rights) are attributed to Alastair Tulloch pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The attributed voting rights are held by the following entities controlled by Alastair Tulloch, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P., DST Managers Limited, Newton Trustees Limited.

3. Yuri Milner, Russia, notified us pursuant to Sec. 21 (1a) WpHG that his share of voting rights in ZALANDO SE amounted to 7.10% (17.381.650 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market.

7.10% (17.381.650 voting rights) are attributed to Yuri Milner pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The attributed voting rights are held by the following entities controlled by Yuri Milner, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P., DST Managers Limited, Newton Trustees Limited.

On 6 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. Kinnevik Online AB, Stockholm, Sweden, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 47.07% (115.216.310 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 32.04% (78,427,800 voting rights) are attributable to Kinnevik Online AB pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entity controlled by Kinnevik Online AB, whose share of voting rights in ZALANDO SE amounts to 3% or more: Kinnevik Internet 1 AB.

15.03% (36.788.510 voting rights) are attributed pursuant to Sec. 22 (2) WpHG. Kinnevik Online AB is attributed voting rights of the following shareholder, whose share of voting rights in ZALANDO SE amounts to 3% or more: Global Founders GmbH.

2. Investment AB Kinnevik, Stockholm, Sweden, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 47.07% (115.216.310 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 32.04% (78,427,800 voting rights) are attributable to Investment AB Kinnevik pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by Investment AB Kinnevik, whose share of voting rights in ZALANDO SE each amounts to 3% or more: Kinnevik Internet 1 AB, Kinnevik Online AB.

15.03% (36.788.510 voting rights) are attributed pursuant to Sec. 22 (2) WpHG. Investment AB Kinnevik is attributed voting rights of the following shareholder, whose share of voting rights in ZALANDO SE amounts to 3% or more: Global Founders GmbH.

3. Verdere S.à r.l., Luxembourg, Luxembourg, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 47.07% (115,216,310 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 32.04% (78,427,800 voting rights) are attributable to Verdere S.à r.l. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by Verdere S.à r.l., whose share of voting rights in ZALANDO SE amounts to 3% or more: Kinnevik Internet 1 AB, Kinnevik Online AB, Investment AB Kinnevik.

15.03% (36,788,510 voting rights) are attributed pursuant to Sec. 22 (2) WpHG. Verdere S.à r.l. is attributed voting rights of the following shareholder, whose share of voting rights in ZALANDO SE amounts to 3% or more: Global Founders GmbH.

4. Global Founders GmbH, Munich, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 47.89% (117,224,690 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market.

Global Founders GmbH directly holds 15.03% (36,788,510 voting rights). 0.82% (2,008,380 voting rights) are attributed to Global Founders GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

32.04% (78,427,800 voting rights) are attributed to Global Founders GmbH pursuant to Sec. 22 (2) WpHG. Global Founders GmbH is attributed voting rights of the following shareholder, whose share of voting rights in ZALANDO SE amounts to 3% or more: Kinnevik Internet 1 AB.

5. DST Global III, L.P., George Town, Cayman Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 4.51% (11,027,390 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 4.51% (11,027,390 voting rights) are attributed to DST Global III, L.P. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entity controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l.

6. DST Managers Limited, George Town, Cayman Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 7.10% (17,381,650 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 7.10% (17,381,650 voting rights) are attributed to DST Managers Limited pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P.

On 7 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. Bestseller Handels B.V., Amsterdam, The Netherlands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market.

2. Bestseller Commerce B.V., Amsterdam, The Netherlands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) are attributable to Bestseller Commerce B.V. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entity controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V.

3. Bestseller A/S, Brande, Denmark, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) are attributable to Bestseller A/S pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V., Bestseller Commerce B.V.

4. Bestseller United A/S, Brande, Denmark, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) are attributable to Bestseller United A/S pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V., Bestseller Commerce B.V., Bestseller A/S.

5. Aktieselskabet af 1.8.2004, Brande, Denmark, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) are attributable to Aktieselskabet af August 1, 2004 pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V., Bestseller Commerce B.V., Bestseller A/S, Bestseller United A/S.

6. Aktieselskabet af 1.8.2007, Brande, Denmark, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) areattributable to Aktieselskabet af 1.8.2007 pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V., Bestseller Commerce B.V., Bestseller A/S, Bestseller United A/S, Aktieselskabet af 1.8.2004.

7. Anders Holch Povlsen, Denmark, notified us pursuant to Sec. 21 (1a) WpHG that his share of voting rights in ZALANDO SE amounted to 9.43% (23,075,800 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. 9.43% (23,075,800 voting rights) are attributable to Anders Holch Povlsen pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following entities controlled by him, whose share of voting rights in ZALANDO SE amounts to 3% or more: Bestseller Handels B.V., Bestseller Commerce B.V., Bestseller A/S, Bestseller United A/S, Aktieselskabet af 1.8.2004, Aktieselskabet af 1.8.2007.

On 6 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, received the following voting rights notification pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. Kinnevik Internet 1 AB, Stockholm, Sweden, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 47.07% (115,216,310 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. Thereof Kinnevik Internet 1 AB directly holds 32.04% (78,427,800 voting rights). 15.03% (36,788,510 voting rights) are attributed pursuant to Sec. 22 (2) WpHG. Kinnevik Internet 1 AB is attributed voting rights of the following shareholder, whose share of voting rights in ZALANDO SE amounts to 3% or more: Global Founders GmbH.

On 6 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. DST Europe EC 2 S.à r.l., Luxembourg, Luxembourg, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 4.51% (11,027,390 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market.

2. DST Global III, L.P., George Town, Cayman Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 4.51% (11,027,390 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. Attributed voting rights are held by the following entity controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l.

3. DST Managers Limited, George Town, Cayman Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 7.10% (17,381,650 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on an organized market. Attributed voting rights are held by the following entities controlled by the company, whose share of voting rights in ZALANDO SE amounts to 3% or more: DST Europe EC 2 S.à r.l., DST Global III, L.P.

On 2 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, (ISIN DE000ZAL1111, WKN ZAL111) received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. AI European Holdings S.à r.l., Luxembourg, Luxembourg, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main.

2. AI European Holdings LP, Tortola, British Virgin Islands, Great Britain, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AI European Holdings LP pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiary: AI European Holdings S.à r.l.

3. AI European Holdings GP Limited, Tortola, British Virgin Islands, Great Britain, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AI European Holdings GP Limited pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP.

4. Access Industries Investment Holdings LLC, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to Access Industries Investment Holdings LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited.

5. AI SMS LP, Tortola, British Virgin Islands, Great Britain, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AI SMS LP pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC.

6. AI Petroleum Holdings LLC, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse),

Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AI Petroleum Holdings LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP.

7. AIPH Holdings LLC, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AIPH Holdings LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP, AI Petroleum Holdings LLC.

8. Access Industries Holdings LLC, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to Access Industries Holdings LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP, AI Petroleum Holdings LLC, AIPH Holdings LLC.

9. AI SMS GP Limited, Tortola, British Virgin Islands, Great Britain, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to AI SMS GP Limited pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP.

10. Access Industries LLC, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to Access Industries, LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP, AI SMS GP Limited, AI Petroleum Holdings LLC, AIPH Holdings LLC, Access Industries Holdings LLC.

11. Grantor Trust dated May 21, 2003, Delaware, United States of America, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to Grantor Trust dated May 21, 2003 pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP, AI SMS GP Limited, AI Petroleum Holdings LLC, AIPH Holdings LLC, Access Industries Holdings LLC, Access Industries, LLC.

12. Len Blavatnik, England, notified us pursuant to Sec. 21 (1a) WpHG that his share of voting rights in ZALANDO SE amounted to 3.22% (7,891,400 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 3.22% (7,891,400 voting rights) were attributable to Len Blavatnik pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: AI European Holdings S.à r.l., AI European Holdings LP, AI European Holdings GP Limited, Access Industries Investment Holdings LLC AI SMS LP, AI SMS GP Limited, AI Petroleum Holdings LLC, AIPH Holdings LLC, Access Industries Holdings LLC, Access Industries, LLC, Grantor Trust dated May 21, 2003.

On 1 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, (ISIN DE000ZAL1111, WKN ZAL111) received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. TEV Global Invest I GmbH, Mülheim an der Ruhr, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 5.06% (12,392,490 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main.

2. Tengelmann Ventures GmbH, Mülheim an der Ruhr, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 5.06% (12,392,490 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 5.06% (12,392,490 voting rights) were attributable to Tengelmann Ventures GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: TEV Global Invest I GmbH.

3. Tengelmann E-Commerce GmbH, Mülheim an der Ruhr, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 5.06% (12,392,490 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 5.06% (12,392,490 voting rights) were attributable to Tengelmann E-Commerce GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: TEV Global Invest I GmbH, Tengelmann Ventures GmbH.

4. Tengelmann Warenhandelsgesellschaft KG, Mülheim an der Ruhr, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 5.06% (12,392,490 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 5.06% (12,392,490 voting rights) were attributable to Tengelmann Warenhandelsgesellschaft KG pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: TEV Global Invest I GmbH, Tengelmann Ventures GmbH, Tengelmann E-Commerce GmbH.

5. Tengelmann Verwaltungs- und Beteiligungs GmbH, Mülheim an der Ruhr, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 5.06% (12,392,490 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 5.06% (12,392,490 voting rights) were attributable to Tengelmann Verwaltungs- und Beteiligungs GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 and Sec. 22 (3) WpHG and were held by the following subsidiaries: TEV Global Invest I GmbH, Tengelmann Ventures GmbH, Tengelmann E-Commerce GmbH, Tengelmann Warenhandelsgesellschaft KG.

On 1 October 2014, ZALANDO SE, Tamara-Danz-Straße 1, 10243 Berlin, Germany, (ISIN DE000ZAL1111, WKN ZAL111) received the following voting rights notifications pursuant to Sec. 21 (1a) WpHG (notification on first-time admission):

1. Holtzbrinck Ventures GmbH & Co. KG, Munich, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main.

2. HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH, Munich, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 6.88% (16,837,480 voting rights) were attributable to HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH pursuant to Sec. 22 (1) Sentence 1 No. 1 and Sec. 22 (3) WpHG and were held by the following subsidiary: Holtzbrinck Ventures GmbH & Co. KG.

3. HV Holtzbrinck Ventures Fund IV LP, St. Helier, Jersey, Channel Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 6.88% (16,837,480 voting rights) were attributable to HV Holtzbrinck Ventures Fund IV LP pursuant to Sec. 22 (1) Sentence 1 No. 1 and Sec. 22 (3) WpHG and were held by the following subsidiaries: Holtzbrinck Ventures GmbH & Co. KG, HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH.

4. HV Holtzbrinck Ventures Fund IV GP Limited, St. Helier, Jersey, Channel Islands, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 6.88% (16,837,480 voting rights) were attributable to HV Holtzbrinck Ventures Fund IV GP Limited pursuant to Sec. 22 (1) Sentence 1 No. 1 and Sec. 22 (3) WpHG and were held by the following subsidiaries: Holtzbrinck Ventures GmbH & Co. KG, HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH HV Holtzbrinck Ventures Fund IV LP.

5. HV Holtzbrinck Ventures Holding GmbH & Co. KG, Munich, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 6.88% (16,837,480 voting rights) were attributable to HV Holtzbrinck Ventures Holding GmbH & Co. KG pursuant to Sec. 22 (1) Sentence 1 No. 1 and Sec. 22 (3) WpHG and were held by the following subsidiaries: Holtzbrinck Ventures GmbH & Co. KG, HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH HV Holtzbrinck Ventures Fund IV LP, HV Holtzbrinck Ventures Fund IV GP Limited.

6. HV Holtzbrinck Ventures Holding GmbH, Munich, Germany, notified us pursuant to Sec. 21 (1a) WpHG that its share of voting rights in ZALANDO SE amounted to 6.88% (16,837,480 voting rights) on 30 September 2014, the date the shares of ZALANDO SE were first admitted to trading on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Frankfurt am Main. Thereof, 6.88% (16,837,480 voting rights) were attributable to HV Holtzbrinck Ventures Holding GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG and were held by the following subsidiaries: Holtzbrinck Ventures GmbH & Co. KG, HV Holtzbrinck Ventures Verwaltungsgesellschaft mbH HV Holtzbrinck Ventures Fund IV LP, HV Holtzbrinck Ventures Fund IV GP Limited HV Holtzbrinck Ventures Holding GmbH & Co. KG.

04.1 BASIC INFORMATION ON THE GROUP

04.1.1 BUSINESS MODEL

Zalando is Europe's leading online fashion platform. The Berlin-based company offers customers a wide assortment of clothes, shoes and accessories for women, men and children.

Zalando cooperates with more than 1,500 brand manufacturers to offer products ranging from globally known brands to local and fast-fashion brands as well as self-designed private labels. The range is extended and supplemented by the Zalando Lounge, where registered members have access to an even wider range of products as well as special offers and great discounts. Opened in 2012 and 2014, respectively, the bricks-and-mortar outlet stores in Berlin and Frankfurt offer an additional sales channel for residual stock. The parent company, ZALANDO SE, was founded in 2008 in Berlin and has its head offices there. Zalando began serving neighboring countries in Europe in 2009 following the success seen in Germany. After entering the Austrian market in 2009, France and the Netherlands followed in 2010. In fiscal year 2011, Italy, the United Kingdom and Switzerland were added to the list and in fiscal year 2012, Zalando entered the markets in Sweden, Belgium, Spain, Denmark, Finland, Poland and Norway. Zalando began serving the market in Luxembourg in 2013. In each of these markets, our country-specific websites and mobile apps are tailored to the specific needs and preferences of our customers. In addition, the centralized management of our procurement, logistics and technology divisions provides us with economies of scale.

In order to provide the perfect shopping experience, Zalando offers its customers free delivery and returns with a return policy of up to 100 days, a free service hotline, inspiring online content and customized recommendations. Zalando believes that the combination of fashion, operating processes and online technology together with our strong skills in all these areas is a critical factor in the success of the company and allows Zalando to provide a compelling value proposition to customers and fashion-brand partners. A network of three fulfillment centers in Germany enables Zalando to serve all its customers efficiently.

04.1.2 GROUP STRUCTURE

LEGAL FORM

In the first half of 2014, ZALANDO SE changed its legal form from a German stock corporation (AG) to a European stock corporation (SE) by way of merger via acquisition of the wholly owned subsidiary Zalando Plc, London, UK (transferring entity). The merger and change in legal form took effect upon entry into the commercial register of Berlin-Charlottenburg district court on May 28, 2014.

MANAGEMENT AND CONTROL

Group revenue was almost exclusively generated by ZALANDO SE. In addition to the parent company, Zalando comprises an additional 17 subsidiaries that operate in the areas of logistics, customer service, product presentation, corporate management and planning and the development of private labels exclusively for ZALANDO SE. ZALANDO SE and its subsidiaries thus encompass the entire value chain of an online retailer. ZALANDO SE directly or indirectly holds 100% of the shares in each of its subsidiaries.

As a result, group reporting essentially corresponds to the reporting on the situation of ZALANDO SE. Supplementary information concerning the separate financial statement is presented in section 04.6.

The Management Board of ZALANDO SE currently comprises three members. The Management Board is responsible for group's strategy and management. Rubin Ritter is responsible for operations, sales, finance and corporate governance. Robert Gentz is responsible for technology, human resources and strategy. David Schneider's area of responsibility comprises marketing, procurement and private labels. Consisting of nine members, the Supervisory Board advises the Management Board and monitors its management activities. The Supervisory Board is directly involved in decisions of fundamental importance to the company. In particular, it examines the annual financial statements and management reports and reports audit findings to the annual general meeting. Zalando's long-term investors, employees and independent economic experts are represented on the Supervisory Board. The remuneration of the Management Board and the Supervisory Board and the incentive and bonus systems are explained in the remuneration report. The remuneration report and disclosures concerning the takeover pursuant to Secs. 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code], which are components of the combined management report, are presented in the corporate governance report. The corporate governance report also includes the corporate governance declaration.

GROUP SEGMENTS

The group's internal reporting structure is oriented towards sales channels. The main sales channel, Zalando Shop, consists principally of local websites through which shoes, fashion items and accessories are sold in all sales markets. For the purpose of IFRS reporting, Zalando Shop is further divided into two geographical areas, namely DACH (Germany, Austria and Switzerland) and the Rest of Europe (all the other countries in which Zalando operates). All other sales channels are grouped under the Other segment, which mainly comprises revenue generated by the Zalando Lounge sales channel. The revenue from the Zalando Lounge stems from additional sales campaigns for selected products at discounted prices.

IPO (INITIAL PUBLIC OFFERING)

Zalando shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since October 1, 2014 and the share has been listed on the SDAX since December 22, 2014.

The listing was preceded by an offer for the sale of 28,147,656 no-par value ordinary bearer shares (Stückaktien), each representing a proportionate amount of the share capital of EUR 1.00 each with full dividend entitlement as of January 1, 2014. The offer comprised 24,476,223 new no-par value ordinary bearer shares (Stückaktien) from the IPO capital increase and 3,671,433 no-par value ordinary bearer shares (Stückaktien) in connection with a potential overallotment.

Investors had the opportunity to purchase shares in an offering range of EUR 18.00 to EUR 22.50 from September 18, 2014 to September 29, 2014. The offering was oversubscribed more than ten times at the high-end of the price range. The company set the offer price at EUR 21.50 on September 29, 2014.

The IPO provided Zalando with a cash inflow of EUR 510,1m after deducting the equity transaction costs. The greenshoe option granted by the implementing banks, which could have been utilized up to and including October 27, 2014, was not exercised.

04.1.3 STRATEGY AND OBJECTIVES OF THE GROUP

Zalando is one of Europe's leading online fashion retailers. Over 7,000 employees are committed to fulfilling the expectations of Zalando's customers. The company provides a fashion platform to around 15 million active customers in 15 countries and is a key retail partner for over 1,500 large and small brand partners.

The successful business growth in recent years is testament to the strengths of Zalando's business model – which lays the foundation required to achieve revenue and earnings targets. The group aims to generate profitable revenue growth in a range of 20–25% a year and further extend its market leadership by expanding its market share in European online fashion trade. Zalando has identified four key criteria as part of its general goal to achieve profitable and sustainable revenue growth.

FOCUS ON THE CUSTOMER

The needs and expectations of the customer are at the heart of all we do. Zalando aims to inspire customers through its diverse range of brands, its appealing and customized functions in the online shop, its product-related services and its new, customer-oriented mobility solutions. Zalando is intent on meeting the needs of its customers in order to achieve lasting customer relationships. As the product assortment grows, the need to customize our offering becomes more important; a search engine for fashion products, automatically generated shopping recommendation and comprehensive tailored advice contribute to the shopping experience.

MOBILE-FIRST PRINCIPLE

Zalando sees great potential in mobile internet usage. The focus in this context is on the development of new designs and content for mobile devices. We expect that more people will access the internet from mobile devices such as smartphones and tablet computers than from stationary PCs in 2015. Zalando is taking account of this change in user behavior and adapting its business model accordingly. Zalando is certain that investment in new technology is essential, both in terms of long-term success and further extending its market position.

AN ATTRACTIVE EMPLOYER

Satisfied and motivated employees are the key factor of any attractive employer. As a result, the objective is not only to appeal to external applicants, but also to invest in Zalando's own employees and managers. Zalando's aims to do this by showing appreciation to staff, coaching managers intensively and redefining Zalando's values and visions. Zalando will also intensify the dialog with employees and discuss individual development and career aspirations and the transparency of internal growth opportunities with them. Once again in 2015, Zalando will be looking to strengthen cooperation between departments, promote learning through employee and manager development and foster the international character and cultural diversity. Zalando's aim is to foster a working atmosphere in which all employees enjoy their jobs, think and act in entrepreneurial spirit and feel they can take on responsibility to rise to the challenges of their job.

ZALANDO AS A PLATFORM

Zalando launched its business specializing in the sale of shoes in Germany in 2008 and has since diversified to encompass other product categories and countries. Today, Zalando is one of Europe's leading online fashion retailers. Rather than remaining a purely online retailer that buys and sells goods, Zalando aims to establish itself as a strategic platform that unites customers and fashion. Similar to a shopping mall, for example, Zalando plans to provide access to other well-known brands via its websites that do not wish to open stores of their own despite the revenue potential in Europe. Similar to Topshop and as of May 2015, Gap, these brands will be able to market their products from their own shop on Zalando. With the help of Zalando, these brands gain instant access to 15 European markets, 400 million potential customers and the entire Zalando infrastructure.

04.1.4 MANAGEMENT SYSTEM

In addition to revenue, EBIT and EBIT margin, other financial performance indicators key to corporate management include the adjusted and unadjusted fulfillment and marketing cost ratios, along with adjusted EBIT and EBITDA. Net current assets and operating cash flow are also taken into account. The Management Board manages solely at group level.

In addition to these financial indicators, Zalando also uses a range of non-financial performance indicators to manage the company.

- Ratio of website visits from mobile devices/all website visits: Customers are increasingly using mobile devices to surf the internet. In an effort to offer customers a high-quality shopping experience on their mobile devices, Zalando is constantly improving its mobile websites and apps. As a result, the ratio of website visits from mobile devices to the total number of website visits increased by around 15.5 percentage points from 26.8% in 2013 to 42.3%.

- Number of active customers: The Zalando group also measures its success in terms of the increase in the number of active customers. An active customer is anyone who has placed at least one order during the last 12 months (relative to the reporting date). Compared to the prior year, the number of active customers increased by 1.6 million from 13.1 million to 14.7 million in 2014.

- Number of orders: In addition to revenue, the number of orders placed is a key performance indicator for the management of the group; this indicator is perceived independently of the value of merchandise and the result is used as the basis for calculating growth. In 2014, the number of orders increased by 6.3 million on the prior year to 41.4 million.

- Average number of orders per active customer: The average number of orders placed by active customers during the last 12 months totaled 2.8 as of December 31, 2014 (prior year: 2.7).

- Average basket size: Similar to the number of orders placed, the average basket size has a direct effect on the revenue of the group. It is also an important indicator of the trust customers place in the company. The increase in the average basket size from EUR 62.5 to EUR 66.6 in fiscal 2014 is an important step for Zalando.

04.1.5 RESEARCH AND DEVELOPMENT

Zalando develops key components of its in-house software internally. This ensures that the software is perfectly tailored to the company's operating processes. Ordering and logistics processes in particular are supported by internally developed software. Important technical developments in 2014 included apps for smartphones and tablets for both iOS and Android devices, the 360-degree product view in the shop, an express delivery option and the ability to track the entire shipping process from a customer account.

Research costs were immaterial.

Software development at Zalando refers to the structured, labor-intensive phase of programming and implementation of system upgrades, further developing components and extending the functionality of the ERP system. Development work at Zalando is carried out by teams of engineers assigned to the shop, back end, logistics, payment process engines, tooling and brand solutions departments.

In 2014, the group recognized capitalized development costs of EUR 16.9m (prior year: EUR 11.2m). The increase in development costs is attributable to the enhancement of the above-mentioned software and new technical projects.

04.1.6 SUSTAINABILITY

For Zalando, sustainability is a matter of combining economic success with environmentally-friendly and socially responsible activities. Our code of conduct for business partners of the group is testament to the importance we attach to sustainability in all our business activities. It is based on the principles of the Universal Declaration of Human Rights, the UN Global Compact, the conventions of the International Labor Organization (ILO) and the OECD Guidelines for Multinational Enterprises. The code of conduct prohibits forced labor and discrimination in any form. It also incorporates a commitment to comply with statutory minimum wage and maximum working hour regulations, while setting out further rules of behavior based on ecological, social and legal terms of reference.

Zalando, as a young company, attaches great importance to sustainability to satisfy both its own operational requirements and its obligations towards society and the environment. Zalando continuously strives to enhance the quality of its processes with the aim of establishing sustainable structures throughout the entire process chain. The efficient use of resources helps us to achieve both ecological and economic goals. The detailed presentation and description of our products on the internet helps to minimize mispurchases and the associated returns, which burden the environment. Our packaging management team also sets great store by sustainable, innovative products and materials. Moreover, Zalando maintains constant contact with its logistics partners throughout Europe in order to make its shipping and transportation processes as efficient as possible. Sustainability is a key component of day-to-day business at Zalando.

Zalando takes the concerns of its employees seriously. Compliance with labor laws and the maintenance of health and safety at the workplace are our utmost priority. Therefore Zalando has continuously monitored and further improved working conditions in the fulfillment centers and at all our other locations in recent years. In order to guarantee socially responsible working conditions, social standards were implemented at all our logistics locations. Both in-house and external compliance with these social standards are verified regularly by an independent auditing and accreditation company. Zalando endeavors to increase the satisfaction, motivation and value orientation of its workforce with the long-term objective of satisfying demand for skilled employees and managers. A wide range of training opportunities help staff to develop their skills continuously. Through the business activities of its own brands, Zalando has direct contact with suppliers in various manufacturing countries. Top priority is given in this context to establishing transparency in the supply chain. In order to achieve this goal and consequently continuously improve working conditions in the manufacturing countries, a social compliance program was developed in 2014, which is supported by appropriate auditing standards and a subsequent improvement program.

In the interest of our customers, employees and the environment, Zalando is committed to achieving a high standard in terms of the quality and safety of its products. In order to attain this level of quality, among other things we cooperate closely with suppliers, exchange information continuously with our employees and conduct tests in collaboration with independent international testing institutes. The terms of reference for ensuring the quality of our private labels are defined by the Restricted Substances List (RSL) and further developed on a continuous basis. Zalando views defining standards relating to the ethical procurement of goods as another cornerstone of its corporate responsibility. Through its actions, Zalando aims to make a contribution towards the thoughtful, ethical treatment of animals and the protection, while maintaining biodiversity. Corresponding guidelines were developed in 2014 which are currently being communicated to suppliers. This will help suppliers make the right choices and allow them to identify and resolve problems at their own companies at an early stage.

04.2 ECONOMIC DEVELOPMENTS

04.2.1 OVERALL SITUATION OF THE ECONOMY AND INDUSTRY-SPECIFIC CONDITIONS

Despite a challenging economic climate, the European retail industry[1] reported growth of 1.8% in 2014. The online retail business was significantly more dynamic closing 2014 16% up on the prior-year level. Initial estimates suggest that the European fashion market[2] posted a trading volume of around EUR 419bn in 2014, corresponding to a nominal growth rate of 1.5% compared to the prior year. Given this result, the European fashion industry will have closed 2014 with an above-average growth rate of around 1% for the last five years.[3]

The figures for the German retail industry show that it closed 2014 with nominal growth of 2.2% compared to the prior year. Growth in the online retail segment in Germany as well easily outpaced that of the sector as a whole, with nominal sales figures up 21% in 2014 compared with the 2013 result. In the wake of stagnating sales from 2013, the German fashion industry recorded only moderate nominal growth of 0.7% in the past fiscal year compared to the prior year. In particular, the unseasonably mild weather in the second half of 2014 made it much more difficult for retailers to clear autumn stocks in September and October. Even the Christmas business and early price reductions could do little to absorb the losses, with the anticipated boost in revenue failing to materialize.[4,5]

1) Information concerning the European retail market relates to Europe excluding Russia.
2) Information concerning the European fashion market relates to Europe excluding Russia.
3) Euromonitor International, retail trade including food retail
4) Textile industry: Fashion retail: Revenue down for a third year in succession, January 7, 2015
5) Euromonitor International, retail trade including food retail

The following positive prospects in the European fashion market and in internet retail sales offer, in our opinion, additional growing market opportunities for our business model:

- Online trade with fashion items is part of a second wave of e-commerce. The share of fashion items sold on the internet will continue to grow in contrast to traditional brick-and-mortar stores.

- Europe is a highly attractive fashion market with concentrated affluence and population. In our core sales markets in western Europe, fashion spending per capita of EUR 774 in 2013 ranks just behind North America and Australasia.[6] Furthermore, the European fashion market benefits from the highest density of fashion spending per sqm globally (estimated to be EUR 0.06m per sqm, far ahead of the second highest fashion spending in the Asia-Pacific region with an estimated EUR 0.02m per sqm). Looking at western Europe on its own, the density is even higher at EUR 0.09m per sqm.[7] Density of fashion spending is a key indicator for online retailers as higher figures give rise to faster fulfillment speeds and lower fulfillment costs.

- Online fashion retailers can typically generate gross margins between 40% and 60%. These margins are considerably higher than those of other online retail categories such as electronics.[8]

- Mobile devices have significantly contributed to the strong growth of online retail, including the online retail of fashion. Smartphones and tablets grant consumers access to fashion anytime and practically anywhere. The number of mobile devices in use in Europe grew from only 208m in 2009 to 480m in 2013.[9]

In our opinion, the economic conditions for the online sale of fashion items offer numerous and growing market opportunities.

04.2.2 BUSINESS DEVELOPMENT

Zalando looks back on a very successful 2014 fiscal year. The group reported further strong growth in 2014, generating revenue of more than EUR 2,214.0m (prior year: EUR 1,762.0m). Moreover, the positive trend continued across the board, with all segments recording growth in revenue (DACH: up 16.8%, Rest of Europe: up 36.9% and Other: up 55.1%). At EUR 1,234.00m, the core DACH segment continues to have the highest revenue (prior year: EUR 1,056.1m), followed by Rest of Europe, which recorded revenue of EUR 862.6m in 2014 (prior year: EUR 630.2m). Zalando grew faster than the market again in 2014, gaining market share in all countries. The goal of achieving EBIT break-even in 2014 was exceeded significantly. The significant improvement in the EBIT margin from –6.5% in the prior year to 2.8% in 2014 relates to enhanced profitability across all key cost items.

Clothing again remained Zalando's strongest product category in terms of revenue in 2014. The customer base continued to grow, with more than 14.7m active customers who had made at least one purchase from Zalando in the last twelve months as of December 31, 2014 (13.1m active customers as of December 31, 2013).

6) Euromonitor International
7) Euromonitor International
8) Company information; average gross margins of a selection of listed e-commerce companies such as Asos, Yoox and Boohoo for 2013 based on publicly available data.
9) IDC, Worldwide New Media Market Model, 2H13, May 2014.

In addition to expanding the existing sales markets in 2014, Zalando invested more in developing sustainable corporate structures and raising quality standards in order to ensure total customer satisfaction. In the field of logistics, this includes the completion of work to expand the first self-designed fulfillment center at Erfurt and the continuous expansion of operations at our new fulfillment center in Mönchengladbach, which is proceeding according to schedule. New website features and process innovations such as the introduction of collection depots in additional countries, express delivery and the shipment of all Zalando parcels from our self-operated fulfillment centers further enhanced the customer experience in 2014.

Zalando continued to develop its online shop in 2014, with the aim of giving its customers the best possible online fashion experience. With nearly 700 staff in its technology team, Zalando can handle virtually all online design processes in house, from payment transactions through to logistics, product and purchasing software. With the aim of further developing its leading position in a rapidly changing market environment, Zalando is actively addressing the increasing preference of customers towards the use of mobile devices. Following the release of mobile shopping apps for Android and iOS devices, Zalando launched a new app for Windows users in 2014. This means that Zalando customers in all international markets can now enjoy the mobile shopping experience on any of the main operating system platforms. As a result, 42.3% of visits to the Zalando online shop were conducted from a mobile device in fiscal 2014. By the end of 2014, the app had been downloaded more than 7 million times.

Our customers expect numerous brands and a wide range of products. In 2014, we succeeded in gaining additional well-known brands for our shop. In this context, collaboration with Topshop and Topman successfully kicked off. The focus of this cooperation will remain on Europe towards continuously expanding our position as one of the leading online style experts. Our product range was further expanded with the addition of fast-fashion company Mango as a new partner. We aim to further enhance our market presence by adding America's largest clothing retailer, Gap. A wide range of products from the US brand will be available in our shop for the 2015 spring/summer season.

In order to bridge the gap between conventional retail trade and online business, Zalando will be providing the option of curated shopping beginning in spring 2015. This step reflects our constant goal of improving our services with the aim of providing customers with tailored advice from one of our Zalando fashion consultants.

04.2.3 ECONOMIC SITUATION

The significant expansion of Zalando's business activities can clearly be seen in the results of operations, financial position and net assets of the group as of the 2014 reporting date.

RESULTS OF OPERATIONS

The condensed income statement reveals a significant increase in revenue as well as a substantial improvement in earnings before interest and taxes (EBIT) in the reporting period compared with the prior year. This is also shown in a marked improvement in the adjusted EBIT margin.

CONDENSED INCOME STATEMENT

IN EUR M	JAN 1–DEC 31, 2014	IN % OF SALES	JAN 1–DEC 31, 2013	IN % OF SALES	CHANGE IN PERCENTAGE POINTS
Revenue	2,214.0	100.0%	1,762.0	100.0%	0.0
Cost of sales	–1,255.3	–56.7%	–1,047.0	–59.4%	2.7
Gross profit	**958.7**	**43.3%**	**715.1**	**40.6%**	**2.7**
Selling and distribution costs	–793.8	–35.9%	–733.5	–41.6%	5.7
Administrative expenses	–109.2	–4.9%	–105.1	–6.0%	1.1
Other operating income	12.2	0.6%	12.5	0.7%	–0.1
Other operating expenses	–5.8	–0.3%	–2.9	–0.2%	–0.1
Earnings before interest and taxes (EBIT)	**62.1**	**2.8%**	**–113.9**	**–6.5%**	**9.3**

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Other consolidated financial data			
EBIT margin	2.8%	–6.5 %	9.3pp
Adjusted EBIT	81.9	–108.6	175.4%
Adjusted EBIT (as % of revenue)	*3.7%*	*–6.2 %*	*9.9pp*
EBITDA	87.9	–99.0	188.8%
Adjusted EBITDA	107.7	–93.7	214.9%

EBIT includes equity-settled share-based compensation expenses a s follows. For further information please refer to the notes.

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Equity-settled share-based compensation expenses	**19.8**	**5.3**	**14.5**
Cost of sales	4.4	0.5	3.9
Selling and distribution costs	9.6	2.1	7.5
Administrative expenses	5.8	2.7	3.1

In particular, management manages the group using the key figures revenue and EBIT margin. In addition to these key figures, management uses EBIT/EBITDA adjusted for share-based compensation (adjusted EBIT; adjusted EBITDA) and other key performance indicators to manage the company. The key performance indicators used for corporate management developed as follows in the reporting period:

KEY PERFORMANCE INDICATORS

	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Site visits (in millions)	1,363.8	1,217.0	12.1%
Share of mobile visits (as % of site visits)	42.3	26.8	15.5pp
Active customers (in millions)	14.7	13.1	12.2%
Number of orders (in millions)	41.4	35.1	17.9%
Average orders per active customer	2.8	2.7	4.1%
Average basket size (in EUR)	66.6	62.5	6.6%
Revenue (in EUR m)	2,214.0	1,762.0	25.7%
Adjusted fulfillment cost ratio (as % of revenue)	22.3	23.9	–1.6pp
Adjusted marketing cost ratio (as % of revenue)	13.2	17.6	–4.4pp

Compared to the prior year, Zalando raised its revenue from EUR 1,762.0m by 25.7% to EUR 2,214.0m in 2014. The rise in revenue is mainly attributable to a 17.9% increase in orders and a 6.6% rise in the average basket size. The higher number of customer orders was driven mainly by a 12.1% increase in site visits. The higher traffic on the website also relates to a substantial increase in the share of visitors that access the website via mobile devices. As a result, the number of site visits made from smartphones and other mobile devices rose by 15.5 percentage points on the prior year to 42.3% in 2014.

In the 2014 fiscal year, DACH countries continued to make up the core business for Zalando, generating more than half of the total annual revenue. At the same time, revenue recorded in the Rest of Europe and Other segments climbed significantly, contributing substantially to the overall growth.

The Rest of Europe segment generated revenue of EUR 862.6m in 2014 (prior year: EUR 630.2m). This corresponds to a 36.9% increase in revenue compared to 2013. In the largest segment, DACH, revenue reached EUR 1,234.0m in 2014 (prior year: EUR 1,056.1m), equivalent to an increase of 16.8% compared with 2013. Revenue development was also supported by the Other segment, which comprises the business activities of the Zalando Lounge and the group's offline activities. Clothing again remained Zalando's strongest product category in terms of revenue in 2014.

The group recorded EBIT of EUR 62.1m in 2014 (prior year: EUR –113.9m). The significant improvement in the EBIT margin of 9.3 percentage points, from –6.5% in 2013 to 2.8% in 2014, relates to enhanced profitability across all key cost items.

Cost of sales rose by EUR 208.3m to EUR 1,255.3m, in line with the expansion of business. At 43.3%, the gross profit margin improved significantly (prior year: 40.6%). This positive development was due in particular to the lower price reductions compared with the prior year. In 2013, the mild winter meant that prices had to be reduced significantly across the fashion retail industry as a whole in order to reach sell-through targets. The gross profit margin was burdened by this. In 2014, Zalando countered sales pressure by increasing re order volumes and concluding more favorable terms with suppliers. This had a positive effect on the gross profit margin.

Selling and distribution costs as a percentage of revenue fell from 41.6% in 2013 by 5.7 percentage points to 35.9%. These increases in efficiency are due to improvements with respect to two cost drivers, namely fulfillment costs and marketing costs. Fulfillment costs have fallen relative to revenue, due to efficiency gains at the large fulfillment centers in Erfurt and Mönchengladbach. As a percentage of revenue, this figure improved from 24.1% in 2013 to 22.5% in 2014. Due to brand awareness and marketing effectiveness gains, marketing costs relative to revenue were reduced significantly by 4.2 percentage points to 13.4% during the reporting period.

Driven by business growth, administrative expenses increased. Nevertheless, this figure decreased as a percentage of revenue by 1.1 percentage points to 4.9%.

Thanks to these efficiency improvements along all key cost items consolidated EBIT increased significantly by EUR 176.0m, from EUR –113.9m in 2013 to EUR 62.1m. This corresponds to an improvement in the EBIT margin of 9.3 percentage points from –6.5% in 2013 to 2.8% in 2014.

In order to assess the operating performance of the business, Zalando management also considers adjusted EBIT and the adjusted EBIT margin before equity-settled share-based compensation expense. Zalando recorded an adjusted EBIT of EUR 81.9m in 2014 (prior year: EUR –108.6m). This represents a marked improvement of 9.9 percentage points in the adjusted EBIT margin from –6.2% in 2013 to 3.7% in 2014.

RESULTS BY SEGMENT

The condensed segment results reveal a significant improvement in revenue in the Rest of Europe segment and the growing profitability in the established DACH segment.

GROUP SEGMENT RESULTS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Revenue			
DACH	1,234.0	1,056.1	177.9
Rest of Europe	862.6	630.2	232.4
Other	117.4	75.7	41.7
Earnings before interest and taxes (EBIT)			
DACH	72.3	5.3	67.0
Rest of Europe	–18.6	–100.8	82.2
Other	8.4	–18.4	26.8
Other segment financial information			
Adjusted EBIT DACH	83.0	8.2	74.8
Adjusted EBIT Rest of Europe	–11.6	–99.1	87.5
Adjusted EBIT Other	10.5	–17.7	28.2

EBIT includes equity-settled share-based compensation expenses as follows:

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013	CHANGE
Equity-settled share-based compensation expenses	**19.8**	**5.3**	**14.5**
DACH	10.7	3.0	7.7
Rest of Europe	7.0	1.7	5.3
Other	2.1	0.7	1.4

All segments of the group contributed to the positive development of the EBIT. With a positive EBIT margin of 5.9% in 2014, the DACH segment was profitable with a clear improvement over the prior year of 5.4 percentage points. In the Rest of Europe segment Zalando improved its EBIT margin by 13.8 percentage points from –16.0% to –2.2%. The Other segment also recorded a strong increase of 31.5 percentage points, resulting in an EBIT margin of 7.2% in 2014.

In order to assess the operating performance of the segments, Zalando management also considers EBIT and the EBIT margin before equity-settled share-based compensation expense. The DACH segment generated an adjusted EBIT margin of 6.7% in 2014. Compared with the prior year, the adjusted EBIT margin improved by 5.9 percentage points from 0.8% to 6.7%. The Rest of Europe segment also reported a significant improvement in its adjusted EBIT margin compared with the prior year, posting a 14.4 percentage point increase from –15.7% to –1.3%. The Other segment also recorded a strong rise in its adjusted EBIT margin, up 32.5 percentage points to 9.0% in 2014.

FINANCIAL POSITION

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

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Cash flow from operating activities	**174.8**	**–80.2**
Cash flow from investing activities	**–51.8**	**–90.2**
Cash flow from financing activities	**510.8**	**205.2**
Net change in cash and cash equivalents	633.8	34.9
Cash and cash equivalents at the beginning of the period	417.2	382.3
Cash and cash equivalents as of Dec 31	**1,051.0**	**417.2**

In the past fiscal year, Zalando generated a positive cash flow from operating activities of EUR 174.8m (prior year: EUR –80.2m). The cash inflow from operating activities compared to the comparable period of the prior year was attributable in particular to the positive net income for the period of EUR 47.1m (prior year: net loss of EUR –116.6m). The amount of capital tied up in net working capital does not have a significant impact on cash flows.

Net working capital, comprising inventories and trade receivables less trade payables and similar liabilities, amounts to EUR –3.7m as of December 31, 2014 (prior year: EUR 9.7m). The slightly lower tied-up capital is mainly attributable to the lower rise in inventories compared with the increase in trade payables and similar liabilities. The relative improvement in the capital tied up in inventories compared to revenue is largely due to a quicker sell-off of inventories and a larger post-order share. The improvement in the capital tied up in liabilities is due to longer payment terms with suppliers and an expansion in the reverse factoring volume.

The negative cash flow from investing activities stemmed primarily from investments in the logistics infrastructure, pertaining to the fulfillment centers in Erfurt and Mönchengladbach in particular. Investments were also made in software as well as in furniture and fixtures.

Free cash flow improved by EUR 277.8m in the reporting period from EUR –154.0m to EUR 123.8m. This was mostly attributable to the significant improvement in the cash flow from operating activities.

The cash flow from financing activities almost exclusively consists of contributions from the IPO in October 2014.

In total, cash and cash equivalents climbed by EUR 633.8m since the beginning of the year, as a result Zalando's cash on hand totaled of EUR 1,051.0m as of December 31, 2014. Of this amount, EUR 520.0m was invested in money market funds.

The objectives of capital management at the group are to ensure short-term solvency and an adequate capital base to finance projected growth, while sustainably increasing the business value. In this context, it is ensured that all group entities are able to operate as going concerns. The group was able to meet its payment obligations at all times.

CREDIT LINE

On July 30, 2014, ZALANDO SE and certain subsidiaries concluded a revolving credit facility of EUR 200m with a group of banks. This facility can be drawn in various currencies. Amounts drawn under this revolving credit facility may be used for the general business purposes (including acquisitions) of the group, as well as for guarantees. The facility expires on July 30, 2019. As of December 31, 2014, an amount of EUR 3.2m had been utilized for guarantees.

NET ASSETS

The group's net assets are shown in the following condensed statement of financial position.

ASSETS

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE	
Non-current assets	194.0	10.9%	176.1	16.4%	17.9	10.2%
Current assets	1,591.5	89.1%	895.7	83.6%	695.8	77.7%
Total assets	**1,785.5**	**100.0%**	**1,071.7**	**100.0%**	**713.8**	**66.6%**

EQUITY AND LIABILITIES

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE	
Equity	1,126.7	63.1%	546.5	51.0%	580.2	106.2%
Non-current liabilities	30.9	1.7%	29.2	2.7%	1.7	5.8%
Current liabilities	627.9	35.2%	496.0	46.3%	131.9	26.6%
Total equity and liabilities	**1,785.5**	**100.0%**	**1,071.7**	**100.0%**	**713.8**	**66.6%**

The total assets of Zalando increased by 66.6% in 2014. The company's assets are primarily composed of current assets, in particular inventories, trade receivables as well as cash and cash equivalents. Equity and liabilities largely consist of equity and current liabilities.

Key components of the software used by the company are developed internally. This ensures that the software is perfectly tailored to operating processes. Ordering and logistics processes in particular are supported by internally developed software. In fiscal year 2014, development costs of EUR 16.9m were capitalized (prior year: EUR 11.2m).

In 2014, investments in intangible assets amounted to EUR 21.9m (prior year: EUR 19.3m), while investments in property, plant and equipment totaled EUR 17.5m (prior year: EUR 69.8m).

Inventories in the fiscal year 2014 mainly comprised goods required for Zalando's core business. The EUR 15.8m increase in inventories to EUR 348.3m resulted from the increased business volume and as well as need for larger amounts of inventory in stock. The less pronounced rise in inventories compared with revenue is thanks to an improved working capital management.

The group's trade receivables as reported on December 31, 2014 were classified as current. The EUR 52.9m increase to EUR 140.1m is mainly due to the significant growth in revenue.

The increase in current assets is mainly the result of the increased cash and cash equivalents, which increased by EUR 633.8m to EUR 1,051.0m primarily due to the inflow of cash from the IPO.

Equity rose from EUR 546.5m to EUR 1,126.7m in the fiscal year. The EUR 580.2m increase mainly relates to the capital increase performed as a result of the IPO. Moreover, the positive result for the year increased group equity. The equity ratio rose by 12.1 percentage points during the reporting period from 51.0% at the start of the year to 63.1% on December 31, 2014.

Current liabilities increased by EUR 131.9m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose by EUR 82.1m in the reporting period from EUR 410.0m to EUR 492.1m. This increase can be attributed to active working capital management. For instance, Zalando maintains reverse factoring agreements with various suppliers and several financial service providers. In accordance with these agreements, supplier claims against Zalando totaling EUR 90.5m were transferred to the factor as of December 31, 2014 (prior year: EUR 37.6m). These items were disclosed under trade payables and similar liabilities in the statement of financial position.

OVERALL ASSESSMENT

Overall, business development was very positive in 2014, with the company reporting both sustained strong revenue growth and a clear improvement in the EBIT margin. On the whole, the economic situation of Zalando has been characterized by increases in efficiency across all key cost items. The IPO in October further improved Zalando's financing and management will therefore be able to continue investing strongly in growth in the future. Overall, the company's targets in terms of revenue, earnings and its tied up capital have been met. The 2013 group management report anticipated EBIT that was significantly improved compared to 2013, but still negative. Similarly, it was assumed that Zalando would report revenue growth exceeding 17%. The group clearly surpassed both targets in 2014.

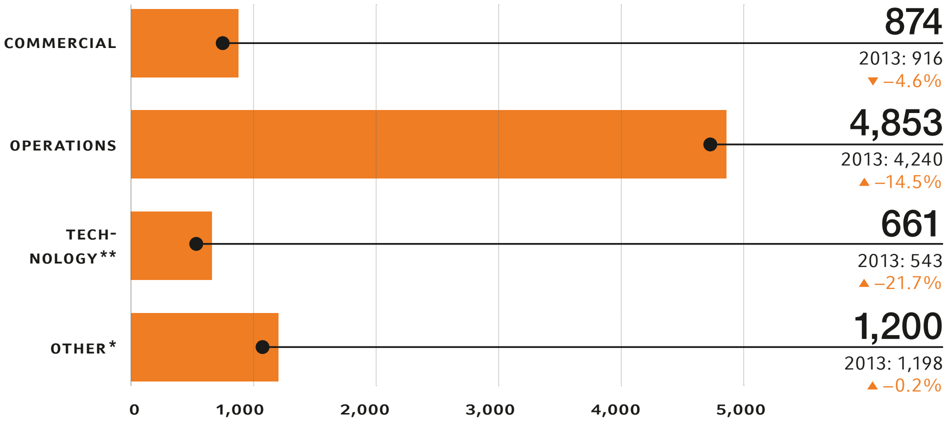
04.2.4 EMPLOYEES

Recent years have seen Zalando grow rapidly, from a start-up to one of Berlin's most attractive employers. Diversity and the international character set the Zalando team apart from the rest.

HEADCOUNT CONTINUES TO RISE

At the end of 2014, Zalando had 7,588 employees (prior year: 6,897), an increase of 10.0% compared with the prior year. The average headcount grew by 864 to 7,496 employees. This significant increase is largely due to the fulfillment centers taking on new staff as well as the increase in the number of technology employees (which was increased by 21.7%).

EMPLOYEES BY DEPARTMENT (AS OF DEC 31, 2014)



* Cost center data intelligence was included in other in 2013, since 2014 in technology
** Incl. technology (incl. data), customer experience, brand solution

Corporate growth and the associated increase in the headcount saw personnel expenses rise to EUR 248.5m in fiscal year 2014 (prior year: EUR 216.3m). In order to achieve the targets set for 2015, both headcount and personnel expenses are expected to increase again in the next year.

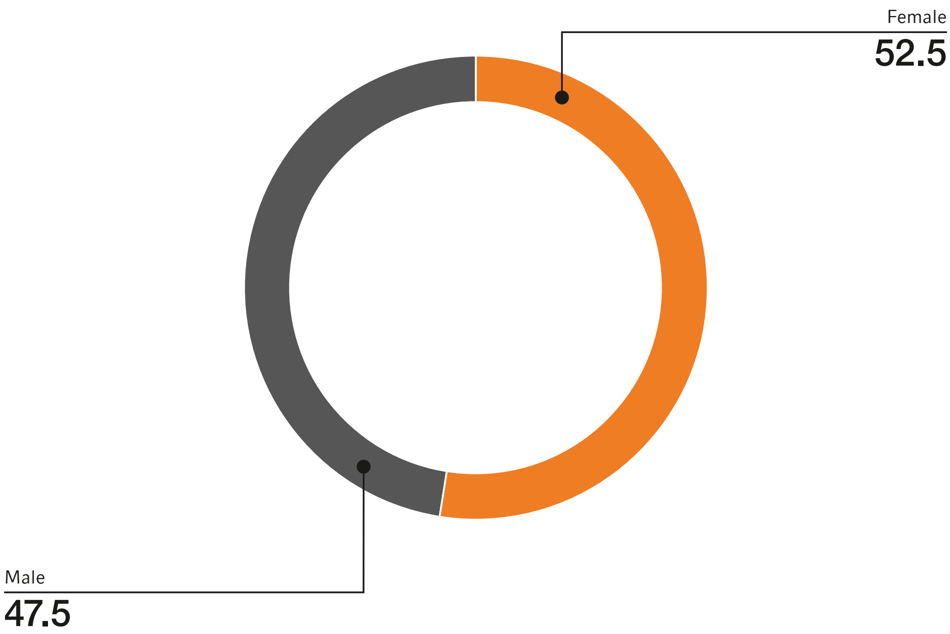
DIVERSITY IS IMPORTANT TO US

At Zalando, diversity is seen as a critical competitive factor in remaining creative. As a result, the company ensures the diversity of its workforce in terms of the age, cultural background, gender and skills. The international character and diversity shape the group as is reflected in Zalando's employee structure. In the reporting year, Zalando's workforce had more than 100 different nationalities.

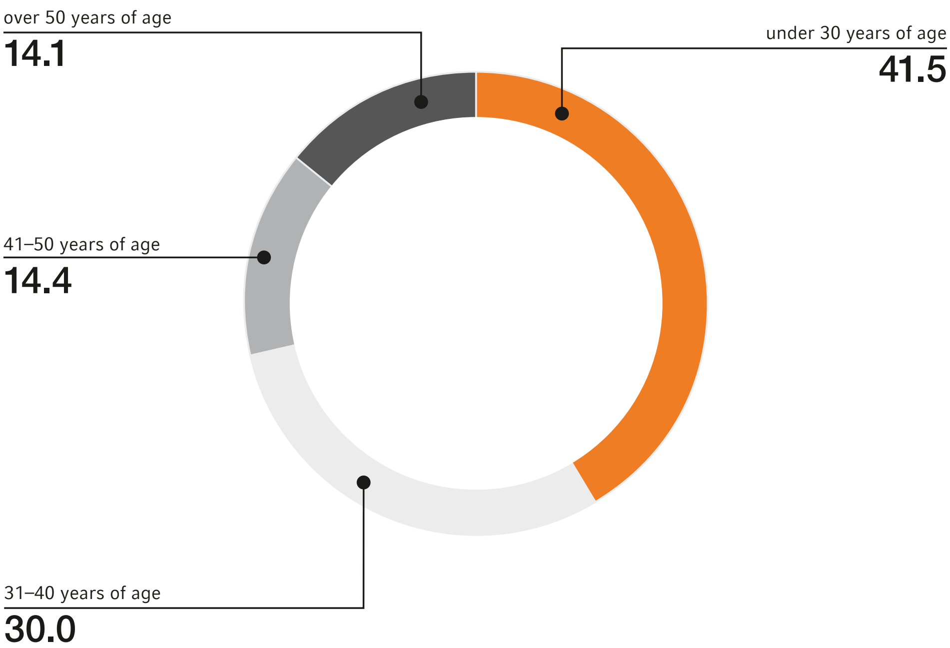
Women make up 52.5% of Zalando's total workforce. On December 31, 2014, 29.7% of management positions at ZALANDO SE were held by women.

Another important aspect is supporting employees based on their skills and abilities. For example, employees with special needs are provided with handicapped accessible workplaces tailored to their individual requirements. The fulfillment center in Erfurt is fitted with special receivers with vibrating alarms to alert deaf employees of the need for a discussion or special situations.

PERCENTAGE OF FEMALE AND MALE WORKERS AT ZALANDO (AS OF DEC 31,2014)



EMPLOYEES BY AGE GROUP (AS OF DEC 31,2014)



BUILD A WINNING TEAM

Successful management of human resources is a challenging task in light of demographic and societal developments and the looming shortage of skilled workers. Zalando offers its employees a range of training opportunities to strengthen and expand their strengths. Our leadership management program provides management staff with tailored coaching in preparation for complex roles and tasks.

Since 2012, Zalando has invested in the vocational training of young people, with the aim of securing skilled workers in the long term. The group offers a wide range of commercial, technical and industrial apprenticeships. As a training company, Zalando aims to support young people as a means of acquiring qualified junior staff with the future of the company in mind.

In addition to vocational training, Zalando has offered an 18-month trainee program since 2013 for graduates to launch their careers at Zalando. The trainees gain experience in various departments.

Each employee is assessed at least twice a year and is provided with feedback directly from his or her manager. At each meeting, the goals, degree of goal achievement and development opportunities are discussed. The aim is to help better identify what progress and skills are to be developed, while establishing a feedback culture in the form of a mutually open and constructive dialog. This will lead to greater transparency among employees in terms of their abilities and prospects.

Employees are kept informed of the latest developments within the company and of the progress of ongoing projects. In 2014, for example, the Management Board organized several webcasts, at which employees of Zalando were given the opportunity to speak directly with the Management Board. Zalando project managers and external companies also regularly give presentations on special projects as part of the Speakers' Corner.

WE VALUE THE OPINIONS OF OUR EMPLOYEES

Supporting open and honest feedback is a major element in developing the corporate culture of Zalando. Each year, all staff are asked to take part in an anonymous survey conducted by a leading research and consulting institute. Topics are noted by the department heads and appropriate measures are implemented.

One of the aims when transforming Zalando AG into a European stock corporation (SE) was to encourage the group's employees – as key elements of the corporate culture – to become more involved. To this end, the International Employee Board (IEB) was established, comprising select colleagues appointed in accordance with the provisions of both European and German SE legislation. The IEB responds to all concerns raised by company employees, from further developing co-determination to the range of sporting activities. Moreover, regular meetings are held at the fulfillment locations to discuss and resolve employee concerns. The members of the IEB are also responsible for electing the employee representatives who sits on the Supervisory Board of the SE.

Another committee, Zalando Employee Participation (ZEP), was established as part of a pilot project at the end of the fiscal year. The ZEP is an employee representative body within ZALANDO SE, which deals with everyday issues of employees.

EMPLOYEE PARTICIPATION

In connection with the IPO, Zalando created an employee participation program with preferential allocation in order to grant employees even greater participation in the overall performance of the group. All employees of ZALANDO SE and its German subsidiaries were entitled to invest in ZALANDO SE shares. Employees had the opportunity to acquire shares either free of charge or at a discount, as well as at full price with a guaranteed allocation. The employee participation program was received very positively. More than 4,000 employees participated and are now Zalando shareholders.

TREAT EVERY DAY AS YOUR FIRST DAY

Zalando thrives on its innovative spirit and creative potential. In addition to regularly participation in trade fairs in all areas of business, Zalando frequently organizes its own events to promote innovation and creativity.

One such event held in 2014 was the third Zalando Hack Week, which was attended by some 700 employees from all areas of technology. During the innovation week, product managers, developers and test staff all left their day-to-day tasks in order to fully focus on their own creative ideas, develop new concepts and work on initial prototypes.

04.3 SUBSEQUENT EVENTS

There were no significant events after the end of the fiscal year that could affect the presentation of the group’s earnings, financial position and net assets.

04.4 RISK AND OPPORTUNITY REPORT

Zalando is regularly faced with risks and opportunities that can positively or negatively impact the group’s net assets, financial position and earnings. The opportunity and risk report outlines the most important risks and opportunities of our company and other risks to our company relevant to the industry and capital market.

04.4.1 RISK MANAGEMENT SYSTEM

The Management Board of ZALANDO SE bears overall responsibility for an effective risk and opportunity management system which is ensured through comprehensive and standardized management of all key risks and opportunities. To identify these at an early stage and to analyze, manage, monitor and, if necessary, counteract them with risk-mitigating measures, a separate department with responsibility for coordination was created in 2012. The Governance, Risk & Compliance (GRC) department continuously develops the risk management instruments and ensures that risks and opportunities are documented throughout the company using a defined method. The team regularly exchanges information with all those responsible for risks and is therefore kept informed of current developments.

The basis of successful risk management are uniform, group-wide standards for dealing with risks systematically. These are defined in the risk policy developed for Zalando by the

Management Board. The GRC team reports to the Management Board on the risk situation at regular intervals. If critical issues arise, the regular reporting process is supplemented by ad-hoc reporting. All employees of Zalando are required to be aware of risks in their activities and prevent risks that could jeopardize the company's ability to continue as a going concern.

All identified risks are reviewed at least once a year to determine if they are up to date and sometimes more frequently depending on their severity. Internal audit reviews the functional capacity and appropriateness of the risk management system at regular intervals. The audit committee set up by the Supervisory Board also monitors the effectiveness of the internal control, risk management and audit system including interaction with the auditors.

Pursuant to section 315 (2), clause 5 HGB ("Handelsgesetzbuch": German Commercial Code), the key features of the internal control and risk management system with respect to the accounting processes are explained below. The aim of the control systems with regard to the accounting processes is to identify, assess and manage all those risks that could have an impact on the orderly preparation of the consolidated financial statements. As an integral component of the consolidated accounting process, the internal control system comprises preventive, monitoring and detective control measures in accounting and operational functions that ensure an orderly process for preparing the financial statements. The internal control system is built on various processes of the company that may have a significant impact on financial reporting. In this context, the processes and the relevant risks for reporting were analyzed and documented. All controls, including a description of the control, type of control, frequency with which it is carried out, the covered risk and the person responsible are included in a cross-process risk control matrix. The implemented control mechanisms function across processes and thus frequently overlap. Among other things, they include determining principles and procedures, defining processes and controls, introducing approval and testing plans and guidelines. For example, the accounting manual, which is valid group-wide and provides detailed accounting instructions and the processes for assessing inventories and receivables are central components. All control measures are reviewed and optimized on a regular basis. Furthermore, the internal control system is subject to regular monitoring by the internal audit.

04.4.2 OVERVIEW OF THE RISKS

The key risks that Zalando was exposed to in the fiscal year 2014 are described below. It cannot be ruled out that potentially currently unknown risks or risks considered to be insignificant at present could negatively impact business in the future. Regardless of all of the measures introduced to manage the identified risks, there are residual risks for all corporate activities that cannot be completely eliminated by a comprehensive risk management system. Altogether, the risks are to be regarded as typical for the online retail business. With respect to those aspects that were already subject to risk analysis in 2013, an overall improvement in the handling of risks by the individual departments was identified. Overall, the risks (measured as net risk) have not, however, changed materially.

All risks identified are quantified in relation to their probability of occurrence and their potential financial impact and entered in a risk matrix. The risks are shown net. This means that the risks are taking all risk-minimizing measures into consideration.

The risks are positioned in the risk matrix according to the following grid:

RISK ASSESSMENT – CLASSES OF PROBABILITY OF OCCURRENCE

CLASS	PROBABILITY	
1	very low	(0%–4.9%)
2	low	(5%–24.9%)
3	medium	(25%–49.9%)
4	high	(50%–74.9%)
5	very high	(75%–100%)

RISK ASSESSMENT – LOSS CLASSES

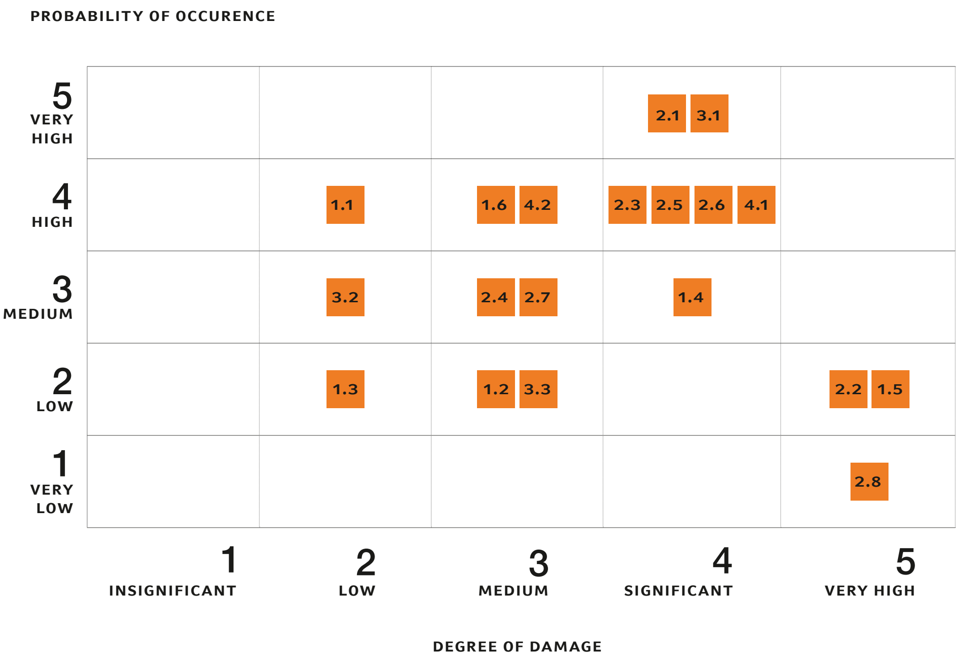
CLASS	IMPACT	
1	EUR 0,05m–EUR 0,1m	Low
2	>EUR 0,1m–EUR 0,5m	Medium
3	>EUR 0,5m–EUR 5m	High
4	>EUR 5m–EUR 50m	Very high
5	>EUR 50m	Significant

RISK OVERVIEW – EXTRACT OF MATERIAL RISKS

		PROBABILITY OF OCCURRENCE	DEGREE OF DAMAGE
1	**Economic and strategic risks**		
1.1	Overall economic risks	High	Low
1.2	Competitive risks	Low	Medium
1.3	Demand risks	Low	Low
1.4	Risks arising from technological progress and innovation	Medium	Significant
1.5	Marketing risks	Low	Very high
1.6	Reputation risks	High	Medium
2	**Operational risks**		
2.1	Logistic risks	Very high	Significant
2.2	Risks arising from the setup of own logistics sites	Low	Very high
2.3	Inventory risks	High	Significant
2.4	Supplier and partner risks	Medium	Medium
2.5	IT risks	High	Significant
2.6	Personnel risks	High	Significant
2.7	Information risks	Medium	Medium
2.8	Risks from emergencies and crises	Very low	Very high

		PROBABILITY OF OCCURRENCE	DEGREE OF DAMAGE
3	**Financial risks**		
3.1	Default risks	Very high	Significant
3.2	Financing and liquidity risks	Medium	Low
3.3	Currency risks	Low	Medium
4	**Legal and regulatory risks**		
4.1	Legal risks	High	Significant
4.2	Product quality risks	High	Medium

RISK OVERVIEW – NET RISK MATRIX



ECONOMIC AND STRATEGIC RISKS

OVERALL ECONOMIC RISKS

Zalando operates throughout Europe. As a result, the development of the group will potentially be affected by macroeconomic developments and the resulting consumer sentiment in the countries relevant to Zalando. Unexpected political or economic changes could arise in the markets in which Zalando sells and buys goods. An unfavorable consumer environment could be reflected in Zalando running the risk of missed revenue targets and the associated risk of higher stock levels. The management still assumes that the trend towards e-commerce would still continue even in a challenging environment. The impact of the euro crisis on the economic situation of the group is currently estimated to be low. Currently, Zalando is not directly affected by the Ukraine crisis and the rising tensions between Russia and the European Union.

COMPETITIVE RISKS

Zalando's business environment is characterized by intense competition. To stay competitive and to secure market shares in new and existing markets, it is essential to be innovative and identify market trends early on as well as to adapt and implement the respective strategies. To continuously reinforce and optimize the market position, Zalando closely monitors its business performance and conducts a wide range of market analyses to enhance its capacity to respond quickly to certain developments in the market environment.

DEMAND RISKS

The fashion industry is highly sensitive to changes in fashion trends, customer preferences and weather conditions. Customer preferences related to design, quality and price tend to change quickly. The fashion industry is also subject to seasonal fluctuations. Zalando accounts for the resulting risk of revenue losses by performing ongoing trend analyses. Zalando strives to accurately predict trends and satisfy customers with the right selection and quantity of products.

Differences between countries can exist in the way customers shop, pay and behave when it comes to returns. Adapting our product range to the local demand is a key factor in offering Zalando customers an inspiring and convenient shopping experience. This is critical for the group to succeed in the heterogeneous European market with its diverse regional tastes. The increasing international expansion gives rise to the risk of not recognizing individual, country-specific customer needs and expectations and, accordingly, having to adapt the product range to the respective countries. Zalando deals with this risk successfully by managing each market individually.

RISKS ARISING FROM TECHNOLOGICAL PROGRESS AND INNOVATION

A trend towards online shopping using mobile devices is clearly evident in e-commerce. Mobile devices have also contributed to strong growth in online fashion retail as they give the customer access to fashion products at any time and from virtually anywhere. Zalando is exposed to the risk of not adequately keeping pace with developments in technology and of not adapting the Zalando app for smartphones and the mobile version of the Zalando website accordingly. This may have a negative impact on the number of mobile visits/the number of active customers.

Mobile devices however also offer additional points of contact with the customers and more access to Zalando's products. This creates the opportunity that the potential revenue will increase for Zalando via mobile devices. Zalando responded to the increase in the use of mobile devices as early as December 2012 by launching its own app for smartphones. Since then, the app has continuously been updated. Prior to this, the mobile version of the Zalando website had already made it possible to access the group's product range from anywhere. Now, with the Zalando app, customers can use their mobile devices to take advantage of convenient and secure online shopping.

MARKETING RISKS

Strategic decisions related to the design and implementation of marketing campaigns, for example to target specific customer groups, can have a direct impact on Zalando's image and can affect revenues and margins. The aim is also to clearly coordinate country-specific and cross-border marketing activities to prevent any additional costs and to ensure Zalando's appeal. Zalando centrally monitors all marketing strategies and activities with the involvement of all key actors and stakeholders and encourages close cooperation between the individual marketing departments.

REPUTATION RISKS

Within a very short time, Zalando has created a brand with extremely high level of recognition in most European markets. The brand was established through targeted communication in the areas of fashion, technology and retail in the international media. Zalando regularly discusses relevant topics with trade journalists and the group's web pages provide the public with facts and information about each area. In spite of this, Zalando repeatedly finds itself the target of critical reporting that could damage Zalando's image and thus the economic situation of the group. This is considered a latent risk.

Thanks to the structures in place for sustainability, corporate communications, governance, risk and compliance, Zalando is able to respond quickly to these kinds of reports, clear up the facts and take preventative measures.

OPERATIONAL RISKS

Risks arising from the operational business involve typical retail risks mainly related to procurement and logistics. As an e-commerce company, Zalando is also extremely dependent on a stable IT structure.

LOGISTICS RISKS

One of the critical factors to the success of Zalando is reliable and fast delivery of products in proper condition.

The logistics processes rely on well-coordinated IT systems and highly-trained logistics staff. Warehouse capacity planning and human resources planning are also essential. The strong growth in business volume demands the continuous expansion and optimization of logistics processes. Inefficient logistics processes, inaccurate planning or the failure of IT systems carry the risk of increased logistics and personnel costs as well as delayed deliveries and can negatively impact customer satisfaction.

Zalando counters this risk, by establishing sustainable internal logistics activities and, as well as by cultivating long-term and clear contractual relationships with service providers. Special teams are responsible for continuously improving the workflows and structures at the logistics sites as well as the supporting IT systems. The planning and forecasting of warehouse capacities and human resources is subject to constant change and refinement, making flexible use of the capacities of the various logistics sites.

RISKS ARISING FROM THE SETUP OF OWN FULFILLMENT LOCATIONS

The fulfillment centers managed by Zalando are extremely important for continuous growth in the DACH segment and in the other international markets in the Rest of Europe segment. Because of this, a fulfillment center was opened in Mönchengladbach in 2013, after what is currently Zalando's largest fulfillment center began operation in Erfurt the year before. While the two expansions in Erfurt in 2013 increased the storage and supply capacities, the site in Mönchengladbach makes it possible to further optimize distribution activities.

Establishing our own logistics sites is a major project associated with considerable costs and development times. To keep the risk of inflated project costs and project delays in check, Zalando devises a detailed project plan, including investment and cost planning, which is subject to constant monitoring. Explicit schedule and cost targets were contractually stipulated with most project partners to minimize project risk.

Make-or-buy decisions are also very important when setting up logistics sites. Poor make-decisions can potentially strain Zalando's structures and capabilities, while poor buy-decisions, in contrast, can lead to dependence on external service providers or excessive costs. Every relevant make-or-buy decision is thus subject to a strict decision-making process and is taken at the top level to counteract any inherent risks.

The enormous growth of the business also represents a challenge for planning the logistics sites. The capacity and structure of the logistics sites must be able to handle the future business volume. The defined targets are therefore reviewed on an ongoing basis and long-term planning adjusted accordingly.

Furthermore, the setting up of our own logistics sites offers opportunities that counter the existing risks. Zalando can benefit from the strategic positioning and scalability of the logistics infrastructure.

INVENTORY RISKS

The product-specific sales risk is handled with a continuous sales analysis and budget planning. To monitor and manage the sales and stock levels, Zalando uses a detailed indicator system to identify negative discrepancies early on and to undertake the appropriate measures. The budgeting process is subject to constant adaptation to market data and information provided by contract partners. Additional flexibility can be achieved through follow-up orders. In addition, Zalando recognizes write-downs for goods to a sufficient extent. The inventory risk is an inherent risk of our business model and manifests itself along the entire value chain. It is thus not possible to completely eliminate it.

Zalando's partner program offers the opportunity to enhance the diversity of the product range while simultaneously minimizing inventory risks. The partners can offer products on the Zalando website on a commission basis. In addition, special promotions offered in the Zalando Lounge also make it possible to target other customer groups through an additional sales channel and thus support Zalando's growth trajectory while simultaneously minimizing the inventory risk.

SUPPLIER AND PARTNER RISKS

It is extremely important for Zalando to establish sustainable and strong business relationships with existing and new suppliers as well as brand manufacturers. Delayed deliveries, quality deficiencies or undesirable changes in the product range would directly impact customer confidence and damage the group's image over the long term. This risk is itentified, contained and ideally eliminated through close cooperation with the suppliers and manufacturers and ongoing product quality inspections.

The partner program allows Zalando to expand its product range and share the inventory risks. The partners can offer products on the Zalando website on a commission basis, although to the outside world they appear as a single retailer. At the same time, this also carries the risk that the partner may not meet Zalando's standards of product quality, product availability and shipping services. Zalando works to counteract this risk through the targeted selection of its partners and the cultivation of close business relationships.

IT RISKS

As an e-commerce company, Zalando is extremely dependent on the functionality and stability of various online sites. Disruptions or outages would lead directly to revenue losses. To guarantee the security and stability of the systems, Zalando is connected to geographically separate and redundant server centers. The operation of the platform is continuously monitored, making it possible to respond to any malfunction quickly with appropriate measures. Protection against unauthorized access and attacks is also provided by extensive, multi-level system security as well as by personalized, role-based access rights.

The risk of unstable or uncoordinated IT systems also applies to merchandise management and logistics. Interrupted workflows or inconsistent updates of stocks can also result in considerable short-term revenue losses.

The company's considerable growth requires the continous development of IT-systems in order to keep up with the increasing complexity and size of the business. The quality level must be maintained and further improved during this process. This is the only way to guarantee that a higher number of orders can be processed on schedule and that the customer is provided with reliable service. To accommodate the pace of growth, Zalando's technology department relies on short development times, weekly software releases and 24-hour monitoring of the platform.

Sensitive data about our customers, suppliers and other partners is transmitted, processed and stored via our website, networks and other data systems. External services providers also manage data for Zalando. This data must be protected against unauthorized access to ensure its security, confidentiality and integrity. The same holds true for confidential internal corporate data on business planning and strategies. Zalando counteracts the risk of data security violations by deploying and continuously updating the most current encryption and authentication technology.

IT development and maintenance is subject to continuous quality inspections due to the critical importance of IT risks. In urgent cases, a process is in place which allows issues to be reprioritized at short notice.

PERSONNEL RISKS

The strong growth of Zalando requires the development of a highly-skilled workforce in line with the needs of the group. There is a possible risk of not being able to hire staff at the right time because of a lack of suitably skilled professionals on the job market. Similarly, there is also a risk that highly skilled employees leave the company and a replacement may not be found right away. To recruit enough staff to accommodate growth and ensure Zalando's attractiveness as an employer, Zalando handles recruiting through a central strategic HR planning department.

Various issues and situations, such as employee participation or collective bargaining agreements can lead to disagreements between employees at the logistics sites and Zalando and pose the risk of strikes and thus interruptions in workflows. Zalando thus fosters good relationships with its employees. A constructive and cooperative working environment and good working conditions are a top priority.

In addition to the SE works council established in accordance with European law, there is also an employee participation committee created by Zalando to represent employee interests, which range from the further development of employee participation through to the range of sports activities available. Moreover, regular meetings are held at the logistics sites to discuss and resolve employee concerns. Social standards have also been defined and are audited on a regular basis.

INFORMATION RISKS

Confidential information is exchanged within the group about group strategy, financial figures and performance indicators, contract terms and conditions, as well as core processes and technologies that must be protected against external access to safeguard Zalando's market position and future business development. Zalando achieves this by means of different measures. Access to confidential information is limited to certain individuals and protected through personalized access rights. The employees are trained in how to handle confidential data and non-disclosure agreements are concluded. There is also a program in place on capital market compliance that ensures compliance with the prevailing insider law.

RISKS FROM EMERGENCIES AND CRISES

Unforeseeable emergencies and crises such as fire, natural disasters or accidents can harm employees and damage inventories, buildings and other infrastructure and cause interruptions to business processes.

Training and safety instructions are given to employees to guarantee the highest safety standards. There are also emergency plans designed to help reduce the potential negative impacts of emergencies and catastrophes. Zalando is insured against the occurrence of numerous losses as estimated by the Management Board.

FINANCIAL RISKS

In the course of its ordinary activities, Zalando is exposed to credit risks, liquidity risks and market risks (currency and interest rate risks). The aim of financial risk management is to limit the risks resulting from operational activities through the use of selected derivative and non-derivative hedging instruments. The derivative financial instruments are used by the group solely for the purpose of risk management.

DEFAULT RISKS

The default risk is the risk that customers or other contract parties do not fulfill their contractual obligations and receivables remain unpaid. This can be the result of customers' or other contractual parties' payment habits or financial situation, or can be the result of fraud.

The group's default risk mainly arises from trade receivables due from customers and to a lesser extent also from short-term investments and derivative financial instruments.

Overall, the default risk is distributed differently across the various countries and regions. The probability of occurrence varies for the different payment methods that Zalando offers its customers. To detect and prevent payment default and fraud early on, Zalando has a comprehensive payment and fraud management system in place. In addition, write-downs for trade receivables are recognized to a sufficient extent.

The conclusion of derivative financial instruments and the investment of liquid funds take place only with counterparties with very high creditworthiness. Furthermore, maximum amounts for investment are set and global netting and collateral agreements are concluded to limit the default risk.

FINANCING AND LIQUIDITY RISKS

The risk of inadequate liquidity is met by Zalando with a diversified cash management system. There are sufficient cash and credit lines available to ensure that the group can meet all payment obligations at all times and adequate funding is available for investments. In addition, instruments such as reverse factoring contracts are used to manage liquidity.

CURRENCY RISKS

A currency risk applies to revenue as well as to procurement transactions handled in foreign currency. This is counteracted with natural hedging and by concluding hedging transactions. Zalando uses forward exchange transactions as hedging instruments to hedge foreign currency risks resulting from contractual commodity procurement transactions that have not yet been performed and to hedge planned revenues.

If the conditions of the hedge accounting are met, this is accounted for as a cash flow hedge. After the realization of the underlying transaction secured via a cash flow hedge, the forward exchange transactions are used as a fair value hedge in order to compensate for the market value fluctuations of the outstanding trade receivables and payables in foreign currency. The forward exchange transactions are concluded with a term of maximum 12 months.

Derivative financial instruments are concluded and processed in accordance with internal guidelines that set out binding rules for the scope of action, the responsibilities and the reporting and controls.

The foreign currency sensitivity of the group is calculated by aggregating all foreign currency items that are not presented in the functional currency of the respective entity. These items are compared with the aggregated hedging transactions. The market values of the hedged items and hedging transactions included are measured at actual exchange rates and sensitivity rates. The difference between these measurements represents the effects on earnings and equity.

The findings are analyzed on a regular basis. For example, If the euro had appreciated by 5% in relation to the foreign currencies as of December 31, 2014, earnings before taxes would have been EUR 4.7m lower (prior year: EUR 2.1m). If the euro had been 5% weaker compared to the exchange rate as of December 31, 2014 earnings before taxes would have been EUR 5.9m higher (prior year: EUR 2.3m). The reserve for derivatives in consolidated equity would have been EUR 5.0m higher if the euro had been 5% stronger compared with the exchange rate as of December 31, 2014 (prior year: EUR 0.4m lower). If the euro had been 5% weaker, this reserve would have been EUR 5.3m lower (prior year: EUR 0.4m higher).

Effects arising from the change of exchange rates partially compensate for each other, e.g., a weaker euro causes procurement costs to rise for goods billed in foreign currency; on the other hand, the translated proceeds from the sale consequently increase. Nonetheless, on the basis of the incomplete hedging, Zalando regards the possible financial impact as medium, despite the low probability of occurrence.

LEGAL AND REGULATORY RISKS

LEGAL RISKS

Zalando is subject to a number of national and international laws and regulations, including those in the area of taxes, consumer protection law, e-commerce and competition law. As a result of the rapid expansion of the group in various countries, it is often faced with new or changing law and regulations. The resulting risks are counteracted by internal and external legal experts who carefully review all contractual and regulatory matters. Zalando strives to guarantee compliance with all obligations through continuous monitoring and to prevent conflicts resulting from the infringement of third-party rights or the violation of regulatory provisions. A group-wide regulatory watch process will ensure this in the future. There are no significant legal risks for Zalando at present.

PRODUCT QUALITY RISKS

The delivery of goods in perfect condition is critical to the success of the company. Product recalls, product liability cases and social responsibility violations can adversely affect the reputation of the company. The risk of potential quality problems is managed through continuous quality inspections, careful selection of our partners, suppliers and manufacturers, as well as by cultivating long-term relationships. In addition, the quality management process for Zalando's own brands is currently being revised in cooperation with the independent testing institutes.

04.4.3 OPPORTUNITIES

STRATEGIC AND OPERATIONAL OPPORTUNITIES

OVERALL ECONOMIC DEVELOPMENT

The economy in the eurozone is forecast to grow slightly economy in the coming year. Driven by rising real incomes as a result of lower energy prices, private consumption will remain the engine of growth in 2015 as well.[10] An upwards trend is also forecast for Germany. A noticeable increase in disposable income is expected which, in turn, is expected to further stimulate private consumption. Real purchasing power is also being bolstered by lower price increases.[11] These developments give Zalando the opportunity to capitalize on a potentially positive consumer climate arising from the growing economy and further reinforce its market position and increase revenue.

GROWING FASHION MARKET IN EUROPE

The fashion market in Europe (excluding Russia) is large, with consumer expenditure of around EUR 419b in 2014. Online fashion sales made up roughly EUR 43b of this total. This represents a relative share of approximately 10% of all fashion retail.[12] The total fashion market in Europe (excluding Russia) remained virtually unchanged between 2009 and 2014, while online fashion sales grew much more rapidly with a CAGR[13] of around 17% between 2009 and 2014.[14] This trend is forecast to continue, as the percentage of people in the overall population who are already familiar with digital technology at a young age will continue to rise.

10) IfW Kiel: Kiel economic reports for 2014|Q4, global economic reports for winter 2014 and Euroframe: Economic Assessment of the Euro Area, winter 2014/2015
11) German Institute for Economic Research, winter 2014 baseline, GIER weekly report 51 + 52 2014 and German Institute for Economic Research, GIER economic barometer – January 2015, press release dated January 28, 2015
12) Euromonitor International
13) CAGR stands for "Compounded Annual Growth Rate" and refers to the year-on-year growth rate over a specific period of time. The compounded annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period under review
14) Euromonitor International

Europe is a highly attractive fashion market with concentrated wealth and a high population density. These factors work to the advantage of online fashion sales. Zalando is well-positioned to benefit from these favorable market conditions thanks to its focus on the European market and the existing infrastructure and level of brand awareness.

The online retail market in Europe (excluding Russia) reported revenue totaling EUR 176b in 2014 with a CAGR of 17% since 2009. While the share of the online retail sector in North America came to 7.8% in 2014, the online share in retail in our target market of Europe (excluding Russia) rose from 2.6% in 2008 to 6.3% in 2014[15]

The consistent focus of the business model on e-commerce combined with a product range tailored to market needs and a consistent customer focus offers Zalando an opportunity to further increase revenue and their market share. Through targeted marketing activities, Zalando aims to further enhance its degree of brand awareness, acquire new customers and create lasting customers relationships. Zalando can also further exploit the high market potential in the European online fashion market through its presence in 15 European countries at present and the steady expansion of the product range, with its own brands and those of other manufacturers.

TECHNOLOGICAL PROGRESS

Mobile devices have played an important role in the strong growth of online retail. This also applies to fashion sales, as customers have access to fashion products at any time and from virtually everywhere. The number of mobile devices used in Europe (excluding Russia) increased from a mere 208m in 2009 to 480m in 2013 and is predicted to grow to 852m in 2018 with a CAGR of 12%. As a result, the number of Europeans who shop online using mobile devices is forecast to increase from 51m in 2013 to 110m in 2018. This represents a CAGR of 17%.[16]

Mobile devices give Zalando additional ways of connecting with customers. This presents Zalando an opportunity to extend the revenue potential via mobile devices.

SCALABLE LOGISTICS INFRASTRUCTURE

The scalable logistics infrastructure is composed of three fulfillment centers in Brieselang, Erfurt and Mönchengladbach, which are strategically positioned within Germany to efficiently supply customers in all of Europe. According to Zalando's estimates, approximately 65% of the European population and around 85% of Zalando's active customers live within a radius of 750 km (or a nine-hour truck drive) from the existing fulfillment centers. With floor space of 278,000sqm (after expansion was completed), the fulfillment centers currently available make it possible to process considerably higher revenue volumes than in fiscal year 2014.

SCALABLE TECHNOLOGY INFRASTRUCTURE

The technology platform created by Zalando is stable, secure and scalable. Zalando collects data and uses its internally developed analysis tools to optimize every aspect of the business. Data analyses are used, for example, in demand forecasts, country-specific pricing or to customize the product range. This approach provides insights that pose considerable strategic benefits for Zalando and Zalando's brand partners.

15) Euromonitor International
16) IDC, Worldwide New Media Market Model, 2H13, May 2014.

ADAPTING PRODUCT RANGE TO MEET LOCAL DEMAND

Adapting our product range to meet the local demand is a key factor in offering Zalando customers an inspiring and convenient shopping experience. This is critical for the group to succeed in the heterogeneous European market with its diverse regional tastes.

Zalando has developed various online offerings tailored to local customer needs. These include country-specific product ranges, online catalogs arranged in a way that meets local requirements and visual marketing adapted to local conditions. This country-specific alignment and a stronger adaptation to local customer needs sets Zalando apart from other companies. At the same time, the group uses a central platform and infrastructure for logistics, technology and the procurement of goods for the whole of Europe. This approach creates the opportunity to achieve economies of scale and to distinguish Zalando from small competitors that only operate locally.

AN ATTRACTIVE PARTNER

Fashion brands value Zalando as a strategic partner because the group offers them direct access to the large European fashion market, a high number of site visitors, an in-depth insight into customer buying habits and a clear focus on fashion. The platform lets them present their brands in an appealing way. The size and rapid growth of business have created internally reinforcing networks. The frequency of visits to Zalando's online platform is extremely appealing to our brand partners, which is why Zalando is also granted access to other fashion brands and a better selection of their products. The wide selection of brands and products in turn helps the company reach and win over new customers. This, in turn, increases the number of visitors on the group's websites.

With more than 150,000 products from more than 1,500 brands, Zalando offers its customers a wide choice of appealing fashion items. Procurement teams work continuously with the brand partners to select attractive fashion products. As a result, around 1,000 new products are added to the online assortment on a daily basis, which keeps the selection constantly up-to-date and gives customers an incentive to discover new trends. The strong partnerships with fashion brands make it possible to not only offer a choice of major international brands but also brands tailored to local preferences. Zalando can respond quickly to new trends thanks to the fast fashion[17]-brands in the product range. Fast fashion products also offer the advantage of shorter lead times and greater flexibility. Finally, Zalando has developed its own brands that expand and enhance the product range across all price categories.

PERSONNEL OPPORTUNITIES

The successful growth of Zalando is based on the skills and motivation of its employees. Due to the strong growth of its core business, the development of new business segments and the rapid international expansion, Zalando is constantly required to build up its successful team. Recruiting is thus a core priority of HR work. Recruiting highly skilled employees can help boost efficiency and foster innovation and creativity, thus increasing revenue and profitability.

17) Fast fashion refers to affordable fashion or clothing that quickly transfers from the catwalk to stores in order to capture the most recent fashion trends.

04.5 OUTLOOK

04.5.1 FUTURE OVERALL ECONOMIC AND INDUSTRY-SPECIFIC SITUATION

Increased dynamic growth is forecast for internet retail than for the overall market, both for the current year as well as in the years to come. For 2015, European retail is expected to experience a growth of approximately 1% compared to the prior year, while online retail is anticipated to see an increase of around 12.9%. The trend is similar in Germany. Total retail volumes are predicted to increase by 2% in 2015, while internet retail is expected to grow by 16.5% in the same period[18]. The HDE ["Handelsverband": German Retail Federation] also predicts a considerable rise in revenue for online retail in 2015. The HDE anticipated growth to be somewhat weaker at 12% than in the prior year, while total retail is expected to grow by 1.5%.[19]

Another rather weak year is forecast for 2015 for fashion retail as a whole in Germany and Europe. At European level, revenue is predicted to stagnate (+0.1%), while fashion sales in Germany are expected to fall slightly (–0.4%).[20] With the further development of e-commerce models and the increasing willingness of consumers to shop online, Zalando expects that the online share of fashion retail will continue to rise in 2015.

Zalando views itself as well-positioned to benefit from these favorable market conditions for online retail based on its focus on the European market as well as on its established infrastructure and the level of brand awareness achieved. The highly emotional value that both manufacturers and customers attach to fashion brands also provides independent and purely e-commerce fashion retailers such as Zalando a significant advantage over non-specialized e-commerce retailers.

04.5.2 FUTURE DEVELOPMENT OF THE GROUP

Zalando aims to continue to grow sustainably in the future. For this reason, management has defined four key goals for the fiscal year 2015: First, Zalando wants to give highest priority to customer benefits, second, to push the development of mobile internet use, third, to enhance the attractiveness of Zalando as an employer and fourth, to accelerate further development of the business model to a platform. Management attaches a higher importance to these goals than to maximizing earnings in the short term.

Against this background, management forecasts to revenue growth in a range of 20–25% for fiscal year 2015. In 2015, revenue is expected to grow as a result of a proportionate increase in orders. The average basket size is expected to remain at the level of 2014.

In fiscal 2014, Zalando significantly increased the EBIT margin by 9.3 percentage points to 2.8% and achieved profitability at group level. The focus for fiscal 2015 will also be on profitable growth. As a result of investments in long-term growth EBIT margin in 2015 is expected to be broadly around the strong level achieved in fiscal year 2014. The profits generated in fiscal year 2014 as well as further margin potential in 2015 can be reinvested in growth projects, even if this lowers the EBIT margin in fiscal year 2015.

18) Euromonitor International, retail trade including food retail
19) Handelsverband Deutschland (HDE), 2015 Annual Press Conference
20) Euromonitor International

04.5.3 OVERALL STATEMENT OF THE MANAGEMENT BOARD OF ZALANDO SE

Overall, the Management Board views the development of fiscal 2014 and the economic position of Zalando as very positive. The group achieved profitability for the first time in the past fiscal year. The financing of the group is very sound.

With the basis that the company created in 2014, Zalando can look to 2015 and subsequent years with confidence. Zalando has grown considerably in all markets and has positioned itself very well. Furthermore, the company made extensive investments in the area of development to design tailored products and new technologies, thus winning over the market. Zalando expects to be able to continue its good business performance from the past fiscal year in fiscal year 2015.

The statements on future developments contained in this management report are based on estimates made by the Management Board to the best of their knowledge at the time the annual financial statements were prepared. These statements are by nature subject to a number of risks and uncertainties. The actual results can thus deviate from the expectations of the anticipated development if any of the uncertainties specified above should occur, or if the assumptions which serve as a basis for the statements should prove to be incorrect.

04.6 SUPPLEMENTARY MANAGEMENT REPORT ON THE SEPARATE FINANCIAL STATEMENT OF ZALANDO SE

The management report and group management report of ZALANDO SE have been combined. The following notes are based on the annual financial statements of ZALANDO SE, which were prepared in accordance with the provisions of the German Commercial Code and the AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Art. 61 EU CR 2157/2001.

04.6.1 OPERATIONAL ACTIVITIES

ZALANDO SE is the parent company of the Zalando group. Its registered office is the corporate headquarters in Berlin. Its operating activities mainly include the development, procurement, marketing and retail sale of various types of goods, in particular clothing and shoes. Other responsibilities span management of the online shop, HR management, IT, finance management and risk management.

As the parent company of the group, ZALANDO SE is represented by its Management Board, which sets the direction of the group and defines the strategy.

The annual financial statements of ZALANDO SE are prepared in accordance with German commercial law and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs). This results in some differences in recognition and measurement methods, mainly relating to provisions, fixed assets, financial instruments, deferred taxes and the equity transaction costs incurred in fiscal year 2014.

In addition, ZALANDO SE has extensive supply and service relationships with its subsidiaries.

The services purchased essentially encompass logistics and distribution services, product updates and customer service, as well as procurement services.

The services provided comprise administrative and IT services.

04.6.2 ECONOMIC SITUATION OF ZALANDO SE

The earnings of ZALANDO SE are shown in the following condensed income statement broken down by company expense type and shows, in addition to an increase in revenue, a significant improvement in the operating result in the reporting period.

ECONOMIC SITUATION OF ZALANDO SE

IN EUR M	JAN 1– DEC 31, 2014	IN % OF SALES	JAN 1– DEC 31, 2013	IN % OF SALES	CHANGE IN PERCENTAGE POINTS
Revenue	2,205.7	100.0%	1,761.3	100.0%	0.0
Own work capitalized	18.7	0.8%	9.9	0.6%	0.3
Other operating income	94.5	4.3%	113.4	6.4%	–2.2
Cost of materials	–1,240.1	–56.2%	–1,035.5	–58.8%	2.6
Gross profit	**1,078.8**	**48.9%**	**849.1**	**48.2%**	**0.7**
Personnel expenses	–137.6	–6.2%	–107.7	–6.1%	–0.1
Amortization and depreciation	–18.2	–0.8%	–11.3	–0.6%	–0.2
Other operating expenses	–879.4	–39.9%	–842.7	–47.8%	8.0
Earnings before interest and taxes	**43.6**	**2.0%**	**–112.6**	**–6.4%**	**8.4**
Financial result	**0.2**	**0.0%**	**–1.9**	**–0.1%**	**0.1**
Results from ordinary business activities	**43.8**	**2.0%**	**–114.5**	**–6.5%**	**8.5**
Income taxes	–8.1	–0.4%	0.0	0.0 %	–0.4
Net income for the year (prior year: net loss)	**35.7**	**1.6%**	**–114.5**	**–6.5%**	**8.1**
EBIT-margin	*2.0%*		*–6.4%*		*8.4*

As forecast in the prior year, revenue rose by EUR 444.4m to EUR 2,205.7m thanks to the expansion of the business. Revenue grew 25.2% as a result of the higher number of orders (17.9%) and an increase in the average basket size (up 6.6%). Zalando thus continued its positive development in all markets.

The DACH countries still form the core business of ZALANDO SE in the current fiscal year, generating more than half of the total revenue. At the same time, revenue recorded in the other European countries climbed significantly, contributing substantially to the overall growth.

REVENUE BY SEGMENT

IN EUR M	JAN 1 – DEC 31, 2014		JAN 1 – DEC 31, 2013		CHANGE	
DACH*	1,293.7	58.7%	1,095.0	62.2%	198.7	18.1%
Rest of Europe**	912.0	41.3%	666.3	37.8%	245.7	36.9%
Total	**2,205.7**	**100.0%**	**1,761.3**	**100.0%**	**444.4**	**25.2%**

* As in fiscal 2013, DACH countries include Germany, Austria and Switzerland.
** As in fiscal 2013, the Rest of Europe comprises the Netherlands, France, Italy, the United Kingdom, Poland, Belgium, Sweden, Finland, Denmark, Spain, Norway and Luxembourg.

The significant increase of EUR 8.8m in own work capitalized during the reporting year was due to the large number of development projects.

Other operating income mainly results from income from marketing services and cost cross-charged to subsidiaries.

The cost of materials rose in line with the expansion of business by EUR 204.6m to EUR 1,240.1m. The decline in the cost of materials ratio of 2.6 percentage points to 56.2% is mainly attributable to lower price discounts in 2014 due to considerably better weather conditions. Overall, the company generated a gross profit of EUR 1,078.8m in fiscal 2014 (prior year: EUR 849.1m).

The average employee figures increased, causing personnel expenses to grow by EUR 29.9m to EUR 137.6m. At 6.2%, personnel expenses as a percentage of revenue is at the same level as the prior year. As of December 31, 2014, the headcount increased by 193 on the prior year from 2,183 to 2,376 employees.

Other operating expenses primarily include marketing expenses and well as freight and logistics costs. They increased from EUR 842.7m to EUR 879.4m in line with the development of business.

Income from profit transfer of EUR 3.1m (prior year: EUR 0m) stem mainly from the profits generated by the outlets in Berlin and Frankfurt during the reporting period.

In fiscal year 2014, an expense of EUR 8.1m was reported for income taxes.

The net income for the year of EUR 35.7m (prior year: net loss of EUR –114.5m) can mainly be ascribed to the higher operating result. The earnings in fiscal year 2014 were burdened by the transaction costs of EUR 15.2m in connection with raising equity capital.

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NET ASSETS AND FINANCIAL POSITION

The net assets of ZALANDO SE are shown in the following condensed statement of financial position.

ASSETS

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE
Fixed assets	153.8	8.6%	129.9	12.3%	23.9
Current assets	1,624.9	91.1%	921.6	87.3%	703.3
Prepaid expenses	5.3	0.3%	3.8	0.4%	1.5
Total assets	**1,784.0**	**100.0%**	**1,055.3**	**100.0%**	**728.7**

EQUITY AND LIABILITIES

IN EUR M	DEC 31, 2014		DEC 31, 2013		CHANGE
Equity	1,143.3	64.1%	562.0	53.3%	581.3
Special items for government grants	3.2	0.2%	1.9	0.2%	1.3
Provisions	146.7	8.2%	75.1	7.1%	71.6
Liabilities	488.7	27.4%	416.2	39.4%	72.5
Deferred income	0.1	0.0%	0.1	0.0%	0.0
Deferred tax liabilities	2.0	0.1%	0.0	0.0%	2.0
Total equity and liabilities	**1,784.0**	**100.0%**	**1,055.3**	**100.0%**	**728.7**

The total assets of ZALANDO SE increased by around 69.1% as a result of further increases in business volume. The company's assets are primarily comprised of current assets, in particular inventories as well as cash and cash equivalents. Equity and liabilities exclusively comprised equity and current liabilities and provisions.

In fiscal year 2014, considerable investments were made in intangible assets, totaling EUR 21.8m and in financial assets, totaling EUR 16.2m. Investments were financed solely from own funds.

In fiscal year 2014, inventories solely comprised merchandise used in the core operational business of ZALANDO SE.

As of December 31, 2014, ZALANDO SE's trade receivables rose by EUR 68.8m to EUR 183.7m.

The increase in cash and cash equivalents is due mainly to the inflow of cash from the IPO.

The liquidity situation and the financial development of ZALANDO SE are shown in the condensed statement of cash flows below.

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	JAN 1–DEC 31, 2014	JAN 1–DEC 31, 2013
Cash outflow from operating activities	**172.8**	**–74.7**
Cash outflow from investing activities	**–42.0**	**–89.4**
Cash inflow from financing activities	**510.1**	**200.0**
Net change in cash and cash equivalents	640.9	35.9
Cash and cash equivalents at the beginning of the period	424.6	388.7
Cash and cash equivalents as of Dec 31 (incl. securities)	**1,065.5**	**424.6**

The positive cash flow from operating activities was primarily the result of the net income for the year adjusted for non-cash effects using the indirect method and significantly lower capital tied up in net current assets.

The cash flow from investing activities in fiscal year 2014 was mainly driven by capital increases in subsidiaries that were used to invest in the logistics infrastructure, as well as to further expand the respective business segments of the subsidiaries. In particular, investments were made in the new fulfillment center in Mönchengladbach. Investments were also made in intangible assets (mainly software and licenses) as well as in property, plant and equipment, primarily for furniture and fixtures.

The cash flow from financing activities is made up almost exclusively of capital contributions from the IPO in October 2014. At EUR 1,065.5m, the total cash and cash equivalents are EUR 640.9m higher than in the prior year. The cash and cash equivalents are comprised of the cash on hand and bank balances as well as fixed-term deposits at credit institutions and in money market funds due within three months.

The equity ratio amounts to around 64.1% (prior year: 53.3%) due to the capital increase from the IPO.

Provisions and liabilities increased by EUR 144.1m to EUR 635.4m in line with the expansion of business. As of December 31, 2014, this figure mainly pertains to provisions for product return claims, outstanding invoices for logistics and marketing expenses and trade payables.

Reverse factoring agreements exist with various suppliers and several financial service providers. Under these agreements, the factor purchases the respective supplier claims due from Zalando. In accordance with these agreements, supplier claims against Zalando totaling EUR 90.5m were transferred to the factor as of December 31, 2014 (prior year: EUR 37.6m), although this amount is still recognized in the statement of financial position under trade payables.

04.6.3 RISKS AND OPPORTUNITIES

The business development of ZALANDO SE is subject to largely the same risks and opportunities as the group. ZALANDO SE fully participates in the risks of its subsidiaries. Statements made by the Management Board on the overall assessment of the group's risk situation thus also apply in condensed form to the risk situation of ZALANDO SE. The description of ZALANDO SE's accounting-related internal control system and risk management system stipulated in section 289 (5) HGB ["Handelsgesetzbuch": German Commercial Code] is provided in the opportunity and risk report for the group.

04.6.4 OUTLOOK

The statements made on market, revenue and results development for the group also apply here by virtue of the close ties between ZALANDO SE and the group companies and its weight within the group. The statements also reflect the expectations for the parent company.

Berlin, February 26, 2015

David Schneider   Robert Gentz   Rubin Ritter

05.1 RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the financial statements give a true and fair view of the assets, financial and earnings position of the company, and that the management report, which is combined with the group management report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, February 26, 2015

The Management Board

David Schneider Robert Gentz Rubin Ritter

06.1 CORPORATE GOVERNANCE REPORT

At ZALANDO SE, corporate governance stands for responsible managerial leadership and control oriented towards the long-term success of the company. ZALANDO SE's Management Board and Supervisory Board value good corporate governance very highly and align their approach to the recommendations set out in the German Corporate Governance Code. In the following, the Management Board and Supervisory Board outline the Corporate Governance Report for submission along with the Declaration of Corporate Governance in accordance with section 289a HGB ["Handelsgesetzbuch": German Commercial Code], as the two documents are closely linked as regards their contents. According to section 289a HGB ["Handelsgesetzbuch": German Commercial Code], the Declaration of Corporate Governance forms part of the Management Report.

DECLARATION OF CORPORATE GOVERNANCE [1]

DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF ZALANDO SE REGARDING THE RECOMMENDATIONS OF THE "GOVERNMENT COMMISSION GERMAN CORPORATE GOVERNANCE CODE" PURSUANT TO SECTION 161 AKTG (GERMAN STOCK CORPORATION ACT)

The Management Board and the Supervisory Board of ZALANDO SE declare that ZALANDO SE has acted since its going public on 1 October 2014 and will act in the future in conformity with the recommendations of the "Government Commission German Corporate Governance Code" (hereinafter the "Code"), published by the Federal Ministry of Justice on 10 June 2013 in the official section of the Federal Gazette (Bundesanzeiger), in each case with the following exceptions:

- **No. 3.8 para. 3:** According to the Code's recommendations, a deductible shall be agreed upon for the members of the Supervisory Board when taking out D&O policy. The company takes the view that such a deductible is not in itself suitable to increase the performance and sense of responsibility of the Supervisory Board members. Furthermore, it reduces the attractiveness of Supervisory Board positions and thus the company's opportunities in its competition for qualified Supervisory Board candidates.

- **No. 4.2.1 sentence 1:** According to the Code's recommendations, the Management Board shall have a chairman or spokesman. So far the three members of the Management Board of Zalando SE have worked together on an equal footing without any member performing the function of the chairman or spokesman. The Supervisory Board cannot see any reason why it should change this established and successful cooperation.

- **No. 4.2.3 para. 2 sentences 4,6 and 7:** According to the Code's recommendations, both positive and negative developments shall be taken into account when determining variable components of the compensation paid to members of the Management Board. The amount of compensation shall be capped, both overall and for the variable compensation components, and the variable compensation components shall be related to demanding, relevant comparison parameters.
  The current compensation system for the Management Board provides for a share option scheme as the variable component of the Management Board compensation, which was assessed to be appropriate by an independent compensation consultant.
  This share option scheme contains no explicit rule requiring the consideration of negative developments. It includes performance targets linked to the average annual growth rate of

1) The Declaration of Corporate Governance is an unaudited component of the Combined Management Report.

the aggregated retail value of all sales transactions with persons or enterprises not belonging to the Zalando group. Negative developments are only taken into account by the fact that the execution of option rights, due to the strike price for the execution of the option rights, can become unattractive; therefore, we declare, for reasons of precaution, a deviation from No. 4.2.3 para. 2 sentence 4. Furthermore, the share option scheme contains no caps for the amount of compensation within the meaning of No. 4.2.3 para. 2 sentence 6, in particular since the current compensation system for the Management Board had been fixed by the Supervisory Board before the initial public offering and thus before the application of the Code’s recommendations. In addition, when determining the compensation of the Management Board members, the specific situation of the company as an international ecommerce player should be sufficiently taken into consideration. Lastly, it cannot be excluded that the agreed performance targets do not comply with the requirements laid down by the Code regarding demanding parameters. Therefore, we also declare, for reasons of precaution, a deviation from No. 4.2.3 para. 2 sentence 7.
The Supervisory Board is convinced that the option scheme for the Management Board is well balanced and appropriate. In the opinion of the Supervisory Board, the compensation, due to the variable, i.e. share-based, compensation component being linked to share price and due to the long-term nature of the defined targets as well as the significant strike price for exercising the share options, is sufficiently oriented toward the situation of the company and its long-term positive development. Against this background, the Supervisory Board currently does not intend to adjust the agreements concluded with the Management Board.

- **Nos. 4.2.4 and 4.2.5:** According to the Code’s recommendations, the compensation of the members of the Management Board shall be disclosed by name, divided into fixed and variable components as well as fringe benefits. These recommendations are not complied with because the General Meeting of ZALANDO SE resolved on 11 July 2014 in accordance with sections 286 (5), 314 (2) sentence 2, 315a (1) HGB (German Commercial Code) in connection with article 61 of the SE Regulation that the compensation of the members of the Management Board shall not be disclosed by name in the annual and consolidated financial statements of ZALANDO SE to be prepared for fiscal years 2014 up to (and including) 2018. For the duration of a corresponding “opt-out” resolution passed by the General Meeting, the company will abstain from including in the compensation report the disclosures recommended under No. 4.2.5 para. 3 of the Code.

- **No. 5.4.5 sentence 2:** According to the Code’s recommendations, members of the management board of a listed company shall not accept more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of non-group companies which make similar requirements. One of the members of the Supervisory Board of ZALANDO SE is the CEO of a foreign listed company and currently at the same time has accepted more than three mandates in Supervisory Boards of non-group listed companies or in supervisory bodies of non-group companies which make similar requirements. However, ZALANDO SE does not consider this to be a limitation of the proper fulfilment of the Supervisory Board member's responsibilities as the Supervisory Board member has sufficient time to perform his mandate at Zalando SE. Since it is not sufficiently clear whether No. 5.4.5 sentence 2 of the Code also applies to Management Boards of foreign listed companies, we declare, for reasons of precaution, a deviation.

- **No. 7.1.2 sentence 4:** According to the Code recommendations, interim reports shall be made publicly accessible within 45 days of the end of the reporting period. The company currently intends to comply with this requirement for the fiscal year 2015. For organisational reasons, however, the company was unable to comply with this time limit for the third quarter of 2014 and disclosed the quarterly financial report within a period of two months from the end of the reporting period.

The Declaration of Conformity can be found on the ZALANDO SE website in the Corporate Governance section.

CORPORATE GOVERNANCE INFORMATION

ZALANDO SE's corporate governance is determined in particular by legal requirements, the recommendations set out in the German Corporate Governance Code and internal corporate guidelines.

Sustainable corporate governance is ensured by combining economic success with environmentally compatible and socially balanced activities. The social and ethical responsibility shouldered by ZALANDO SE is exhibited in the Code of Conduct for business partners of the company, in the regulation of socially acceptable working conditions at all logistics sites by means of uniform social standards, as well as in the definition of standards on ethical resourcing for suppliers. The Code of Conduct contains in particular the legal minimum wages, provisions on working hours and other conduct rules on the environmental, social and legal framework conditions.

An accounting-related internal control system is in place to ensure the accuracy of bookkeeping and accounting and the reliability of financial reporting, which comprises preventive, monitoring, and detection measures designed to ensure security and control in accounting and operational functions.

In addition, ZALANDO SE has created a Governance, Risk & Compliance Department in favor of the early recognition, management and monitoring of risks and opportunities. By continuously developing the instruments employed in the risk management system, this department can ensure that risks and opportunities are recorded and managed using a uniform approach throughout the company. Potential compliance risks are also considered in this process. All employees of Zalando are required to be aware of risks in their activities and prevent risks that could threaten the company's existence. The compliance management system implements guidelines, and offers advisory services and training to employees to address the prevention of compliance violations in particular. Additionally, communication channels have been put in place to facilitate the reporting of presumed compliance violations – on an anonymous basis if preferred. To complete its tasks, the Governance, Risk & Compliance department works in close collaboration with the Legal department and Internal Audit, which ensures a uniform approach to appropriately evaluating and mitigating risks across functions. The Management Board is responsible for the functioning of the risk and compliance management system overall and the Supervisory Board monitors the efficacy of the system.

MANAGEMENT BOARD AND SUPERVISORY BOARD WORKING PROCEDURES

MANAGEMENT BOARD WORKING PROCEDURES

The Management Board manages the business of the company in its own responsibility. In doing so, it is obliged to act in the best interest of the company and to pursue the objective of increasing the sustainable value of the company. Robert Gentz, David Schneider and Rubin Ritter, the three members of the Management Board, manage the company in partnership and, as members of the Management Board with equal rights, are responsible for corporate strategy and its daily implementation. They develop the strategic direction adopted by the company, regularly consult with the Supervisory Board on this direction, and ensure it is implemented. The Management Board manages the company's business transactions with the care expected from an orderly and conscientious managing director. Its collaboration with other corporate bodies and employee representatives is collegial and trusting, and has the interests of the company in mind.

The collaboration and assigned areas of responsibility within the Management Board are defined in the Rules of Procedure as set out by the Supervisory Board. Each member of the Management Board takes sole responsibility for the area of business assigned to him. Each area of business is managed in line with the same targets, agreed upon in resolutions passed by the Management Board. The members of the Management Board take joint responsibility for the overall management of the company, irrespective of the allocation of areas of business. They work together in a collegial manner and inform one another continuously of important measures and processes in their respective areas of business.

The entire Management Board meets regularly, generally every two weeks. The Management Board stays in regular contact with the Chairperson of the Supervisory Board, informs her of the conduct of business and the situation of the company and of group companies, and consults with her on strategy, planning, business development and risk management within the company. Should an important event occur or should any business matters arise that could be of significant importance to the evaluation of the situation and development, as well as to the management of the company, the Management Board communicates this to the Supervisory Board without undue delay.

Each member of the Management Board is obliged to disclose any conflicts of interest to the Supervisory Board immediately. All business transactions between the company or group companies on the one hand and members of the Management Board or persons or companies close to them on the other must comply with the same standards which apply to business transactions with neutral third parties and must be approved by the Supervisory Board.

SUPERVISORY BOARD WORKING METHOD

The Supervisory Board advises and monitors the Management Board in its management of the company on a regular basis. It is involved in any decisions that are of fundamental importance to the company. In the interest of the company, it works in close and trusting collaboration with the other corporate bodies, in particular with the Management Board. ZALANDO SE's Supervisory Board has nine members, three of whom are employee representatives. Before Zalando legally adopted the corporate structure of a limited company to become ZALANDO SE on May 28, 2014, the first Supervisory Board of Zalando AG had six members.

MEMBERS OF THE SUPERVISORY BOARD AS DURING FISCAL YEAR 2014 *

SUPERVISORY BOARD
Mia Brunell Livfors (until Feb 10, 2014)
Cristina Stenbeck (since Feb 10, 2014)
Lorenzo Grabau (since Dec 12, 2013)
Lothar Lanz (since Feb 10, 2014)
Kai-Uwe Ricke (since June 3, 2014)
Alexander Samwer (since Dec 12, 2013)
Anders Holch Povlsen (since Dec 12, 2013)
Mikael Larsson (until Feb 10, 2014)
Martin Weber (until June 3, 2014)
Benjamin Krümel (since May 28, 2014)
Dr. Christoph Stark (since May 28, 2014)
Christine de Wendel (since May 28, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

The Supervisory Board of ZALANDO SE has set goals for its composition. It strives for a composition that takes account of and ensures the particular needs of the company so that the Management Board is monitored, supervised and advised in a competent and professional manner.

Every member of the Supervisory Board has the knowledge, skills and professional experience needed to properly fulfill his or her duties and responsibilities. In addition, each member ensures he or she has sufficient time to carry out his or her duties. A maximum of two former members of the Management Board are permitted to be members of the Supervisory Board. The members of the Supervisory Board may not accept mandates for bodies of or advisory activities for significant competitors to the company.

With regard to its composition, while qualification shall still be the decisive criterion, the Supervisory Board strives to adequately consider the international character and the various fields of core competences of the business model and, at the same time, to pay attention to diversity, in particular to variety as regards professional experience and expertise. In order to accommodate the international character of the Company, the Supervisory Board shall as a rule have no less than two international members. The single most important factor for nominating a member to the Supervisory Board is the candidate's qualification, which is not dependent on the candidate's age. Therefore, the Supervisory Board sees no benefit in introducing fixed age limits. As a rule, however, Supervisory Board members should not be older than 70 when elected. The Supervisory Board strives to adequately consider women in the diversity of its composition, with the specific target that no less than two women shall be members of the Supervisory Board. Further, no less than five members of the Supervisory Board shall be independent as defined in section 5.4.2 of the German Corporate Governance Code, with no less than two of such independent members representing the shareholders. Candidates, who are likely to be confronted with an increased level of conflicts of interests, should not be proposed for election by the General Meeting. The Supervisory Board is convinced that such composition ensures an independent and efficient consultation and supervision of the Management Board.The goals set by the Supervisory Board with respect to composition were fully met with the composition of the first Supervisory Board of ZALANDO SE in fiscal year 2014.

The Supervisory Board has adopted rules of procedure. They govern the working method and allocation of duties of the Supervisory Board and its committees. The Supervisory Board has at least one meeting each calendar quarter. Other meetings are convened when they are necessary. The Supervisory Board regularly reviews the efficiency of its activities. Objects of the review are – in addition to the qualitative criteria to be determined by the Supervisory Board – in particular its proceedings as well as the timely supply of information that is sufficient in terms of content to the Supervisory Board.

Each member of the Supervisory Board must disclose conflicts of interest, particularly those that might arise as a result of an advisory or committee function with customers, suppliers, creditors, borrowers or other third parties, to the Supervisory Board. If a member of the Supervisory Board has a significant, non-temporary conflict of interest, the respective member of the Supervisory Board should resign from office.

The Supervisory Board has set up an Audit Committee, a Compensation Committee and a Nomination Committee. These committees are comprised of at least three members each. Finally, the Supervisory Board also established an IPO Committee in fiscal year 2014 to monitor the company's IPO.

AUDIT COMMITTEE

The Audit Committee prepares, among other things, the consultations and resolutions of the Supervisory Board on the examination and approval of the annual financial statements and approval of the consolidated financial statements, the proposed resolution of the Management

Board on the appropriation of net profit and the proposal of the Supervisory Board to the general meeting on the selection of the auditor. In addition, the Audit Committee handles questions regarding accounting, the discussion of financial reports, monitoring the effectiveness of the internal risk management and control systems, the internal auditing system and questions regarding the compliance and monitoring of the audit. The Audit Committee also discusses the audit reports with the auditor as well as its findings, and provides recommendations in this respect to the Supervisory Board.

AUDIT COMMITTEE*

Lothar Lanz (Chairman of the Audit Committee and member of the Supervisory Board since Feb 10, 2014)
Mikael Larsson (Chairman of the Audit Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Kai-Uwe Ricke (Vice Chairman of the Audit Committee since June 3, 2014, member of the Supervisory Board since June 3, 2014)
Lorenzo Grabau (member of the Supervisory Board since Dec 12, 2013)
Dr. Christoph Stark (member of the Supervisory Board since May 28, 2014)
Martin Weber (member of the Supervisory Board until June 3, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

The Chairman of the Audit Committee, Lothar Lanz, as an independent member of the Supervisory Board, has the requisite expertise in the area of accounting or auditing pursuant to Sec. 100 (5) AktG.

COMPENSATION COMMITTEE

The Compensation Committee deals, in particular, with the company's compensation system and its further development as well as with the amount and appropriateness of Management Board compensation, and provides the Supervisory Board with corresponding recommendations for its decision-making and makes preparations for them.

COMPENSATION COMMITTEE*

Lorenzo Grabau (Chairman of the Compensation Committee since March 24, 2014, member of the Supervisory Board since Dec 12, 2013)
Mia Brunell Livfors (Chairperson of the Compensation Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Cristina Stenbeck (Chairperson of the Compensation Committee until March 24, 2014, member of the Supervisory Board since Feb 10, 2014)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)
Christine de Wendel (member of the Supervisory Board since May 28, 2014)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information referred to the first Supervisory Board in its legal form as Zalando AG.

NOMINATION COMMITTEE

The Nomination Committee is comprised exclusively of shareholder representatives. The Nomination Committee prepares the proposals of the Supervisory Board for the general meeting regarding the election of Supervisory Board members. In doing so, it takes account of the specific goals of the Supervisory Board regarding its composition.

NOMINATION COMMITTEE*
Mia Brunell Livfors (Chairperson of the Nomination Committee until Feb 10, 2014, member of the Supervisory Board until Feb 10, 2014)
Cristina Stenbeck (Chairperson of the Nomination Committee since Feb 10, 2014, member of the Supervisory Board since Feb 10, 2014)
Anders Holch Povlsen (member of the Supervisory Board since Dec 12, 2013)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)

* Until the change in legal form to Zalando SE went into effect on May 28, 2014, the information refers to the first Supervisory Board in its legal form as Zalando AG.

IPO COMMITTEE

The IPO Committee assisted the initial public offering of the company by providing detailed answers to questions in connection with the IPO.

IPO COMMITTEE
Lorenzo Grabau (member of the Supervisory Board since Dec 12, 2013)
Lothar Lanz (member of the Supervisory Board since Feb 10, 2014)
Alexander Samwer (member of the Supervisory Board since Dec 12, 2013)
Cristina Stenbeck (member of the Supervisory Board since Feb 10, 2014)

SHAREHOLDINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

At the end of the 2014 fiscal year, the co-founders of the company and members of the Management Board Robert Gentz and David Schneider each held 1.87% of the shares issued by the company. The Supervisory Board member Anders Holch Povlsen held 9.43% of the shares. Supervisory Board members Benjamin Krümel, Lothar Lanz, Kai-Uwe Ricke and Dr. Christoph Stark each held less than 0.01% of shares.

A report on the transactions conducted during fiscal year 2014 by those at management level is published on the ZALANDO SE website in the Corporate Governance section.

TAKEOVER ACT INFORMATION REQUIRED PURSUANT TO SECTION 289 (4), 315 (4) HGB [2]

The information required pursuant to section 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code] is set out and explained below. From the perspective of the Management Board, there is no further need for explanation pursuant to section 175 (2), clause 1 and section 176 (1), clause 1 AktG.

COMPOSITION OF THE SUBSCRIBED CAPITAL

With respect to the composition of the subscribed capital, please see the notes to the consolidated financial statements.

LEGAL REQUIREMENTS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS OF THE ARTICLES OF ASSOCIATION.

Based on Art. 9 (1), Art. 39 (2) and Art. 46 of the SE Ordinance, section 84 and 85 AktG and section 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a term of no more than five years. Pursuant to section 7, the Management Board is comprised of one or more persons; furthermore, the Supervisory Board defines the number of members of the Management Board.

The general meeting decides on amendments of the Articles of Association. Amendments of the Articles of Association are carried out pursuant to section 179 and 133 AktG as well as section 12 of the Articles of Association. Pursuant to section 12 (5) of the Articles of Association, the Supervisory Board is authorized to decide on amendments of and additions to the Articles of Association that only affect the wording. Pursuant to section 4 (3) and (4) of the Articles of Association, the Supervisory Board is authorized, in particular, to amend or reformulate section 4 of the Articles of Association (Share capital) following utilization of authorized or conditional capital.

RESTRICTIONS THAT RELATE TO VOTING RIGHTS OR THE TRANSFER OF SHARES

Zalando shares have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since October 1, 2014. In the consortium agreement concluded on September 17, 2014 between the company, the consortium banks and Morgan Stanley & Co. International plc in its function as the stabilization manager, the company undertook to each of the consortium banks that the company, its Management Board and its Supervisory Board would not do any of the following without the prior written consent of Morgan Stanley Bank AG, Frankfurt am Main, Germany, Goldman Sachs International, London, United Kingdom and Credit Suisse Securities (Europe) Limited, London, United Kingdom (hereinafter referred to as the "Joint Global Coordinators") within a period of 180 days after the first day of trading of shares in the company on the Frankfurt Stock Exchange:

- announce or conduct an increase in the share capital of the company from authorized capital,
- submit a proposal to its general meeting for a resolution on an increase in the share capital of the company,
- announce, conduct or propose the issue of securities that can be converted into shares of the company or grant option rights to shares in the company or any economically comparable transactions, or
- enter into a transaction or conduct an activity that is economically comparable to the above points.

2) The Takeover Act information pursuant to section 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code] is a component of the Combined Management Report with Declaration of Corporate Governance.

In separate lock-up agreements, all existing shareholders have undertaken, without the express written consent of the Joint Global Coordinators (which may only be refused for good cause) within a period of 180 days after the first day of trading of shares in the company on the Frankfurt Stock Exchange not:

- to offer, pledge, assign, apportion, sell or contractually undertake to sell shares in the company, to sell a call option or purchase contract for said shares, to buy a put option for them, to grant an option or right to purchase them, to transfer them to another person or to otherwise dispose of them directly or indirectly (including the issue or sale of securities that can be exchanged for shares in the company);

- to initiate or authorize, directly or indirectly, an announcement or execution of an increase in the share capital of the company or a direct or indirect placement of shares of the company;

- to submit, directly or indirectly, a proposal for a resolution to a general meeting regarding an increase in the capital of the company, or to vote for the proposal of such an increase;

- to announce, carry out or propose, directly or indirectly, the issue of financial instruments that represent options or warrants that can be converted into shares of the company, or to approve this; or

- to conclude transactions or take measures that, from an economic perspective, are similar to the measures described in the above-mentioned points, particularly concluding a swap or other agreement with which some or all of the economic risk of the ownership of the shares is transferred to another party, irrespective of whether such a transaction is to be satisfied with shares of the company, with cash or in another manner.

In case of the second and third bullet above other than for the purposes of the Offering and in each case of the five bullets above.

The foregoing lock-up restrictions do not restrict (i) the offer, sale or transfer of shares in the company as part of a takeover bid for the company pursuant to the Securities Acquisition and Takeover Act, (ii) the over-the-counter transfer of shares in the company by the existing shareholders of the company to companies affiliated with them, (iii) the assignment of shares in the company by these shareholders to their own shareholders, associates or partners through non-cash dividends, provided the recipient of the transfer submits a written confirmation to the Joint Global Coordinators assuming the obligations of the previous shareholders for the remaining duration of the lock-up agreement.

Similar lock-up agreements have been concluded with the Joint Global Coordinators by the members of the Management Board, and with the company by the members of senior management of the company and other employees of the group who hold stock options in respect of the shares in the company that they receive when exercising stock options that they hold directly or indirectly.

The company has created an employee program with preferential allocation for all employees of the group, including members of the Management Board, who are employed and legally resident for tax purposes in Germany. This program with preferential allocation is comprised of three tranches:

- All eligible employees were offered EUR 180 in shares of the company, or the next lower amount divisible by the offer price without resulting in fractional amounts, at no charge. There is a lock-up period of six months from the first trading day of the shares in the company for all shares in the company granted as part of this first tranche.

- All eligible employees were extended an offer to buy an additional EUR 720 in shares of the company, or the next lower amount divisible by the offer price without resulting in fractional amounts, at a discount of 25% off the offer price. There is a lock-up period of six months from the first trading day of the shares in the company for all shares from this second tranche.

- In addition, all eligible employees were able to acquire up to an additional EUR 20,000 in shares of the company at the offer price with no discount. The lock-up period for all shares acquired through this third tranche ended two weeks after the first trading day.

SHAREHOLDINGS THAT EXCEED 10% OF VOTING RIGHTS

At the end of fiscal year 2014, the following direct and indirect shareholdings of ZALANDO SE exceeded the threshold of ten out of one hundred voting rights: Verdere S.à r.l., Luxembourg (indirect), Kinnevik Internet 1 AB, Stockholm (direct), Kinnevik Online AB, Stockholm (indirect), Investment AB Kinnevik, Stockholm (indirect) and Global Founders GmbH, Munich (direct).

Information about the amount of the aforementioned equity interests in the company can be found under section 00.5, Shareholder structure.

In the period from January 1 to August 19, 2014, a voting rights agreement was in place between Global Founders GmbH and Kinnevik Internet 1 AB in which the parties of the contract agreed to bundle their voting rights in questions of the Supervisory Board. No further agreements were reached; in particular, the voting rights agreement did not extend to cooperation with the Supervisory Board with respect to content. This agreement was rescinded by the other voting rights agreement from August 19, 2014. The voting rights agreement from August 19, 2014 also pertains exclusively to the staffing of the Supervisory Board.

SHARES WITH SPECIAL RIGHTS THAT GRANT POWERS OF CONTROL

There are no shares with special rights that grant powers of control.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES

The Management Board is authorized to increase the share capital of the company during the period through October 28, 2018 with the approval of the Supervisory Board one or more times by a total of up to EUR 5,359,420 by issuing up to 5,359,420 bearer shares against cash contributions (authorized capital 2013). There is no subscription right for shareholders.
The 2013 authorized capital serves to meet purchase rights (option rights) granted or promised by the company before its conversion into a stock corporation or affiliated companies or by shareholders of the company to employees or managing directors of the company and its affiliated companies in the period from March 2009 up to and including September 2013, and shares from the authorized capital 2013 may only be issued for this purpose.

The Management Board is authorized to increase the share capital of the company during the period through July 10, 2019 with the approval of the Supervisory Board one or more times by a total of up to EUR 47,264,457 by issuing up to 47,264,457 new bearer shares against cash or in-kind contributions (authorized capital 2014). Shareholders are generally to be granted a subscription right. The shares can also be acquired by one or more credit institution(s) with the obligation to offer them for subscription to the shareholders of the company (so-called "indirect subscription right"). Furthermore, the Management Board is authorized, with the approval of the Supervisory Board, to suspend the subscription right of shareholders for one or more capital increases in the framework of the authorized capital 2014 (i) to exclude fractional amounts from the subscription right, (ii) in the case of a capital increase against cash contributions, if the issue amount of the new shares does not significantly fall below the exchange price of the shares in the company that have already been listed when the issue amount is definitively set. However, this authorization is only valid with the stipulation that the shares issued to the exclusion of the subscription right pursuant to section 186 (3), clause 4 AktG do not exceed 10% of the share capital either when this authorization becomes effective or – if this amount is lower – when this authorization is exercised. This limit of 10% of the share capital includes shares that were issued or sold in direct or corresponding application of section 186 (3), clause 4 AktG during the term of this authorization until the time of its utilization, and (iii) in the event of a capital increase against in-kind contributions. The new shares participate fully in the profit made in the fiscal year in which they were issued. The Management Board is authorized to determine the further details of the capital increase and how it is carried out with the approval of the Supervisory Board. The Supervisory Board is authorized, following utilization of the authorized capital 2014 or expiration of the period for utilization of the authorized capital 2014, to amend the wording of the Articles of Association accordingly.

COMPENSATION AGREEMENTS BY THE COMPANY THAT ARE MADE WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER OFFER

The stock option program SOP 2013 allows for stock option rights held by the Management Board to be revoked in the case of a change of control event. The Supervisory Board and/or the Management Board are entitled to request the proportionate cancellation of the outstanding options that have been earned in line with share obtained from the acquiring company as a result the change of control against payment by the company. With respect to the stock options that have not been earned by the date of the change of control, the Supervisory Board is entitled, at its own discretion, to grant other economically equivalent performance-based compensation in exchange for the cancellation of the stock options under the SOP 2013 (including appreciation rights, phantom stocks or other stock options).

SIGNIFICANT AGREEMENTS BY THE COMPANY THAT ARE CONTINGENT ON A CHANGE IN CONTROL AS A RESULT OF A TAKEOVER OFFER

The significant agreements by the group that are subject to the condition of a change of control involve the revolving credit facility and reverse factoring agreements concluded as part of the initial public offering. In the event of a change of control, these agreements provide, as is customary for creditors, the right to terminate the agreement and accelerate repayment, or for factors, the right to terminate the agreement or renegotiate the contractual conditions.

REMUNERATION REPORT [3]

PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD

Total remuneration consists of a fixed base salary and a long-term incentive by way of option programs.

The total remuneration is appropriate to the tasks and performance of each member of the Management Board. The criteria used to determine what remuneration is appropriate are the responsibilities of the individual member of the Management Board, the personal performance along with the company's economic position, and the level of success and future development. The industry environment and the remuneration structure that otherwise applies in the company also play a role.

Pursuant to the resolution passed at the company's extraordinary general meeting held on July 11, 2014, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with section 285 (9), section 315a (1) and section 314 (1) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with section 61 of the SE Regulation.

NON-SHARE-BASED REMUNERATION (NON-PERFORMANCE-RELATED PAYMENTS)

The members of the Management Board receive non-share-based remuneration, such as salaries and non-cash payments and other benefits.

The salaries of the members of the Management Board are paid out monthly. The members of the Management Board received annual salaries totaling EUR 0.6m in fiscal year 2014 (prior year: EUR 0.5m).

In addition, the members of the Management Board were entitled to non-cash payments and other benefits totaling EUR 0.04m in fiscal year 2014 (prior year: EUR 0.02m). Non-cash payments include the use of company cars. Other benefits include reimbursement of standard expenses, such as travel expenses, contributions towards health insurance and monthly gross amounts which correspond to the employer's contribution to the statutory pension and unemployment insurance.

SHARE-BASED REMUNERATION (LONG-TERM INCENTIVES)

No new option rights were granted to the Management Board in the 2014 fiscal year. In fiscal year 2013, 9,817,500 option rights were granted to the members of the Management Board under SOP 2013. The options granted in fiscal year 2013 had a fair value on the day they were granted of EUR 31.3m. They are included in the total remuneration with the fair value at the time they were granted. Options granted under the SOP 2013 can be vested in the management board members over a period of five years.

The members of the Management Board participated in the option programs SOP 2011 and SOP 2011 in fiscal year 2014 (and in the prior year as well).

SOP 2011 was granted to the Management Board in the 2011 fiscal year. SOP 2011 consists of options that entitle the members of the Management Board to acquire 3,085,500 new shares in the company after a certain period of service. The exercise price is EUR 5.65 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2011 was completed.

3) This remuneration report is a component of the Combined Management Report and, at the same time, forms a component of the Corporate Governance Report with Declaration of Corporate Governance.

The beneficiaries can earn the number of options granted in sub-tranches. The options vest if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The last sub-tranche of SOP 2011 can be exercised in October 2018. The options are forfeited if the beneficiary leaves the group before the end of the vesting period. The beneficiaries have no claim to cash payment.

The number of outstanding options from SOP 2011 was as follows in the reporting period:

DEVELOPMENT OPTIONS 2011

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as at Jan 1, 2013	**3,085,500**	**5,65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2013	**3,085,500**	**5.65**
Options vested as at Dec 31, 2013	**1,402,500**	**5.65**
Outstanding options as at Jan 1, 2014	**3,085,500**	**5.65**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2014	**3,085,500**	**5.65**
Options vested as at Dec 31, 2014	**1,739,100**	**5.65**

The options issued by the company can be exercised as of the vesting date. The beneficiaries can exercise vested options for an unlimited period.

SOP 2013 includes call options granted in the fiscal year 2013 to the members of the Management Board. The options entitle the holders to acquire 9,817,500 shares in the company, provided that the beneficiaries have worked for the company for the period intended within a tranche, they meet the performance conditions listed in SOP 2013, and the standstill period has elapsed. The exercise price is EUR 15.63 per option. Each option entitles the beneficiary to acquire one share. The issue of options within the scope of SOP 2013 was completed. No new options are granted.

The members of the Management Board can earn the options in 60 sub-tranches over a period of five years. The condition relating to a tranche's period of service is met if the beneficiary is employed at Zalando for the vesting period of the respective sub-tranche. The performance condition stipulates that Zalando must achieve a certain level of contractually agreed revenue growth over a period of four years, starting on the day of the option being granted. If the contractual revenue target is not reached, the options are forfeited without substitution. The standstill period commences on the date when the option is granted. This also lasts four years. The beneficiaries can exercise vested options following the standstill period in a time frame of five years within a certain window of time. Within the five-year exercise period, options can be exercised within three weeks following the publication of each of the quarterly, half-year and annual financial statements. The beneficiaries have no claim to cash payment.

The number of outstanding options from SOP 2013 was as follows in the reporting period:

DEVELOPMENT OPTIONS 2013

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE (EUR)
Outstanding options as at Jan 1, 2013	**0**	**–**
Options granted during the reporting period	9,817,500	15.63
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2013	**9,817,500**	**15.63**
Options vested as at Dec 31, 2013	**0**	**–**
Outstanding options as at Jan 1, 2014	**9,817,500**	**15.63**
Options granted during the reporting period	0	–
Options forfeited during the reporting period	0	–
Options exercised during the reporting period	0	–
Options expired during the reporting period	0	–
Outstanding options as at Dec 31, 2014	**9,817,500**	**15.63**
Options vested as at Dec 31, 2014	**1,952,280**	**15.63**

The options can be exercised against payment of the exercise price. The beneficiaries can alternatively request a reduction of the exercise price from EUR 15.63 to EUR 1.00 for options already earned but not yet exercised. In this case, the number of options already earned but not yet exercised is reduced, leaving the beneficiary neither better nor worse off economically.

The weighted average of the remaining contractual term of the outstanding or exercisable options (meaning the period until the options' expiry date) is seven years and 354 days as at the reporting date (in the prior year: eight years and 354 days).

No new options were granted in the 2014 reporting period under SOP 2013. The weighted average fair value of a newly granted option during the 2013 fiscal year was EUR 3.16. The fair value of the options comprises the intrinsic value and the fair value multiplied by the probability that the performance condition will be reached. The fair value of the option was calculated using the Black-Scholes option price model. The input parameters included in the calculation of the newly granted options are summarized in the following table:

PARAMETERS SOP 2013

	2014	2013
Weighted average share price (EUR)	–	15.63
Weighted average exercise price (EUR)	–	15.63
Expected volatility (%)	–	30.1
Expected life of option (years)	–	4.2
Expected dividends (%)	–	0.0
Risk-free interest rate for equivalent maturities (%)	–	0.6
Probability of reaching the performance target (%)	–	81.2

The parameters used in the valuation model were determined as follows: The share price used was determined based on a transaction basis, meaning it took historical share purchases into consideration. The expected volatility used in the model is based on the past figures of comparable publicly listed companies. A best estimate was made for the expected life of the option in line with the factors contained in IFRS 2.B18 for early exercising. The risk-free interest rate for equivalent maturities was calculated using the Svensson method. The probability that the performance target would be reached was determined based on the market to the best extent possible.

OTHER NOTES

During the duration of their employment, any professional activities undertaken by members of the Management Board outside of the group require the prior written consent of the Supervisory Board. Moreover, every service contract contains a non-competition clause, which prohibits members of the Management Board from working for companies in direct or indirect competition with the company or that are affiliated with competitors of this kind. However, each member of the Management Board is free to invest in a competitor, as long as the stake does not exceed 2% of the voting rights of the company. The non-competition clause for the members of the Management Board also applies for business segments in which affiliated companies operate.

The conditions stipulated in the service contracts between the members of the Management Board and the company entered into force when the change in the company's legal form to a stock corporation was entered in the commercial register, and are valid until November 30, 2018. The service contracts can only be terminated for good cause during this period. When a member of the Management Board is dismissed, the service contract does not end automatically.

Pursuant to the respective provisions of the Aktiengesetz [German Stock Corporation Act], the members of the Management Board are also covered by insurance policies for directors and officers (D&O) with adequate coverage and deductibles amounting to 10% of the loss, but no more than 150% of the annual fixed salary. The D&O insurance policies cover financial damages caused by breaches of duty on the part of the members of the Management Board in the performance of their tasks.

Besides the service contracts, there are no service or employment contracts between the members of the Management Board and their affiliated parties and the company or their subsidiaries.

TOTAL REMUNERATION GRANTED

The members of the Management Board were granted total remuneration of EUR 0.6m in fiscal year 2014 (prior year: EUR 31.8m).

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Remuneration of the members of the Supervisory Board is set out in section 15 of the Articles of Association and is composed of fixed annual payments. The amount is based on the responsibilities and scope of the activities carried out by the respective Dupervisory Board member as well as the company's economic position.

According to the version of the Articles of Association valid at the end of the reporting period, every member of the Supervisory Board receives an annual fixed payment of EUR 50,000. The chairman of the Supervisory Board and the chairman of the Audit Committee receive twice this amount. The deputy chairman of the Supervisory Board and the deputy chairman of the Audit Committee receive one and a half times this amount. In addition to the remuneration mentioned above, the company reimburses the members of the Supervisory Board for reasonable out-of-pocket expenses that arise when performing their duties as Supervisory Board members, as well as the value-added tax on their remuneration and out-of-pocket expenses. Supervisory Board members who only hold their office as members or chairmen for part of a fiscal year receive a proportionate share of remuneration. The remuneration of the Supervisory Board members falls due after the general meeting which accepts the consolidated financial statements for the fiscal year for which the remuneration is paid, or decides on their approval.

The members of the Supervisory Board are covered by a D&O insurance policy held by the company.

Only the general meeting may approve remuneration for the activities of the members of the first Supervisory Board according to section 113 (2) (1) AktG. Approval of remuneration for the term of the members of the first Supervisory Board of Zalando AG in the fiscal year 2014 up to when the company took on its new legal form is to be granted together with the approval of remuneration of the first Supervisory Board of ZALANDO SE by the general meeting which will take place on June 2, 2015. The Management Board and Supervisory Board will propose granting remuneration in line with the provisions on Supervisory Board remuneration in the Articles of Association in the respective period. This would give rise to the following remuneration:

REMUNERATION FOR THE SUPERVISORY BOARD

IN EUR	2014	2013*
Mia Brunell Livfors (until Feb 10, 2014)	1,661	1,250
Cristina Stenbeck (since Feb 10, 2014)	40,627	–
Lorenzo Grabau	30,857	833
Lothar Lanz (since Feb 10, 2014)	60,468	–
Kai-Uwe Ricke (since June 3, 2014)	32,700	–
Alexander Samwer	22,826	833
Anders Holch Povlsen	22,826	833
Mikael Larsson (until Feb 10, 2014)	5,537	833
Martin Weber (until June 3, 2014)	5,039	833
Benjamin Krümel (since May 28, 2014)	18,772	–
Dr. Christoph Stark (since May 28, 2014)	18,772	–
Christine de Wendel (since May 28, 2014)	18,772	–
Total	**278,567**	**5,415**

* The figures for the fiscal year 2013 refer to the remuneration for the activities of the first Supervisory Board of Zalando AG starting from when the change in the legal form of Zalando AG went into effect on Dec 12, 2013 until the end of the fiscal year on Dec 31, 2013.

07.1 AUDIT OPINION

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report of ZALANDO SE, Berlin, for the fiscal year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Berlin, February 26, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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