

QUARTERLY STATEMENT
Q3 2018

3

ZALANDO AT A GLANCE

Key Figures

	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017
Group key performance indicators				
Site visits (in millions)	728.7	615.6	2,176.6	1,828.4
Mobile visit share (in %)	80.0	71.8	78.4	70.1
Active customers (in millions)	25.1	22.2	25.1	22.2
Number of orders (in millions)	27.7	22.5	82.1	64.7
Average orders per active customer	4.3	3.8	4.3	3.8
Average basket size (in EUR)	57.5	62.0	59.4	63.2
Adjusted marketing cost ratio (as % of revenue)	8.0	8.4	7.1	8.3
Adjusted fulfillment cost ratio (as % of revenue)	30.1	27.0	28.8	26.3
Results of operations				
Revenue (in EUR m)	1,200.2	1,074.7	3,726.3	3,155.3
EBIT (in EUR m)	-55.7	-5.9	16.5	85.3
EBIT (as % of revenue)	-4.6	-0.5	0.4	2.7
Adjusted EBIT (in EUR m)	-38.9	0.4	55.5	102.5
Adjusted EBIT (as % of revenue)	-3.2	0.0	1.5	3.2
EBITDA (in EUR m)	-33.7	9.4	75.9	126.7
EBITDA (as % of revenue)	-2.8	0.9	2.0	4.0
Adjusted EBITDA (in EUR m)	-16.9	15.7	115.0	143.9
Adjusted EBITDA (as % of revenue)	-1.4	1.5	3.1	4.6
Financial position				
Net working capital (in EUR m)	-7.4	-62.4*	-7.4	-62.4*
Equity ratio (as % of balance sheet total)	46.9	51.6*	46.9	51.6*
Cash flow from operating activities (in EUR m)	-25.9	92.3	-21.1	154.7
Cash flow from investing activities (in EUR m)	-4.8	20.3	-98.0	-38.6
Capex (in EUR m)	-60.6	-45.7	-169.3	-175.6
Free cash flow (in EUR m)	-30.3	39.9	-138.8	-54.4
Cash and cash equivalents (in EUR m)	877.0	1,084.6	877.0	1,084.6
Other				
Employees (as of the reporting date)	15,455	15,091*	15,455	15,091*
Basic earnings per share (in EUR)	-0.17	-0.04	-0.02	0.17
Diluted earnings per share (in EUR)	-0.17	-0.04	-0.02	0.16

*) As of Dec 31, 2017

For an explanation of the performance indicators please refer to the glossary to the annual report 2017 (section 4.1).
Rounding differences may arise in the percentages and numbers shown in this quarterly statement.



1.1 FINANCIAL PERFORMANCE OF THE GROUP

- Zalando increased revenue by 11.7% to EUR 1,200.2m, GMV¹ grew by 16.6%, number of orders up 22.8%
- Long, hot summer and delayed switch to fall/winter season weigh on growth
- Number of active customers increased to 25.1m, representing 6% of the European population, average orders per active customer at 4.3
- Several factors in gross profit and fulfillment costs impacted results negatively; adjusted EBIT at EUR -38.9m
- Full-year guidance: revenue growth around the low end of the guided range of 20% to 25%, adjusted EBIT at EUR 150m to EUR 190m

1.1 Financial Performance of the Group

In a challenging market environment we did not meet our high growth ambitions. Several factors in gross profit and fulfillment costs influenced the result of the third quarter of 2018.

Third Quarter Consolidated Income Statement

IN EUR M	Jul 1 – Sep 30, 2018	As % of revenue	Jul 1 – Sep 30, 2017	As % of revenue	Change
Revenue	1,200.2	100.0%	1,074.7	100.0%	0.0pp
Cost of sales	-726.5	-60.5%	-636.2	-59.2%	-1.3pp
Gross profit	473.7	39.5%	438.5	40.8%	-1.3pp
Selling and distribution costs	-459.7	-38.3%	-384.0	-35.7%	-2.6pp
Administrative expenses	-70.4	-5.9%	-62.6	-5.8%	0.0pp
Other operating income	1.4	0.1%	3.2	0.3%	-0.2pp
Other operating expenses	-0.7	-0.1%	-1.0	-0.1%	0.0pp
Earnings before interest and taxes (EBIT)	-55.7	-4.6%	-5.9	-0.5%	-4.1pp

pp = percentage points

¹ The gross merchandise volume (GMV) is defined as the total amount of money spent by our customers over the reporting period on the Zalando platform, i.e. on merchandise from both wholesale and Partner Program business, after discounts and returns, including VAT.

1.1 FINANCIAL PERFORMANCE OF THE GROUP

Nine Months Consolidated Income Statement

IN EUR M	Jan 1 – Sep 30, 2018	As % of revenue	Jan 1 – Sep 30, 2017	As % of revenue	Change
Revenue	3,726.3	100.0%	3,155.3	100.0%	0.0pp
Cost of sales	-2,170.1	-58.2%	-1,796.0	-56.9%	-1.3pp
Gross profit	1,556.1	41.8%	1,359.3	43.1%	-1.3pp
Selling and distribution costs	-1,351.8	-36.3%	-1,100.9	-34.9%	-1.4pp
Administrative expenses	-195.8	-5.3%	-175.8	-5.6%	0.3pp
Other operating income	10.8	0.3%	7.5	0.2%	0.1pp
Other operating expenses	-2.9	-0.1%	-4.8	-0.2%	0.1pp
Earnings before interest and taxes (EBIT)	16.5	0.4%	85.3	2.7%	-2.3pp

Development of Revenue

In the third quarter of 2018, Zalando increased its revenue by EUR 125.6m from EUR 1,074.7m to EUR 1,200.2m compared to the prior-year period. This corresponds to year-on-year revenue growth of 11.7%.

The increase in revenue was driven by a larger customer base as well as an increase in average revenue per active customer. As of September 30, 2018, the group had 25.1 million active customers, representing 6% of the European population compared to 22.2 million active customers as of September 30, 2017. This corresponds to an increase of 13.2%. The larger customer base ordered more frequently compared to the prior-year period with the average number of orders per active customer rising by 13.1%.

However, this growth in revenue did not meet our ambitions. This lower than expected growth is mainly due to the extended and unusually hot summer period and a delayed switch to the fall/winter season. August and September 2018 were characterized by continued high temperatures across Europe, reducing consumer demand as demonstrated by shrinking fashion sales in the overall market during this period. The high temperatures also delayed the start into the fall/winter season, with typically full price merchandise at the beginning of the season. Revenue was hence impacted by the lower average basket size, which decreased by 7.2% from EUR 62.0 in the prior-year period to EUR 57.5 in Q3 2018. The development of the average basket size was mainly driven by the seasonal mix, as a higher portion of orders contained summer articles with lower prices and higher discounts as compared to fall articles. Furthermore, the increased mobile site visit share and increased share of lower priced items such as fast fashion impacted the average basket size.

In the third quarter of 2018, the gross merchandise volume (GMV) increased by 16.6%, exceeding the increase in revenue. The expansion of our Partner Program is fully picked up in the GMV metric while revenue only includes the commission income from partners.

In the first nine months of 2018, revenue showed a 18.1% rise to EUR 3,726.3m (prior year: EUR 3,155.3m) compared to the corresponding prior-year period, driven by the aforementioned key performance indicators. Revenue growth was behind our ambitions mainly due to the delayed start of

the spring/summer season, the extended and unusually hot summer period, lower average basket size and the strong growth in the Partner Program.

Development of EBIT

The group recorded an EBIT of EUR -55.7m in the third quarter of 2018 (prior year: EUR -5.9m), which corresponds to an EBIT margin of -4.6% (prior year: -0.5%). The decrease in the EBIT margin of 4.1 percentage points was mainly driven by the fulfillment cost ratio which increased by 3.1 percentage points, and by the gross margin which decreased slightly by 1.3 percentage points and could not be offset by an improved marketing cost ratio, which decreased by 0.5 percentage points to 8.1%.

In Q3 2018, cost of sales rose by EUR 90.3m from EUR 636.2m to EUR 726.5m, with the gross margin decreasing by 1.3 percentage points from 40.8% to 39.5%. Cost of sales was mainly impacted by the slow season start, including higher discounting. Furthermore, we recorded higher allowances for goods for defective returns caused by operational faults. The matter has been investigated and resolved in the meantime.

Selling and distribution costs rose by 19.7% from EUR 384.0m to EUR 459.7m. This corresponds to an increase as a percentage of revenue of 2.6 percentage points from 35.7% to 38.3%. Selling and distribution costs consist of fulfillment and marketing costs.

The fulfillment cost ratio as a percentage of revenue increased in the third quarter of 2018 by 3.1 percentage points in comparison to the prior-year period. The increase in the fulfillment cost ratio is primarily attributable to higher logistic costs, as Zalando is building up a diverse logistics network and continues to invest in the customer and brand proposition. Examples include the ramp-up of new fulfillment centers in southern Germany, Italy, Sweden and Poland, and investments in convenience such as same day delivery to enhance our customer experience. Furthermore, logistic costs were also negatively impacted by the decreased average basket size. The decrease in the average basket size meant that the number of delivered orders increased stronger than revenue, hence logistic costs also increased stronger than revenue. Logistic costs were also impacted by higher transport costs, which were driven by increased carrier prices. Lastly, the change in the internal management structure in 2018 as described in the section "Results by Segment" resulted in a shift of activities within the organization that led to a shift of expenses from administrative expenses primarily to selling and distribution costs and also to cost of sales compared to the prior-year period. This effect is partly offset by another shift in share-based compensation expenses for the same reasons.

The marketing cost ratio improved by 0.5 percentage points to 8.1% compared to the prior-year period mainly due to continued efficiency gains. The absolute marketing spend increased as we kept investing in new customer acquisition, which is driven by expected total customer lifetime value. Marketing spend included our third Bread & Butter event as well as the start of the 10 years campaign in September.

Compared to the prior-year period, administration costs increased by EUR 7.7m from EUR 62.6m to EUR 70.4m in Q3 2018, leaving the percentage of revenue unchanged. The absolute increase results mainly from higher headcount and associated office expenses.

The development in the first nine months of 2018 can be summarized as follows: The EBIT margin as a percentage of revenue decreased by 2.3 percentage points from 2.7% in the first nine months of 2017 to 0.4% in the first nine months of 2018. This decline mainly resulted from a decrease in gross margin and a

higher selling and distribution cost ratio. Gross margin decreased by 1.3 percentage points to 41.8%, mainly due to a slightly higher average discount rate and to higher allowances for goods as reconditioning of returned articles was slightly less effective than in the prior-year period. As a percentage of revenue, the selling and distribution costs increased by 1.4 percentage points from 34.9% in the first nine months of 2017 to 36.3% in the first nine months of 2018, mainly as a result of continued investments in our logistic infrastructure and the lower average basket size. The marketing cost ratio improved by 1.1 percentage points to 7.4% in the first nine months of 2018 whereby operational improvements were partly offset by restructuring costs incurred in Q1 2018. These costs were incurred as a new setup was established for the marketing department. The consolidated income statement for the first nine months of 2018 includes a shift of expenses from administrative expenses to cost of sales and selling and distribution costs as described for Q3 2018 above.

Adjusted EBIT

To assess the operating performance of the business, Zalando's management also considers adjusted EBIT and the adjusted EBIT margin before expenses for equity-settled share-based payments, restructuring costs and non-operating one-time effects.

In the third quarter of 2018, Zalando generated an adjusted EBIT of EUR -38.9m (prior year: EUR 0.4m), which translates into an adjusted EBIT margin of -3.2% (prior year 0.0%). The decrease of adjusted EBIT is smaller than that of unadjusted EBIT as expenses for equity-settled share-based payments increased by EUR 10.5m.

The increase in expenses from equity-settled share-based payments in the first nine months of 2018, especially in the third quarter, is mainly due to the grant of further tranches under the Equity Incentive Program ("EIP"), as well as the grant of the Virtual Stock Option Plan 2018 ("VSOP 2018") and the new long-term, share-based compensation of the management board, the Long-Term Incentive 2018 ("LTI 2018") in 2018.

EBIT includes the following expenses from equity-settled share-based payments. More information can be found in the notes to the annual financial statements 2017 (section 3.5.7 (20.)) and in the condensed notes to the half-year 2018 financial statements (section 2.5.2 (6.)).

Share-Based Compensation Expenses per Functional Area

IN EUR M	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Change	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017	Change
Expenses for equity-settled share-based payments	16.8	6.3	10.5	28.2	17.2	11.0
Cost of sales	1.0	1.7	-0.7	2.6	4.4	-1.8
Selling and distribution costs	3.6	3.4	0.2	7.3	8.8	-1.5
thereof marketing costs	0.9	1.7	-0.8	1.5	4.4	-2.9
thereof fulfillment costs	2.7	1.7	1.0	5.7	4.4	1.3
Administrative expenses	12.2	1.2	11.0	18.3	3.9	14.3

The change in the internal management structure as described in the section "Results by Segment" resulted in a shift of share-based compensation expenses between the different cost lines in 2018, which led to an increased allocation to administrative expenses.

In the first nine months of 2018 EBIT furthermore included the above-mentioned restructuring costs of EUR 10.9m that were incurred in Q1 2018 mainly in connection with the implementation of a new setup of the marketing department. These costs are also adjusted for in the calculation of adjusted EBIT. In the first nine months of 2017, EBIT contained no restructuring costs.

1.2 Results by Segment

As of January 1, 2018 ZALANDO SE changed its internal management structure. The focus is now primarily on sales channels rather than on geographical regions. In addition, Zalando has changed the way, in which the information reported to the so-called chief operating decision maker according to IFRS 8, is presented. While reporting was previously on a consolidated basis, from January 1, 2018 onwards, revenue and profitability generated with external business partners as well as the internal transactions between segments of Zalando have been reported. The segment reporting has been adjusted accordingly.

Segment Development for the Quarter

Segment Results of the Group Q3 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	1,101.3	112.8	111.4	1,325.4	-125.1	1,200.2
thereof intersegment revenue	39.3	0.0	85.9	125.1	-125.1	0.0
Earnings before interest and taxes (EBIT)	-54.8	7.0	-6.5	-54.3	-1.3	-55.7
Adjusted EBIT	-40.9	8.1	-4.7	-37.5	-1.3	-38.9

Segment Results of the Group Q3 2017

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	994.0	80.4	90.6	1,165.0	-90.3	1,074.7
thereof intersegment revenue	18.2	0.0	72.2	90.3	-90.3	0.0
Earnings before interest and taxes (EBIT)	-4.5	7.4	-8.8	-5.9	0.0	-5.9
Adjusted EBIT	1.2	7.8	-8.6	0.4	0.0	0.4

Fashion Store Results by Region Q3 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	542.4	558.9	1,101.3
thereof intersegment revenue	20.3	18.9	39.3
Earnings before interest and taxes (EBIT)	-15.0	-39.8	-54.8
Adjusted EBIT	-7.8	-33.1	-40.9

Fashion Store Results by Region Q3 2017

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	498.4	495.5	994.0
thereof intersegment revenue	9.1	9.1	18.2
Earnings before interest and taxes (EBIT)	14.7	-19.2	-4.5
Adjusted EBIT	17.6	-16.3	1.2

In Q3 2018, revenue in the Fashion Store segment grew by 10.8%, in the Offprice segment by 40.2% and in all other segments by 22.9%, compared to the prior-year period. The Fashion Store segment continued to generate the highest absolute level of revenue, although the Offprice segment showed the highest percentage increase in revenue. The revenue increase in the Offprice segment is mainly due to Zalando Lounge, which significantly increased the number of orders. Furthermore, a new outlet store was opened in Hamburg in August 2018. The vast majority of all other segment's revenue was contributed by the private label offering zLabels, mainly resulting from arm's length inter-segment merchandise sales to the Fashion Store segment.

The Fashion Store segment realized an EBIT margin of -5.0% in Q3 2018, a decrease of 4.5 percentage points compared to the prior-year period. This decline mainly resulted from a lower gross margin and higher fulfillment costs, partly compensated by a lower marketing cost ratio. The Offprice segment recorded EBIT of EUR 7.0m with the EBIT margin decreasing from 9.2% in the prior-year period to 6.2% in Q3 2018, mainly caused by a lower gross margin. Decrease in gross margin was impacted by increasing internal sourcing costs caused by updated, newly negotiated internal transfer prices. All other segments recorded an increase of 3.8 percentage points, resulting in an EBIT margin of -5.9% in the third quarter of 2018.

1.2 RESULTS BY SEGMENT

Segment Development for the First Nine Months

Segment Results of the Group for the First Nine Months 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	3,428.6	347.8	311.9	4,088.3	-362.0	3,726.3
thereof intersegment revenue	120.1	0.0	241.9	362.0	-362.0	0.0
Earnings before interest and taxes (EBIT)	17.7	22.2	-24.2	15.7	0.8	16.5
Adjusted EBIT	51.1	24.1	-20.4	54.8	0.8	55.5

Segment Results of the Group for the First Nine Months 2017

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	2,919.8	235.1	256.8	3,411.8	-256.4	3,155.3
thereof intersegment revenue	49.9	0.0	206.5	256.4	-256.4	0.0
Earnings before interest and taxes (EBIT)	76.6	24.7	-16.0	85.3	0.0	85.3
Adjusted EBIT	92.2	25.7	-15.5	102.5	0.0	102.5

Fashion Store Results by Region for the First Nine Months 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,720.2	1,708.4	3,428.6
thereof intersegment revenue	62.5	57.6	120.1
Earnings before interest and taxes (EBIT)	52.2	-34.5	17.7
Adjusted EBIT	68.8	-17.7	51.1

Fashion Store Results by Region for the First Nine Months 2017

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,515.7	1,404.1	2,919.8
thereof intersegment revenue	25.8	24.1	49.9
Earnings before interest and taxes (EBIT)	103.5	-26.9	76.6
Adjusted EBIT	111.6	-19.4	92.2

In the Fashion Store segment, revenue rose by 17.4 % in the first nine months of 2018 compared to the corresponding prior-year period, and as such the Fashion Store continues to be the strongest segment in terms of absolute revenue. In the Offprice segment, revenue grew by 47.9 % while total revenue growth in all other segments stood at 21.4 %.

The EBIT margin in the Fashion Store segment decreased by 2.1 percentage points from 2.6% in the first nine months of 2017 to 0.5% in the first nine months of 2018. This decline mainly resulted from a lower gross margin and higher fulfillment costs, partly compensated by a lower marketing cost ratio. The Offprice segment recorded an EBIT margin of 6.4%. The decrease from 10.5% in the prior-year period is mainly attributable to a lower gross margin. The decrease in gross margin was impacted by increasing internal sourcing costs caused by updated, newly negotiated internal transfer prices. The EBIT margin in all other segments decreased by 1.5 percentage points to -7.7% in the first nine months of 2018 in comparison to the first nine months of 2017.

Adjusted EBIT

EBIT comprises the following expenses from equity-settled share-based payments:

Share-Based Compensation Expenses per Segment

IN EUR M	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Change	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017	Change
Expenses for equity-settled share-based payment	16.8	6.3	10.5	28.2	17.2	11.0
Fashion Store	13.8	5.7	8.1	23.4	15.6	7.9
Offprice	1.1	0.4	0.7	1.8	1.0	0.7
All other segments	1.9	0.2	1.7	2.9	0.6	2.4

EBIT also contains the above-mentioned restructuring costs of EUR 10.0m incurred in Q1 2018 in the Fashion Store segment, of EUR 0.1m in the Offprice segment and EUR 0.8m in all other segments. The prior-year period did not contain any restructuring costs.

The Fashion Store segment generated an adjusted EBIT margin of -3.7 % in the third quarter of 2018, which translates into a decrease of 3.8 percentage points when compared to the prior-year period. The Offprice segment recorded an adjusted EBIT margin of 7.2 %, a decline of 2.5 percentage points in the adjusted EBIT margin compared to the prior-year period. All other segments generated an adjusted EBIT margin of -4.2% in the third quarter of 2018, representing an increase of 5.2 percentage points. The development in adjusted EBIT and adjusted EBIT margin resulted almost exclusively from the aforementioned drivers described for unadjusted EBIT. However, development of adjusted EBIT margins is slightly better than the development of unadjusted EBIT margins throughout all segments as expenses for equity-settled share-based payments increased more strongly than revenue in all segments.

1.3 Cash Flows

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

Condensed Statements of Cash Flows

IN EUR M	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017
Cash flow from operating activities	-25.9	92.3	-21.1	154.7
Cash flow from investing activities	-4.8	20.3	-98.0	-38.6
Cash flow from financing activities	31.1	-0.5	-67.2	-2.3
Change in cash and cash equivalents	0.4	112.0	-186.4	113.8
Exchange-rate-related and other changes in cash and cash equivalents	1.8	-2.5	-1.3	-1.8
Cash and cash equivalents at the beginning of the period	874.7	975.1	1,064.7	972.6
Cash and cash equivalents as of SEP 30	877.0	1,084.6	877.0	1,084.6

Zalando generated a negative cash flow from operating activities of EUR -25.9m in the third quarter of 2018 (prior-year period: EUR 92.3m).

Compared to the prior-year period, earnings before taxes (EBT) deteriorated from EUR -9.6m in the prior-year period to EUR -57.3m in the third quarter of 2018. The EUR 118.2m decrease in operating cash flow was mainly driven by the lower EBT, the smaller decrease in net working capital and increased VAT receivables.

The cash flow from investing activities is mainly impacted by capex, being the sum of the payments for investments in fixed and intangible assets excluding payments for acquisitions, amounting to EUR 60.6m (prior-year period: EUR 45.7m). Capex mainly included increased investments in the logistics infrastructure of EUR 42.5m, relating primarily to the fulfillment centers in Nogarole Rocca close to Verona, Italy, Gluchow, close to Lodz, Poland and Gryfino close to Szczecin, Poland as well as investments in internally developed software of EUR 12.8m. Furthermore, in Q3 2018 payments of EUR 57.0m were received resulting from the sale of a warehouse set up in Gryfino close to Szczecin, Poland, that took place at the end of Q2 2018. The fulfillment center was leased back by Zalando after the sale.

As a result, the free cash flow decreased by EUR 70.1m, from EUR 39.9m in the prior-year period to EUR -30.3m in the third quarter of 2018.

Cash flow from investing activities further consists of cash invested in term deposits with an original term of more than three months and is therefore presented in cash flow from investing activities. In Q3 2018, there was no cash flow from term deposits, whereas the prior-year period contained cash inflows of EUR 70.0m from maturing term deposits.

Cash flow from financing activities mainly consists of payments received from capital increases of EUR 32.2m in Q3 2018 related to the exercise of stock options. There were no capital increases in the prior-year period.

Aggregate cash and cash equivalents increased by EUR 2.2m in the third quarter, resulting in Zalando carrying cash and cash equivalents of EUR 877.0m as of September 30, 2018.

1.4 Financial Position

The group's financial position is shown in the following condensed statement of financial position.

Assets

IN EUR M	Sep 30, 2018		Dec 31, 2017		Change	
Non-current assets	679.7	21.4%	569.6	19.1%	110.1	19.3%
Current assets	2,492.3	78.6%	2,410.7	80.9%	81.6	3.4%
Total assets	3,172.0	100.0%	2,980.3	100.0%	191.7	6.4%

Equity and Liabilities

IN EUR M	Sep 30, 2018		Dec 31, 2017		Change	
Equity	1,486.9	46.9%	1,538.9	51.6%	-52.0	-3.4%
Non-current liabilities	65.4	2.1%	71.9	2.4%	-6.5	-9.1%
Current liabilities	1,619.7	51.1%	1,369.5	46.0%	250.2	18.3%
Total equity and liabilities	3,172.0	100.0%	2,980.3	100.0%	191.7	6.4%

Compared to December 31, 2017, Zalando's total assets increased by EUR 191.7m. The statement of financial position is dominated by working capital, cash and cash equivalents as well as equity.

In the first nine months of 2018, additions to intangible assets amounted to EUR 41.7m (prior year: EUR 103.2m, mostly driven by acquisitions) and additions to property, plant and equipment totaled EUR 147.2m (prior year: EUR 131.5m), mainly relating to the fulfillment centers in Gryfino close to Szczecin, Poland, Nogarole Rocca close to Verona, Italy, Lahr, Germany and Gluchow, close to Lodz, Poland.

Inventories mainly comprise goods required for Zalando's wholesale business. The EUR 246.4m increase in inventories to EUR 1,025.3m predominantly relates to the delivery peak with respect to the fall/winter collection.

Trade and other receivables as reported on September 30, 2018 are all current. The increase from EUR 278.7m to EUR 323.8m is primarily attributable to the higher sales volume towards September month-end.

In the first nine months of 2018, equity decreased from EUR 1,538.9m to EUR 1,486.9m. The EUR 52.0m decrease primarily stems from the buy-back of own shares, partly offset by capital increases. Thus, the equity ratio decreased slightly from 51.6% at the beginning of the year to 46.9% as of September 30, 2018.

Current liabilities increased by EUR 250.2m in the reporting period. This increase is mainly attributable to trade payables, which rose by EUR 236.5m, increasing from EUR 1,120.0m to EUR 1,356.5m, mainly

due to recent deliveries of the fall/winter collection. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 350.4m as of September 30, 2018 were transferred to various factoring providers (December 31, 2017: EUR 328.9m). These items were recognized in the statement of financial position under trade payables and similar liabilities.

1.5 Outlook

As the extended and unusually hot summer period and a delayed switch to the fall/winter season weigh on revenue growth and adjusted EBIT, Zalando revised its guidance during the third quarter. For the fiscal year 2018, the company now expects revenue growth around the low end of its 20% to 25% target growth corridor (previously: in the lower half of such corridor) and an adjusted EBIT of EUR 150m to EUR 190m (EBIT of EUR 95m to EUR 135m), previously: adjusted EBIT at the low end of a EUR 220m to EUR 270m target range (EBIT of EUR 165m to EUR 215m).

Capital expenditure will stay on elevated levels due to continued strong logistics and technology investments. Zalando anticipates to spend around EUR 300m in 2018, which is slightly less than initially expected (EUR 350m) as Zalando is further optimizing its logistics footprint and projects will be spread over a longer period of time.

Berlin, November 1, 2018

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

2.1 CONSOLIDATED INCOME STATEMENT

2.1 Consolidated Income Statement

Consolidated Income Statement

IN EUR M	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017
Revenue	1,200.2	1,074.7	3,726.3	3,155.3
Cost of sales	-726.5	-636.2	-2,170.1	-1,796.0
Gross profit	473.7	438.5	1,556.1	1,359.3
Selling and distribution costs	-459.7	-384.0	-1,351.8	-1,100.9
Administrative expenses	-70.4	-62.6	-195.8	-175.8
Other operating income	1.4	3.2	10.8	7.5
Other operating expenses	-0.7	-1.0	-2.9	-4.8
Earnings before interest and taxes (EBIT)	-55.7	-5.9	16.5	85.3
Interest and similar income	1.4	1.1	3.7	2.3
Interest and similar expenses	-3.9	-4.7	-10.7	-11.2
Result of investments accounted for using the equity method	0.0	0.0	0.0	0.3
Other financial result	0.9	-0.1	1.3	-1.0
Financial result	-1.7	-3.7	-5.7	-9.6
Earnings before taxes (EBT)	-57.3	-9.6	10.8	75.7
Income taxes	15.6	-1.5	-15.7	-34.2
Net income for the period	-41.7	-11.1	-5.0	41.5
Thereof net income attributable to the shareholders of ZALANDO SE	-41.7	-10.5	-4.8	42.5
Thereof net income attributable to non-controlling interests	0.0	-0.6	-0.1	-1.0

2.2 Consolidated Statement of Financial Position

Consolidated Statement of Financial Position – Assets

IN EUR M	Sep 30, 2018	Dec 31, 2017
Non-current assets		
Intangible assets	190.8	182.3
Property, plant and equipment	462.9	350.5
Financial assets	14.6	25.9
Deferred tax assets	0.9	1.4
Non-financial assets	3.8	3.5
Investments accounted for using the equity method	6.7	5.9
	679.7	569.6
Current assets		
Inventories	1,025.3	778.9
Prepayments	0.0	2.6
Trade and other receivables	323.8	278.7
Other financial assets	65.2	80.7
Other non-financial assets	201.0	152.7
Cash and cash equivalents	877.0	1,065.5
Assets held for sale	0.0	51.5
	2,492.3	2,410.7
Total assets	3,172.0	2,980.3

2.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position – Equity and Liabilities

IN EUR M	Sep 30, 2018	Dec 31, 2017
Equity		
Issued capital	248.0	247.2
Capital reserves	1,148.0	1,182.4
Other reserves	-3.7	8.7
Accumulated profit	94.7	100.7
Equity of shareholders of ZALANDO SE	1,487.0	1,539.0
Non-controlling interest	-0.1	-0.1
	1,486.9	1,538.9
Non-current liabilities		
Provisions	16.1	15.8
Borrowings	6.3	8.4
Other financial liabilities	4.5	4.5
Other non-financial liabilities	5.6	7.9
Deferred tax liabilities	32.9	35.4
	65.4	71.9
Current liabilities		
Provisions	0.3	0.3
Borrowings	3.1	2.8
Trade payables and similar liabilities	1,356.5	1,120.0
Prepayments received	25.4	32.0
Income tax liabilities	7.5	6.4
Other financial liabilities	81.2	84.0
Other non-financial liabilities	145.7	123.9
	1,619.7	1,369.5
Total equity and liabilities	3,172.0	2,980.3

2.3 CONSOLIDATED STATEMENT OF CASH FLOWS

2.3 Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

IN EUR M	Jul 1 – Sep 30, 2018	Jul 1 – Sep 30, 2017	Jan 1 – Sep 30, 2018	Jan 1 – Sep 30, 2017
1. Net income for the period	-41.7	-11.1	-5.0	41.5
2. + Non-cash expenses from share-based payments	16.8	6.3	28.2	17.2
3. + Depreciation of property, plant and equipment and amortization of intangible assets	21.9	15.2	59.5	41.4
4. + Income taxes	-15.6	1.5	15.7	34.2
5. - Income taxes paid, less refunds	-10.9	-15.1	-31.6	-34.5
6. +/- Increase/decrease in provisions	0.0	0.1	0.1	-0.1
7. -/+ Other non-cash income/expenses	0.1	-1.1	0.7	1.9
8. +/- Decrease/increase in inventories	-212.0	-195.9	-246.4	-269.9
9. +/- Decrease/increase in trade and other receivables	-13.0	-13.2	-45.1	-43.0
10. +/- Increase/decrease in trade payables and similar liabilities	250.1	287.0	224.7	312.3
11. +/- Increase/decrease in other assets/liabilities	-21.6	18.6	-21.9	53.7
12. = Cash flow from operating activities	-25.9	92.3	-21.1	154.7
13. + Cash received from the sale of fixed assets	57.0	0.0	57.0	0.0
14. - Cash paid for investments in property, plant and equipment	-47.3	-28.9	-132.5	-129.1
15. - Cash paid for investments in intangible assets	-13.2	-16.8	-36.9	-46.5
16. - Cash paid for acquisitions of subsidiaries and other business entities less cash and cash equivalents acquired	-0.8	-6.7	-5.3	-33.4
17. +/- Cash received from/paid for investments in term deposits	0.0	70.0	20.0	160.0
18. +/- Change in restricted cash	-0.4	2.7	-0.4	10.4
19. = Cash flow from investing activities	-4.8	20.3	-98.0	-38.6
20. + Cash received from capital increase by the shareholders less transaction costs	32.2	0.0	35.0	0.6
21. - Repurchase of treasury shares	-0.4	0.0	-100.5	-0.7
22. - Cash repayments of loans	-0.7	-0.5	-1.8	-2.2
23. = Cash flow from financing activities	31.1	-0.5	-67.2	-2.3
24. = Net change in cash and cash equivalents from cash relevant transactions	0.4	112.0	-186.4	113.8
25. +/- Change in cash and cash equivalents due to exchange rate movements	1.8	-2.5	-1.3	-1.8
26. + Cash and cash equivalents at the beginning of the period	874.7	975.1	1,064.7 ²	972.6
27. = Cash and cash equivalents as of SEP 30	877.0	1,084.6	877.0	1,084.6
Free cash flow	-30.3	39.9	-138.8	-54.4

² Cash and cash equivalents at the beginning of the period include the effect from the initial application of IFRS 9 of EUR -0.8m. See condensed notes to the half-year 2018 financial statements (section "Accounting and Measurement Principles") for details.

3.1 Financial Calendar 2019

Financial Calendar

Date	Event
Thursday, February 28	Publication of the annual report 2018
Thursday, May 2	Publication of the first quarter results 2019
Thursday, August 1	Publication of the second quarter results 2019
Thursday, October 31	Publication of the third quarter results 2019

3.2 Imprint

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Statement relating to the future

This quarterly statement contains statements that relate to the future and are based on assumptions and estimates made by the management of ZALANDO SE. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. ZALANDO SE makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this quarterly statement. It is neither the intention of ZALANDO SE nor does ZALANDO SE accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this quarterly statement is published.

The quarterly statement is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at corporate.zalando.com/en/investor-relations.

