



Zalando.
The starting point for fashion.



Investor Factbook

October 2019

Welcome To Zalando

Dear reader,

Zalando keeps the pace high. Only 10 years after founding the company in 2008, we today have more than 28m active customers in 17 European countries and have become Europe's leading online fashion destination. Building on this, more than 15.000 employees work hard every day to turn Zalando into the starting point for fashion for every fashion-loving European.

This factbook is designed to give you easy access to the most relevant capital markets information about Zalando.

Enjoy the read!

Robert, David, Rubin, Jim, David and the IR team

Zalando Management Board



David Schröder, Jim Freeman, Rubin Ritter, Robert Gentz, David Schneider



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Investment Highlights - The Starting Point for Fashion

1

Our vision is to become the **starting point for fashion**, the destination that consumers gravitate to for all their fashion needs.

2

The number 1 priority is to **focus on growth** with **20-25% topline CAGR** to achieve a scale of 20bn EUR GMV by 2023/24.

3

The most important building block on that journey is to transition our business towards a **true platform business**.

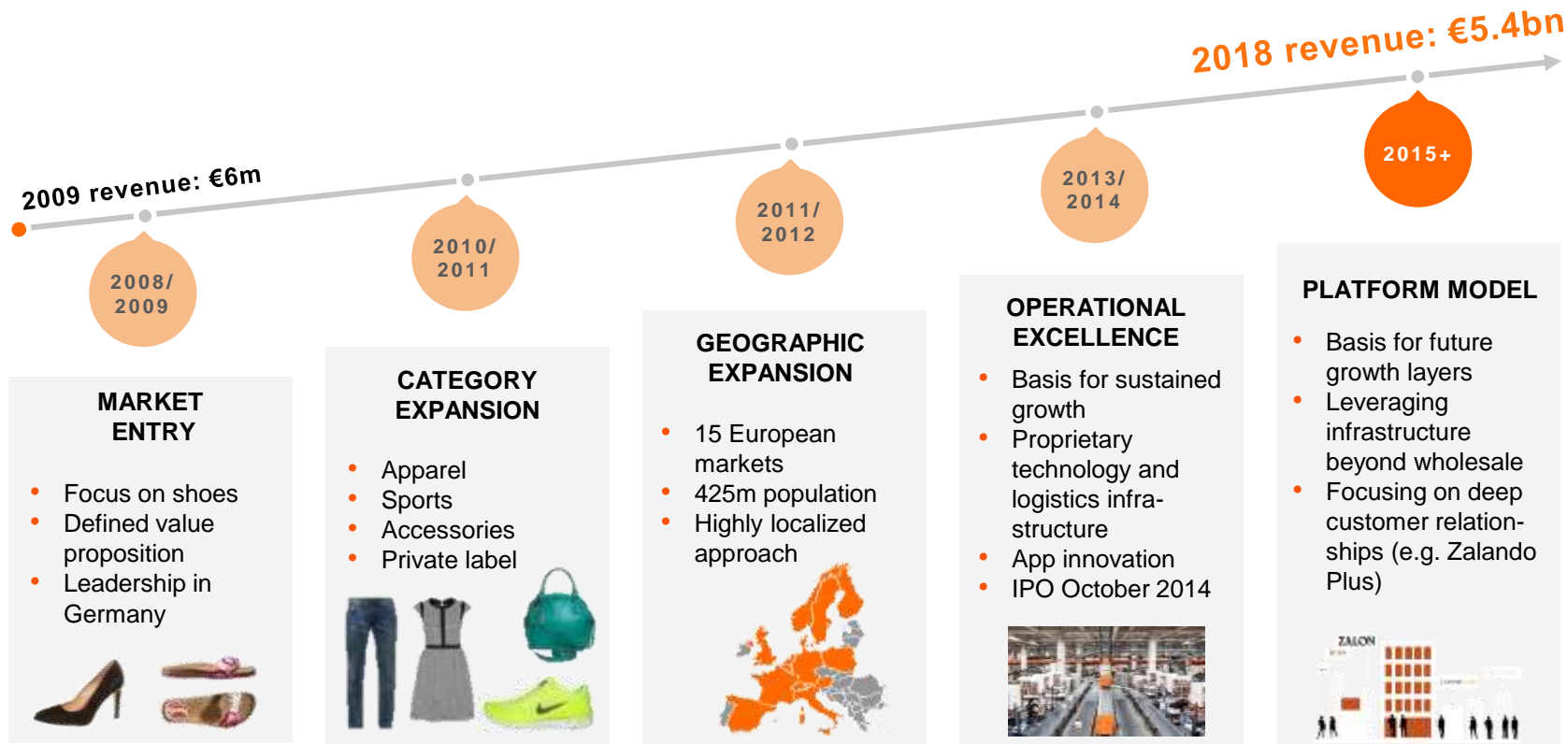
4

At scale our strategy will result in an **attractive financial profile**, characterized by double-digit margin profile and strong cash generation.

5

To become the starting point **we aim to invest** our economic surplus in our **customer experience across assortment, digital experience and convenience** to drive customer satisfaction and retention.

Strong Growth Track Record Since Foundation In 2008



Zalando In A Nutshell

UNMATCHED REACH



17

European countries



>80%

mobile traffic



>3bn

site visits last year



>28M

active customers

STRONG LOCALIZATION



>2,000

(local) Brands



>20

payment methods



>20

logistics partner



13

languages

PLATFORM STRATEGY



Zalando is leveraging its position to develop from a typical retailer to become the '**starting point for fashion**'

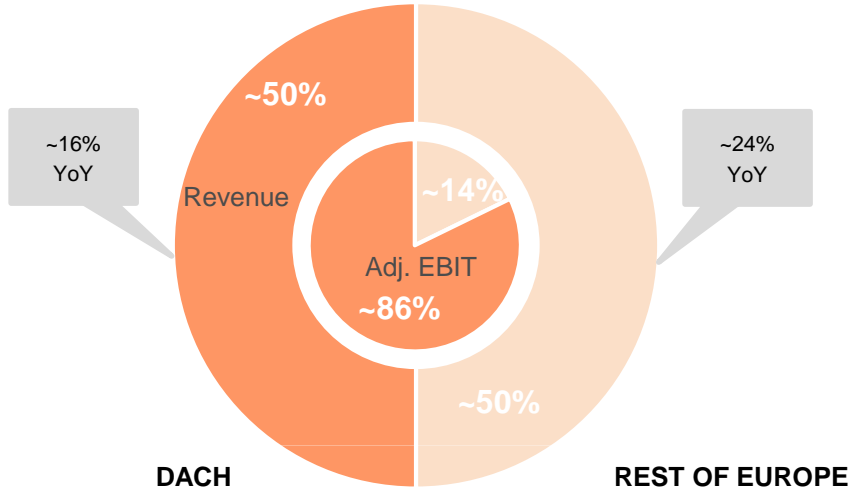
LOGISTICS & TECH CAPABILITIES



Best-in-class e-commerce logistics infrastructure and technology talent

We Are Present in 17 European Markets...

Revenue & adj. EBIT FY/18 per region



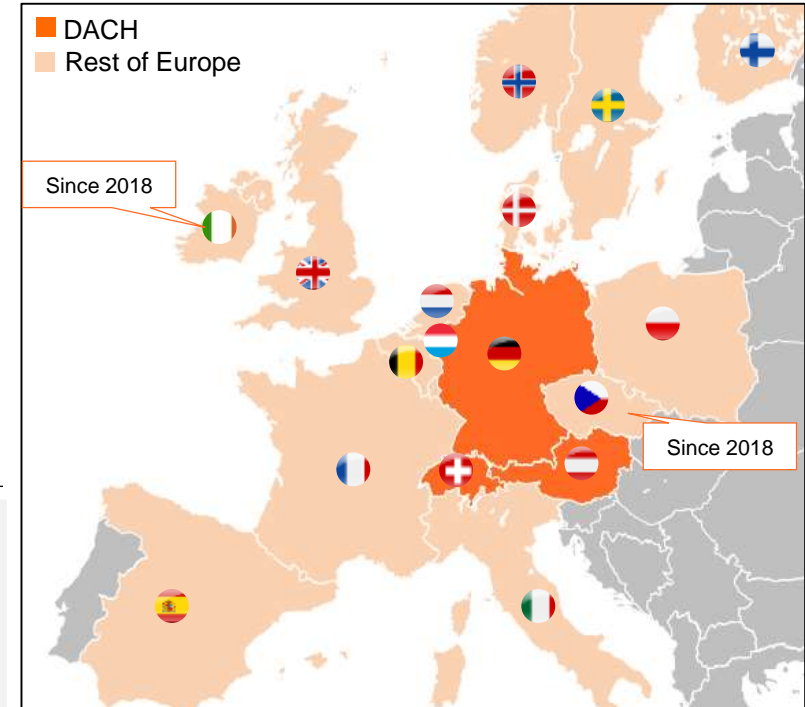
DACH

REST OF EUROPE

- Most mature Zalando markets
- Similar consumer behavior (e.g. higher gross baskets, high return rates, high invoice share)
- Proximity to warehouse footprint

- Some less developed online markets
- Diverse set of consumer behavior (e.g. return rates, payment methods, discount affinity, ...)

Geographical breakdown into the regions DACH & Rest of Europe



...With Our Success Build On Best-in-class E-commerce Logistics Infrastructure And Technology Talent

1. ERFURT (GER)
Start in 2012

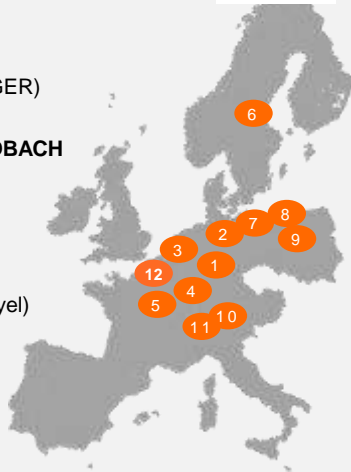
2. BRIESELANG (GER)
Start in 2011

3. MÖNCHENGLADBACH (GER)
Start in 2013

4. LAHR (GER)
Start in 2016

5. PARIS (FR, Moissy-Cramayel)
Start in 2016

6. STOCKHOLM (SWE)
Start in 2018



7. SZCZECIN (PL, Gryfino)
Start in 2017

8. OLSZTYNEK (PL)
Start in 2019

9. LODZ (PL, Gluchow)
Start in 2019

10. VERONA (IT)
Start in 2020

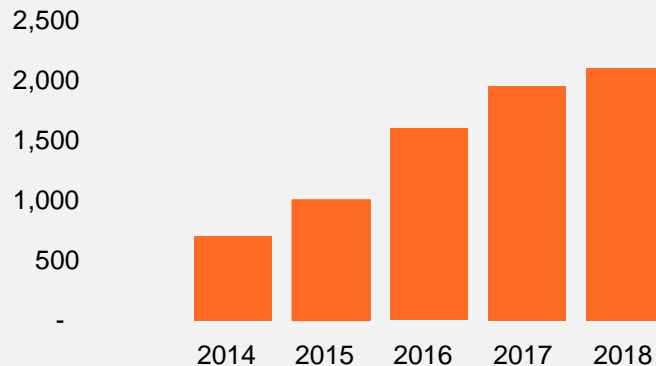
11. MILANO (IT, Stradella)
Start in 2016

12. ROTTERDAM (NL, Bleiswijk)

- 140.000 sqm
- €200m capex invest
- First parcel: mid 2021
- Fully automated: mid 2022



































Technology FTE



- **Create the capacity for future growth:**
12 warehouses can fulfill ~€14bn GMV
- **Get closer to our customers:**
We will deliver 30% of orders on the next day by 2020¹
- **Scale a differentiating asset** which we can open up to brand partners

- **Tech capabilities will allow us to** build a highly scalable, reactive platform to drive fashion commerce – for us and our partners
- **Micro Services/ cloud based architecture**
- **AI and data-driven methods** are weaving itself to all areas of our business (e.g. sizing advice, pricing, recommendations)

Our Competitive Advantage Is Our Clear Focus To Be A Pureplay Online Fashion Leader In Europe

		GENERAL E-COMMERCE	FASHION E-COMMERCE	VERTICAL FASHION PLAYERS	BRAND OWN E-COMMERCE	SOCIAL MEDIA
EXAMPLES						
ONLINE SCALE						
FASHION FOCUS/ EXPERTISE						
BUY-IN FROM BRANDS				n/m	n/m	
E-COMMERCE INFRASTRUCTURE/ TECHNOLOGY						n/m
GEOGRAPHIC						n/m

Zalando Is Still Managed By Its Founders, Supported By High-profile Experts That Secure A Well-rounded View Of The Business



Robert Gentz
Founder & Co-CEO

- Marketing / Sales
- Human Resources



David Schneider
Founder & Co-CEO

- Fashion Offer
- Assortment Strategy
- Category Management
- Brand Relations



Rubin Ritter
Co-CEO

- Strategy
- Corporate Communication & Public Affairs



Jim Freeman
CTO

- Product
- Technology



David Schröder
CFO

- Finance
- Operations

All Supervisory Board Members Have The Relevant Track Record From Various Businesses To Support Zalando



**CRISTINA
STENBECK¹**



**ANDERS HOCH
POVLSEN¹**



**ALEXANDER
SAMWER¹**



**JORGEN MADSEN
LINDEMANN¹**



**MARIELLA
RÖHM-KOTTMANN¹**



KELLY BENNETT¹



KONRAD SCHÄFERS²



BEATE SIERT²



ANTHONY BREW²



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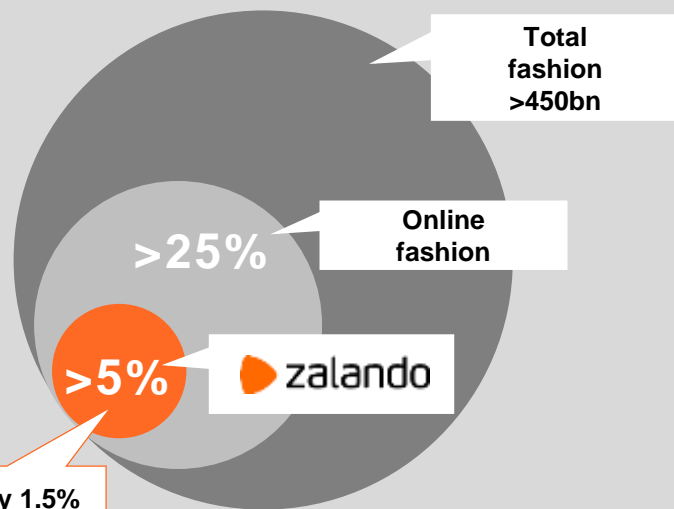
Business segments

Financials

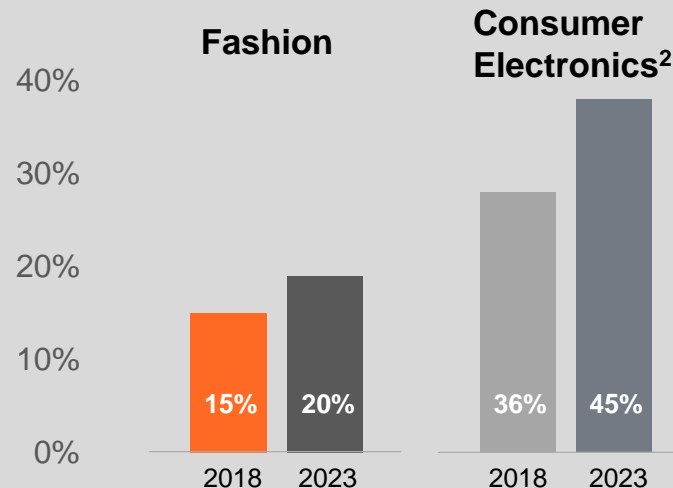
Share & contact

Facing an Immense Market Opportunity, Our Number One Priority Is to Capture Market Share

Fashion Market offers massive growth opportunity over the next 5-10 years¹...



...with low online share compared to other categories





Our Vision:

**Zalando.
The Starting Point
for Fashion**

What Are Successful Starting Points?

Music



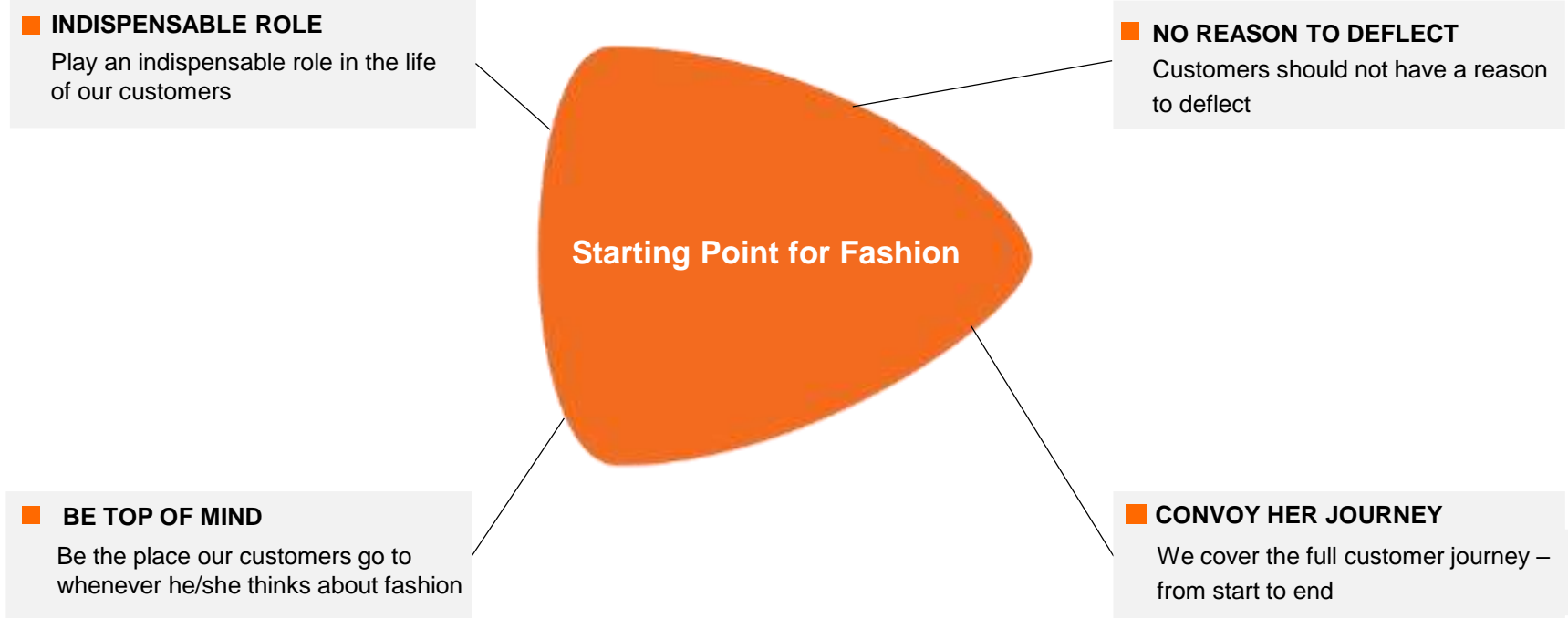
**Movies &
Series**



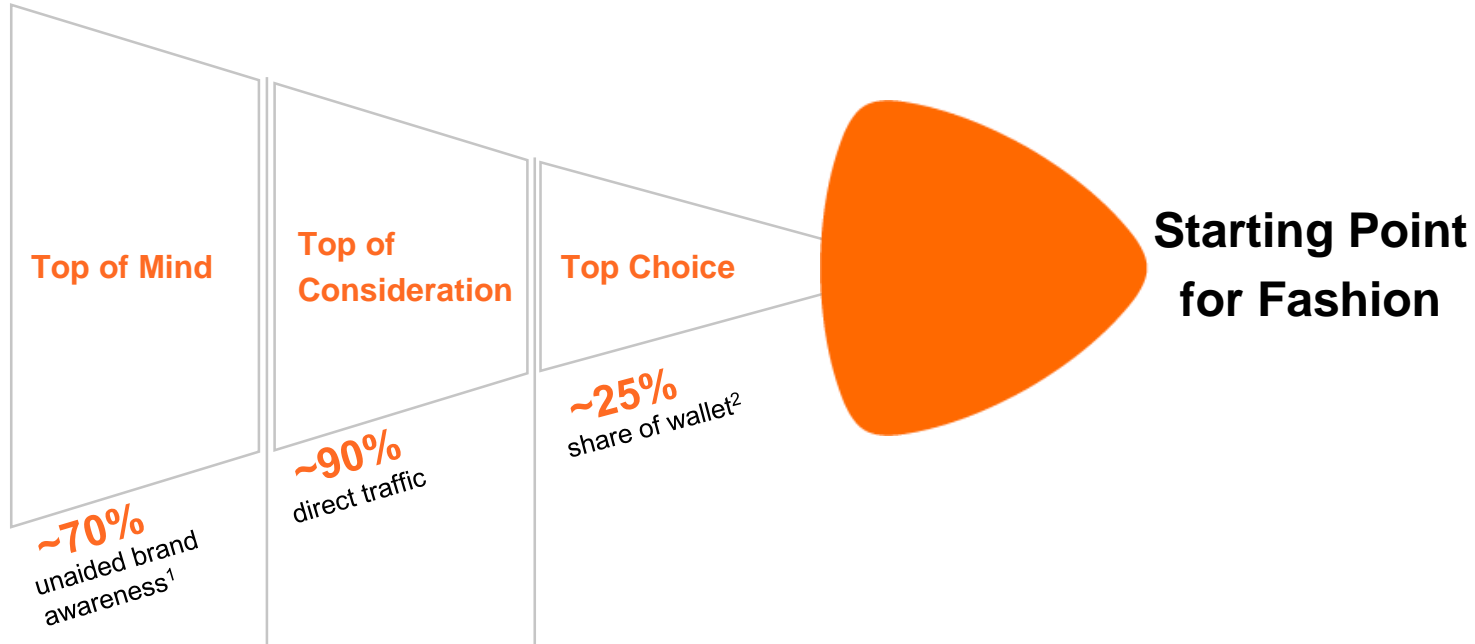
Fashion



Starting Point – What We Mean By This?



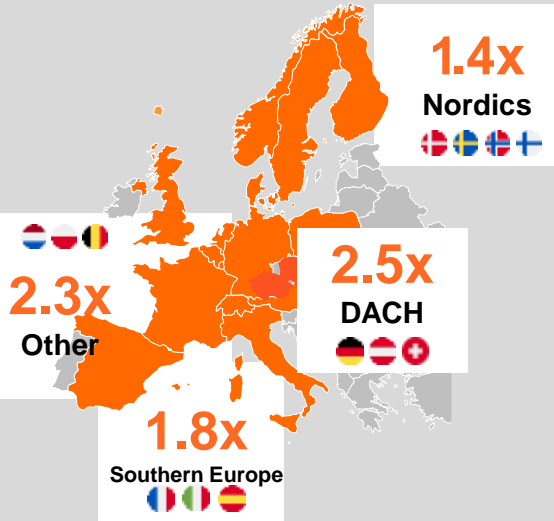
As A Starting Point, We Need To Be Top Of Mind, Top Of Consideration And Top Choice For Our Customers



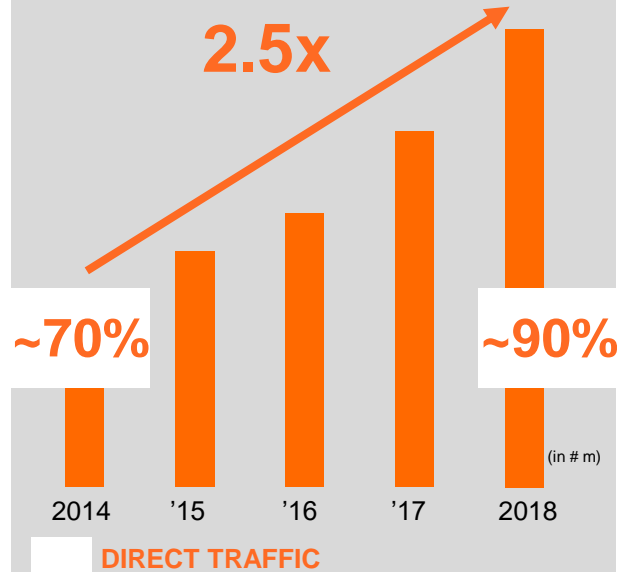
We See Clear Progress On Our Journey To Build The Starting Point For Fashion...

Unaided Brand Awareness

(relative to following competitor¹)



Site Visits



Most Visited Fashion Destination in Europe

(average # of monthly unique visitors in Europe 2018²)



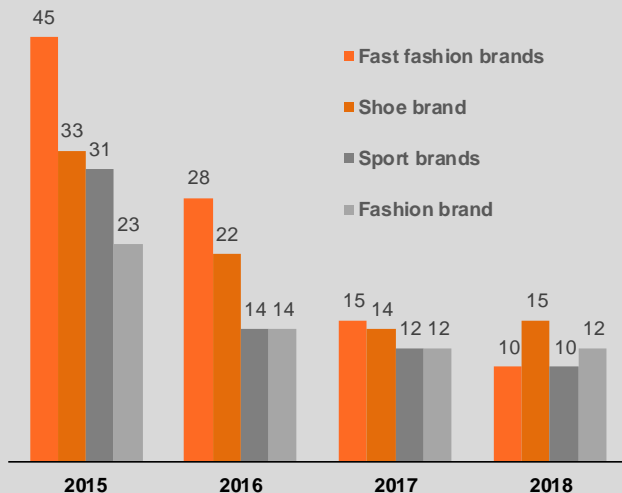
Serving Them Head to Toe

45%
of orders
contain more
than one brand

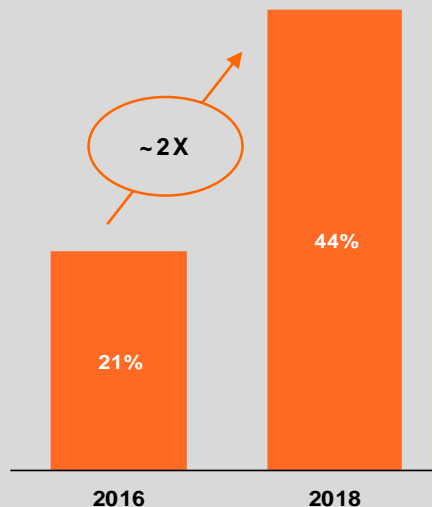
13
different brands
bought per year by
female customers

Slowing Monobrand E-com Growth And Greater Engagement Via App Reiterates Our View

**Monobrand E-com Growth Is Slowing Down, ...
% yoy**



...while customers gravitate towards app...



...and Increase Engagement¹



App users visit more often:
8.8x vs 3.5x on desktop



...spend more time:
104 vs 23 products seen



... shop more²:
+31% GMV



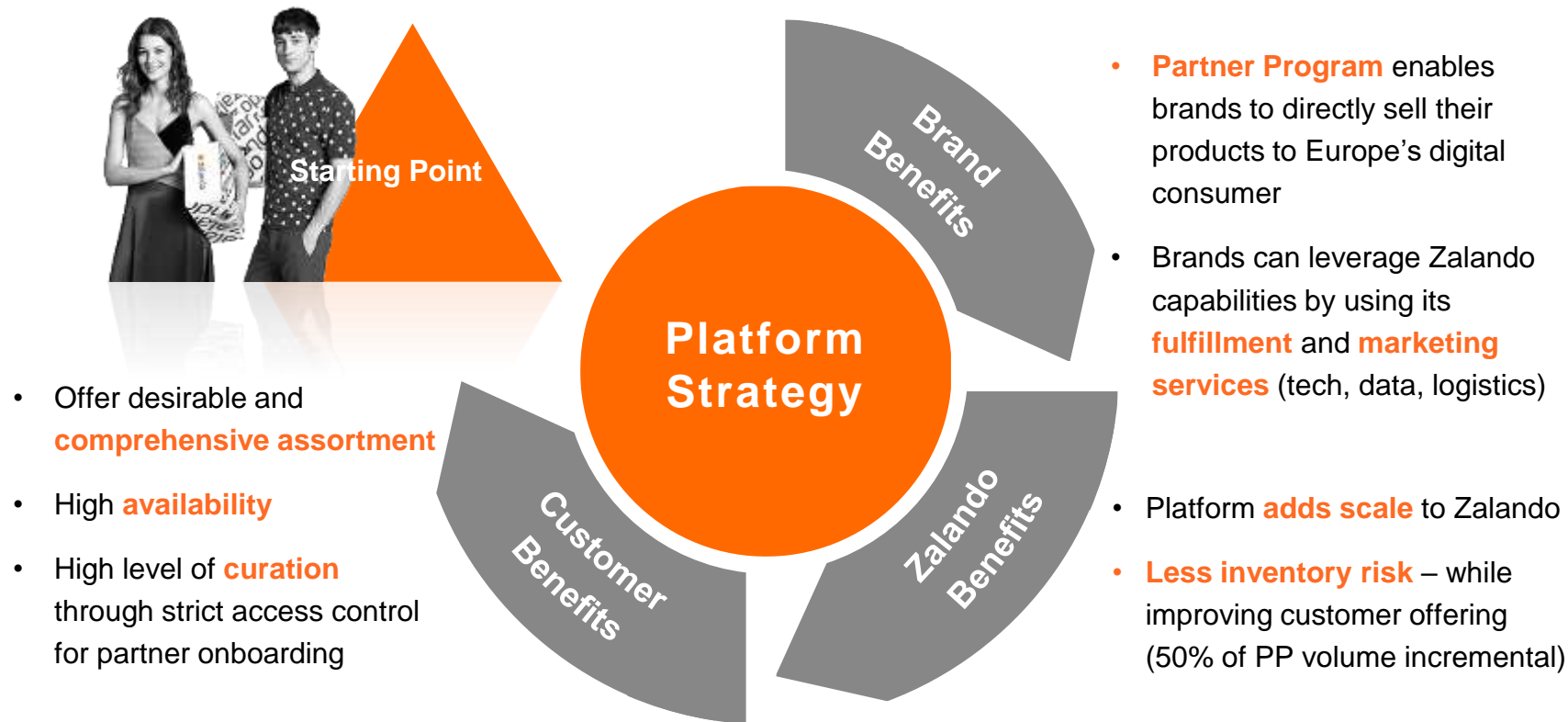
...and are happier³:
NPS +8

Source: Euromonitor

20

- (1) Data from December 2018, if not stated otherwise
- (2) Existing customers who uses the App compared to existing user without App usage (period: 6 months 2017-2018)
- (3) App vs Desktop customer (Jan-May 2018)

The Platform Strategy Is One Key Lever Towards Being the Starting Point



Our Success Is Build On Two Pillars: Wholesale Business Vs Partner Program

Wholesale / Classical Retail

- Zalando buys merchandise ahead of the season
- Zalando is responsible for pricing and fulfillment



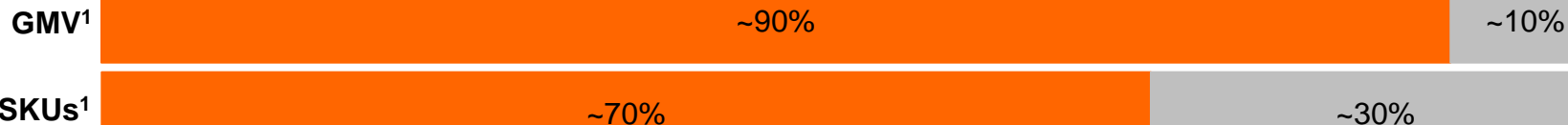
GAP

Partner Program

- Brands have full control of the offer and price
- In PP brand takes care of Fulfillment



Massimo Dutti



Additionally

- Zalando Fulfillment Solutions (ZFS): Zalando takes care of the fulfillment of the order
- Zalando Marketing Services (ZMS): Increase visibility and drives sales through ad placements mainly on our premises

We Achieved Already a Number of Important Milestones With our Partner Program

Zalando Fulfillment Solutions

Scale

>10%

of our
Fashion Store
GMV

Roll-out

~900

brands in PP
of ~300
Partners

Live

15

countries, only
IE + CZ
are missing

Shipped items

>30%

of PP items
are fulfilled
by ZFS

of Partners in ZFS

>100

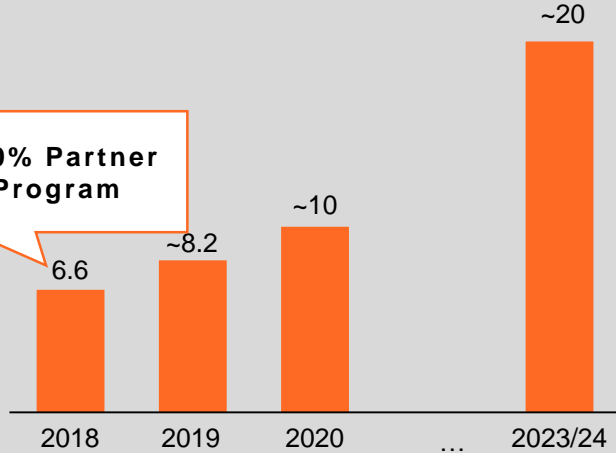
total signed
ZFS
partners

We Aim To Achieve A Scale Of 20bn EUR GMV By 2023/24

Growth Ambition 2023/24

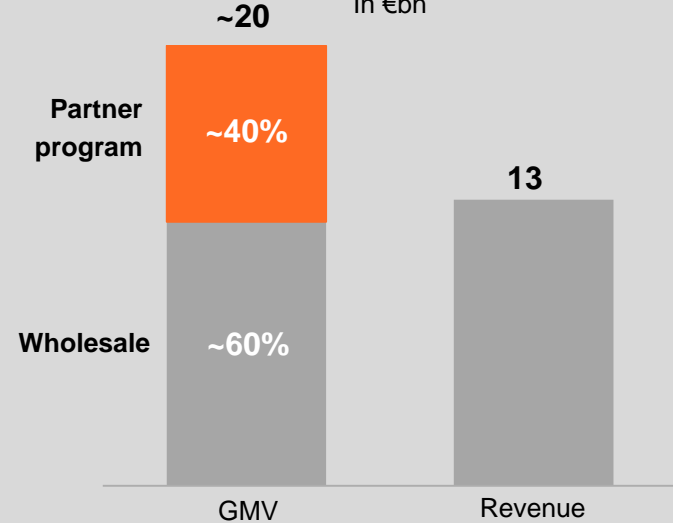
In €bn GMV

~10% Partner Program



Business Model Mix 2023/24

In €bn



CAGR¹

+20-25%

+15-20%

Platform Model to Drive Higher Long Term Profitability At Scale

Target Margin (growth in line with / slightly above online market)

In % of revenue	Wholesale ¹	Partner Program	Group margin impact ²
Gross margin			↑
Fulfillment costs			→
Marketing costs			↓
Admin expense			↓
Adj. EBIT margin	6-8%	20-25%	10-13%

Key assumptions:

- PP share ~50% of GMV
- ZFS share ~75% of PP items
- ZMS revenue 3-4% of GMV
- Operating leverage and fixed cost regression
- Cash Flow: WC neutral and CapEx slightly above D&A

Financial Profile During Transition to Platform Model

	Transition phase 2019 - 2021	Years following	Target model
Growth	Continued high GMV growth of 20-25% for the next 5 years		• Growth in line with / slightly above online market
Profitability	• Margins between 2-4%, driven by growth investments and platform transition	• Margins start to increase as platform transition progresses (e.g. impact of ZMS)	• Target margin of 10-13%
Cash	• Cash Flow negative • NWC neutral • Capex of 4-5% of revenue, driven by logistics and technology investments		• Target margin leading to a strong cash generation



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Offprice

Other: Emerging Businesses

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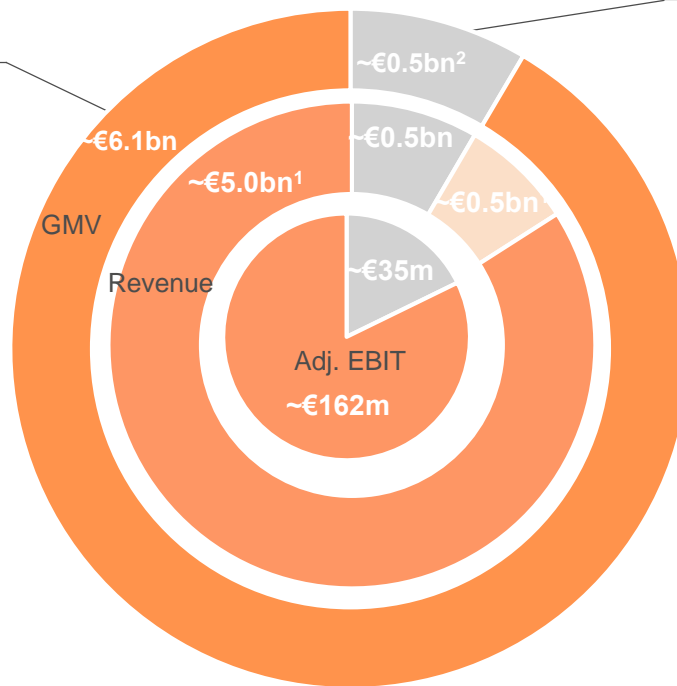
Share & contact

We Manage Our Business In Three Distinct Segments

Revenue & adj. EBIT FY/18 per segment

FASHION STORE

- **The online shops**, i.e. the main sales channel in 17 European countries
- Characterized by a **high level of convenience** and a comprehensive **in-season assortment**
- Includes **private label business** zLabels
- Business model currently under transformation: **from wholesale to platform** (i.e. fast-growing partner program business)











OFFPRICE

- **Zalando Lounge**: shopping club for off-season and highly discounted merchandise with lower level of convenience (100% wholesale based)
- **Zalando Outlets**: 8 stores in DE

OTHERS

- **Emerging Businesses** which contains several different businesses like Zalon, Zalando Wardrobe, Zalando Marketing Solutions and inventory integration services from Anatwine and Tradebyte

Our Holistic Fashion Proposition to Customers and Brand Partners

Segments	Fashion Store	Offprice	Others	
			Emerging Businesses	Platform Enablers
Sales Channels / Service		 	 	  
Business models	<ul style="list-style-type: none"> • Major sales channels • Includes business models: <ul style="list-style-type: none"> • Partner Program • Zalando Fulfillment Solutions • Private label business zlabels • Distributed Commerce 	<ul style="list-style-type: none"> • Lounge: shopping club for off-season merchandise • Outlet: offline sales channel for excess inventory (8 stores +5 stores in the planning) 	<ul style="list-style-type: none"> • Zalon: fashion curation service (stylists) • Wardrobe: second hand channel • Connected Retail: integration of brick-and-mortar stores 	<ul style="list-style-type: none"> • ZMS: marketing services unit • Brand facing inventory integration business (Saas)

By Introducing Customers to All Our Services We Cover More of Their Needs and Spend

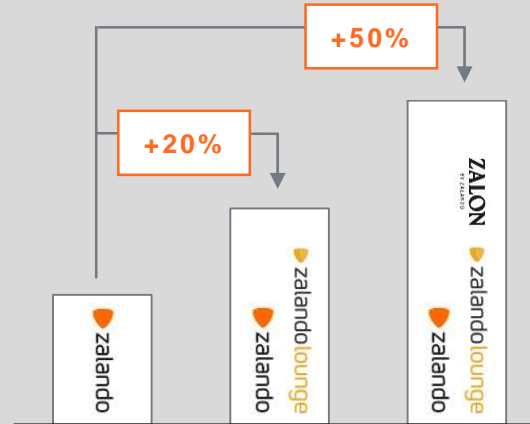
Zalando's Holistic Fashion Proposition



“Zalando is my
one-stop-shop for
everything I want
in fashion”

GMV per Active Customer

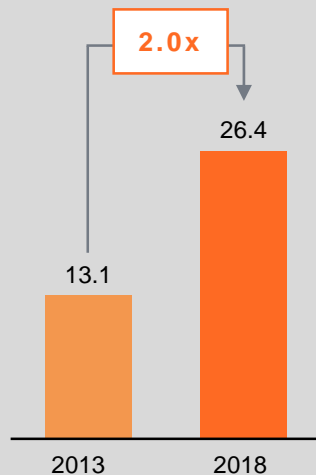
(in %)



As a result Our Customer Base Is Growing, Engaging More with Us And Happier Than Ever with Our Services

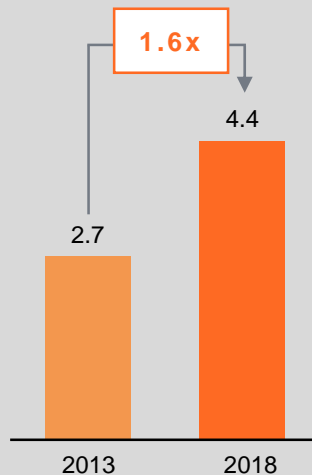
Active Customers

(# m)



Order Frequency

(# per customer, LTM)



Customer Satisfaction

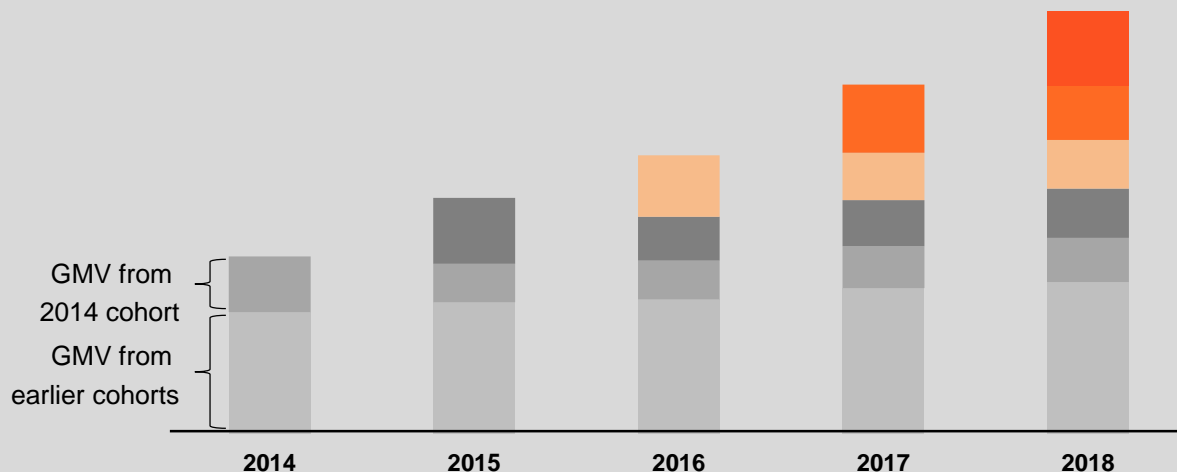
(Group NPS¹)

+14pts

2014-2018

Consequently, We Continue To Observe Healthy Development Of Our Customer Cohorts

TOTAL GMV PER COHORT¹ AND ORDER YEAR



1. Old Cohorts Grow Again Over Time

2. Customer churn goes down

3. Every new cohort is bigger than the previous one



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In Our Fashion Store, We Offer Brands Three Options Of Collaboration




Order Flow		Wholesale	Partner Program with ZFS	Partner Program without ZFS
	Control over product	Zalando buys product and has full control	Partner owns product, sets price and books full retail value	
	Customer Touchpoints	Zalando shop (payment, customer care, reimbursement)		
	Logistics	Zalando warehouse	Zalando warehouse	Brand warehouse
	Package	Zalando package	Zalando package	Brand package
	Delivery	Zalando provider (more favorable carrier conditions, delivery and returns experience; greater basket size)		

What We Want Our Customers To Say About The Starting Point For Fashion



Most Complete Assortment Makes Us The Starting Point For Fashion

includes
zLabels

	ALL BRANDS	FULL RANGE	NEVER SOLD OUT	ENGAGING CONTENT
ACHIEVEMENTS TODAY			<p>Partner program backfilling</p> <p>EUR 190M</p> <p>in GMV 2018</p>	<p>~1000 Campaigns across</p> <p>17 Markets</p> 

Our Partner Program Helps Us To Complete The Assortment...



CHOICE

⊕ MORE ARTICLES

MORE ITEMS PER BASKET

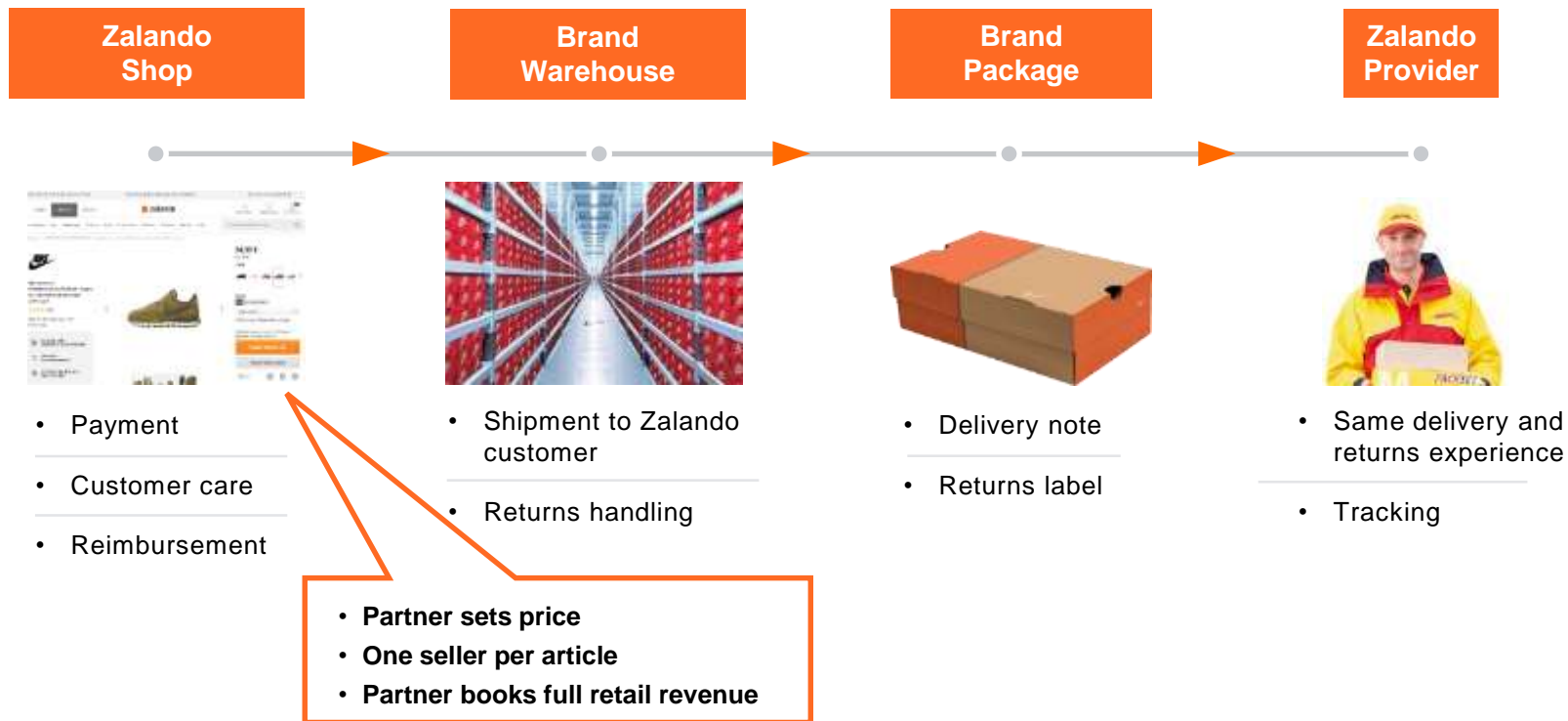


AVAILABILITY

⊕ MORE ITEMS PER ARTICLE

MORE TRANSACTIONS

...In Which Our Partners Having Full Control



Since Fulfillment Is Challenging For Partners At Times...

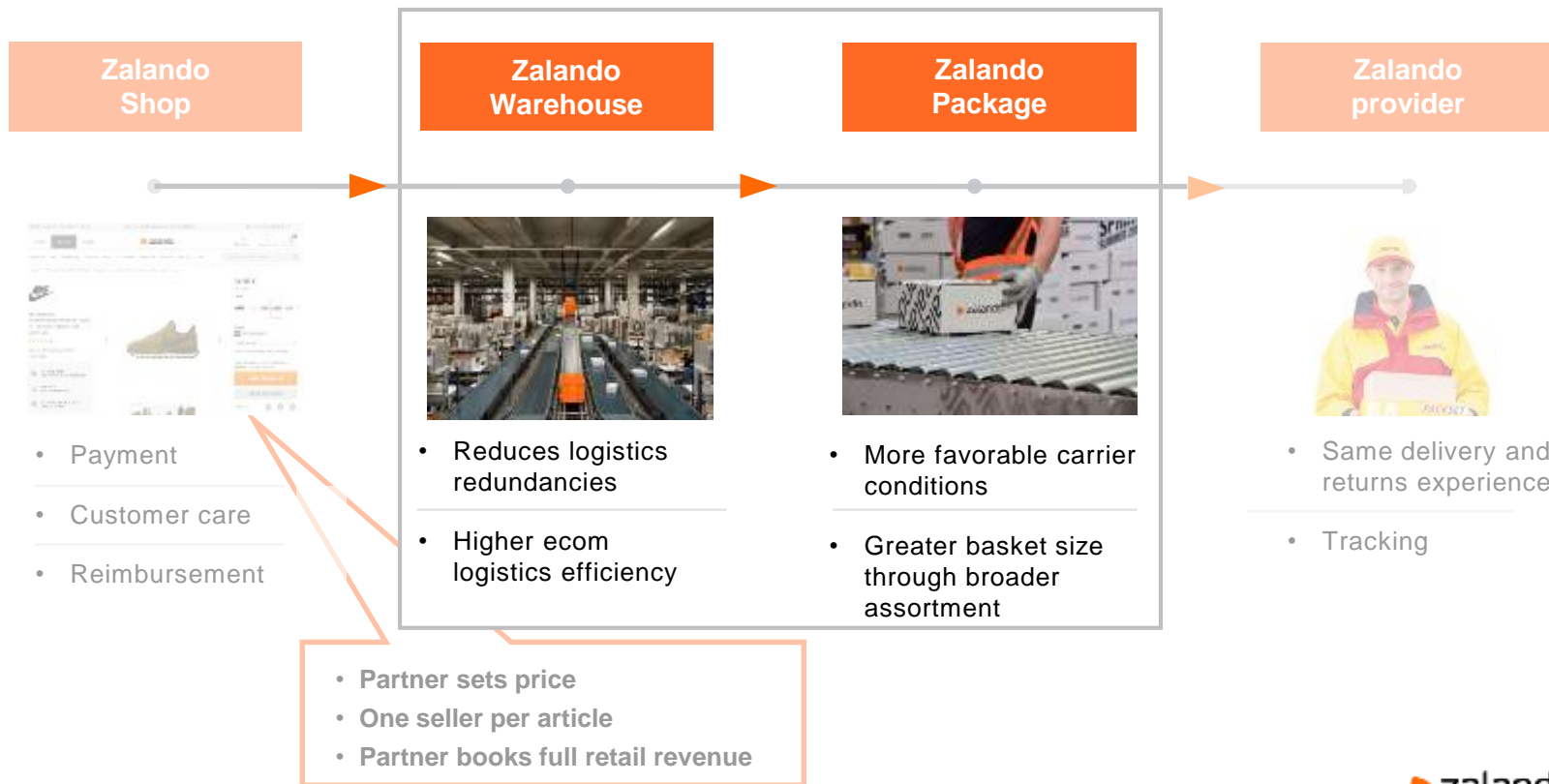
LIMITED EU CROSS BORDER
LOGISTICS NETWORK

HIGH
SHIPPING COSTS

HIGH
CUSTOMER
EXPECTATIONS



...They Can Make Use Of Our Fulfillment Capabilities Via Zalando Fulfillment Solutions



ZFS Unlocks Positive Platform Dynamics For Customers

Superior Convenience for Customers

1 parcel instead of 3-4 parcels



Larger Assortment for Customers

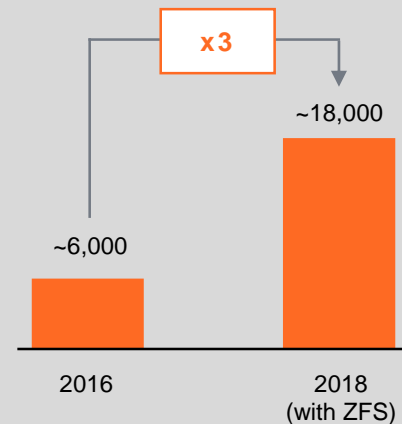
Unmatched unit economics for brands

~50%

lower shipping costs (on average) per item for brands

Making shopping economics in some case better than own e-com

Assortment of example brand on Zalando, SKUs



To Make The Look For Our Customers Complete, We Have Launched Our Beauty Segment In 2018...

> 10.000 SKUs

INITIAL FOCUS ON COLOR
COSMETICS AND SKIN CARE



#250

BRANDS
AND MANY
MORE TO
COME...



>60%

OF BEAUTY
ORDERS ARE
MIXED BASKET
ORDERS

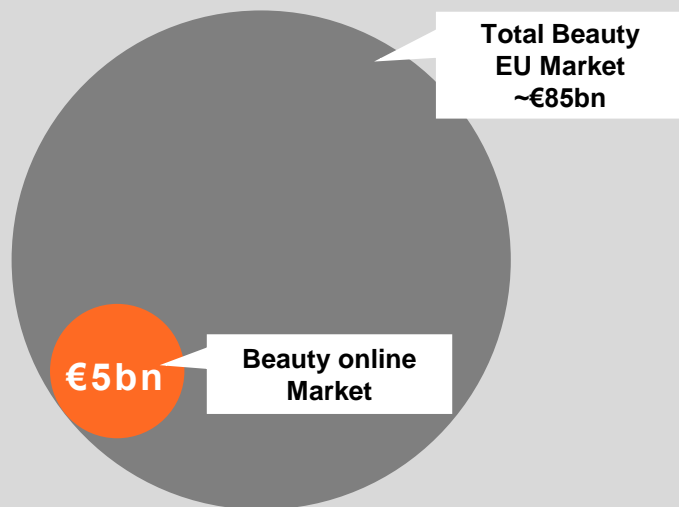


**ENGAGING
AND INSPIRING
CONTENT AND
ADVICE**

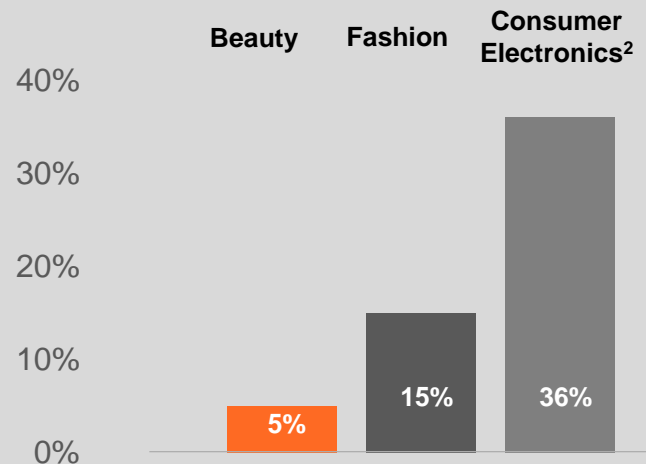


...With The European Beauty Market Harboring An Enormous Potential With Channel Shift Yet To Come

EU Beauty Market Size (2018)...



...with low online share compared to other categories



What We Want Our Customers To Say About The Starting Point For Fashion



Our strategic pillars

Inspiration



Advice



Relevance





Inspiration

from

to

Mainly
products

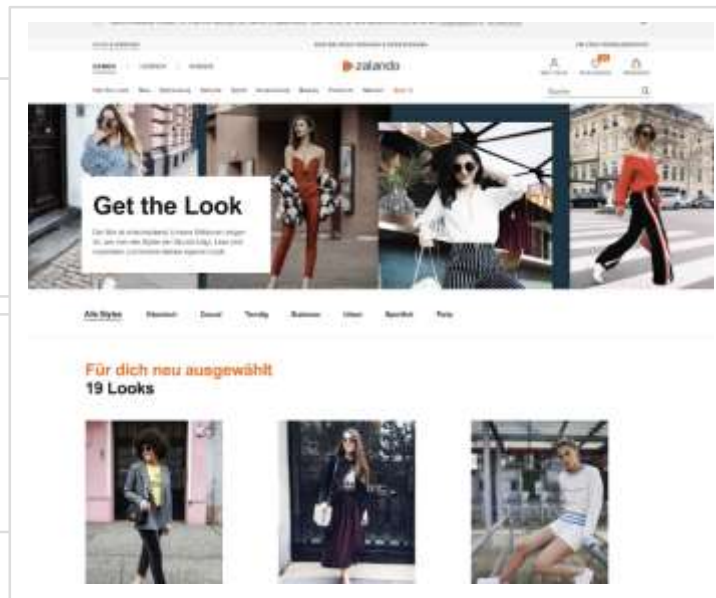


**Shoppable content
available on all
customer journeys**

Mainly our voice



Many voices





Advice

from

to

Disconnected
channels



Immersive journeys
across all channels

Static content

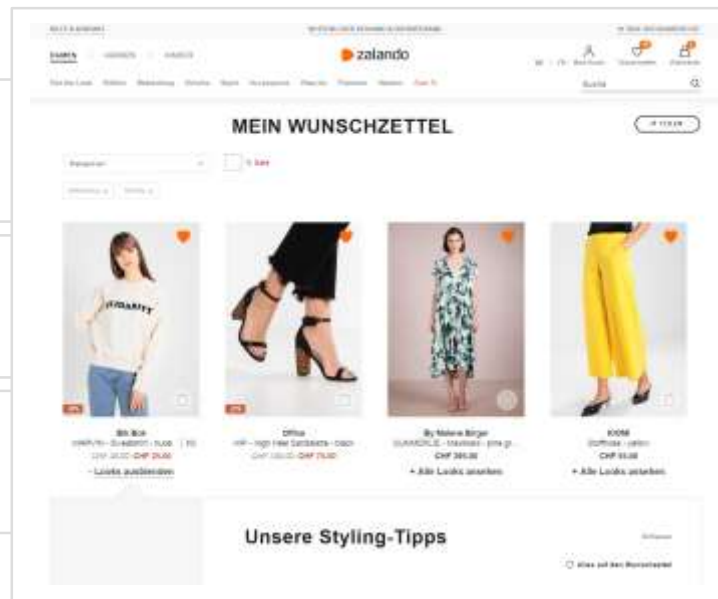


Different media

Focus on
individual items



Curation through
outfits and collections





Relevance

from

to

One-size-fits-all
experience

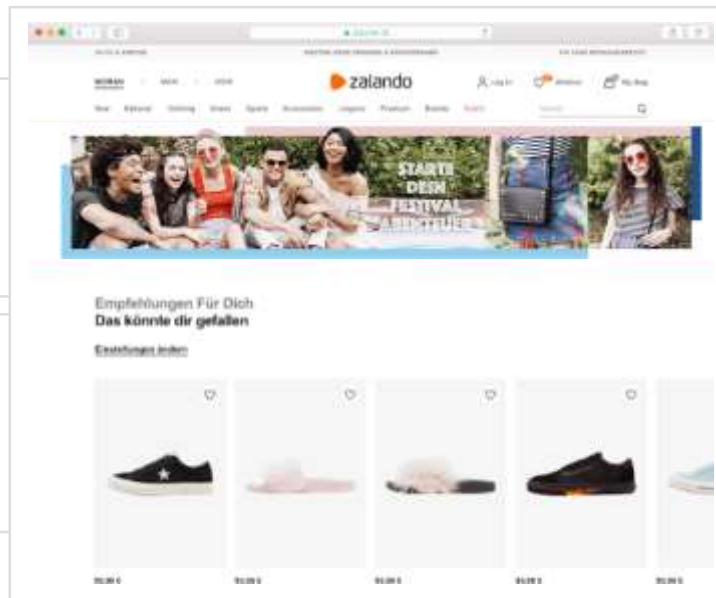


**Unique, personalized
experience including
preferences, such as
sizing**

Linear journey



**Fluid & immersive
experience**



We Allow Customers To Spend More Time With Us In A Relevant Way

Digital Experience

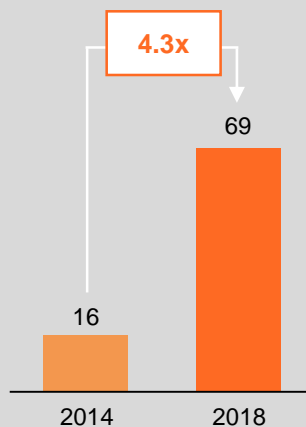
Personalized inspiration



“Zalando always knows what I want and what inspires me”

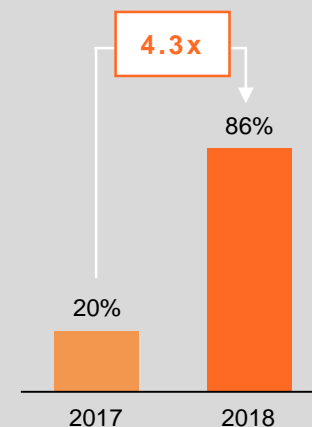
More Time Spend with Us

(time spend on the app;
per user per month in min)



Increasing Size Recommendations

(size flags as share of wholesale assortment)

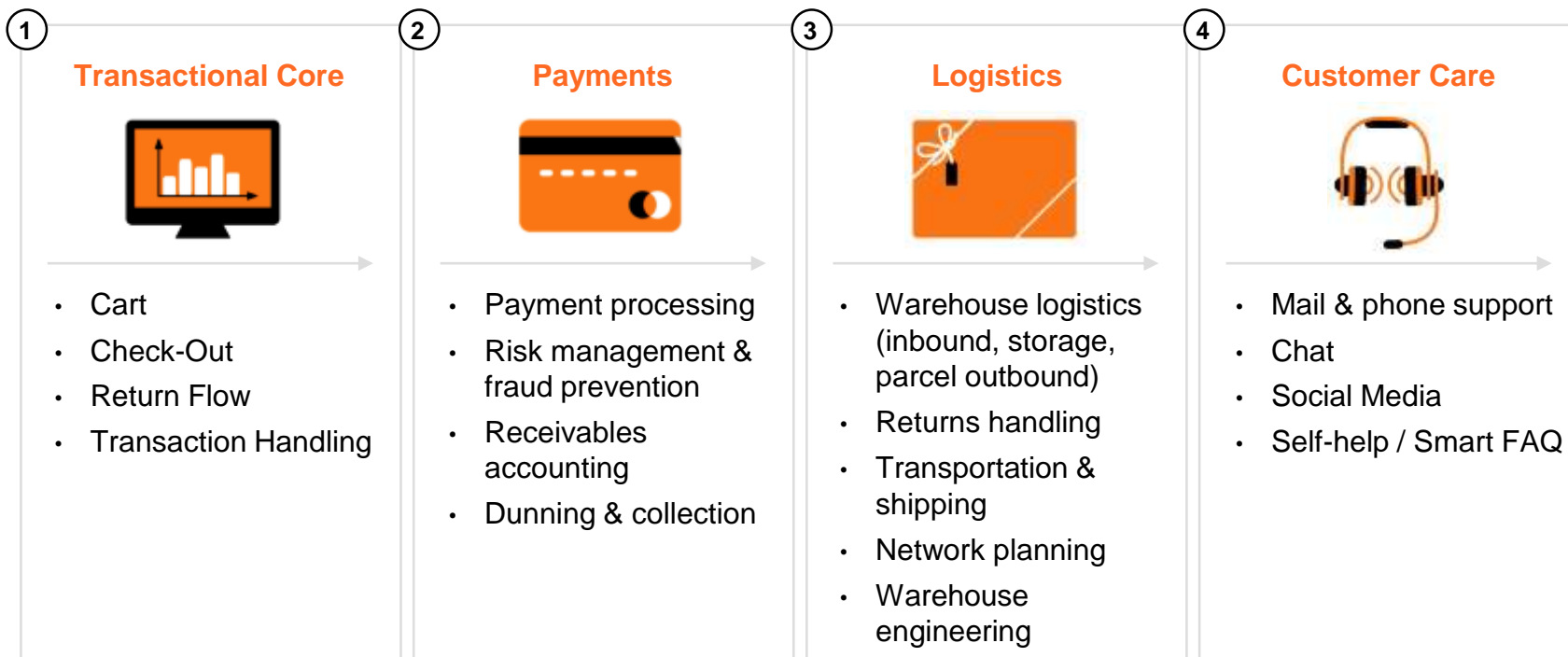


size-
related
returns
-4%

What We Want Our Customers To Say About The Starting Point For Fashion



Zalando Convenience Delivers Five Key Services To Our Customers...



...With Ease Of Payments And Ease Of Returns Are At The Core Of Customer Satisfaction

Convenience

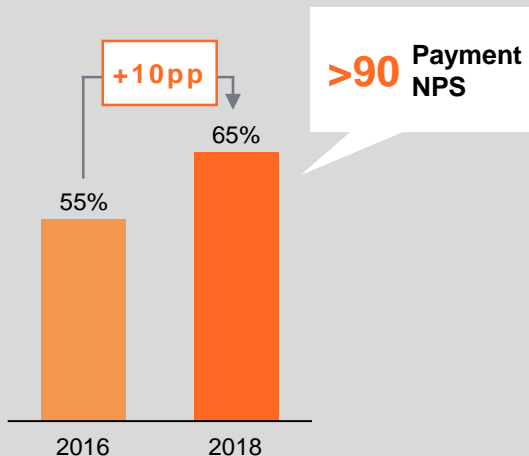
Frictionless service experience



"I always buy fashion on Zalando – it's so convenient, why would I look anywhere else?"

More Deferred Payments Offered ...

(share of customers offered deferred payments)



...and easier returns

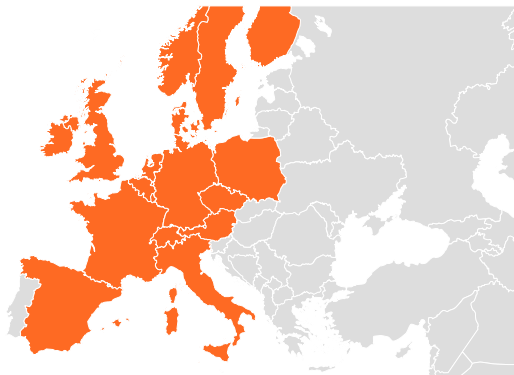
(NPS Q4/18)

93%

of customers are
very happy with
ease of returns

We Offer A Broad Range Of Payment Methods To Satisfy Local Customer Preferences

Countries



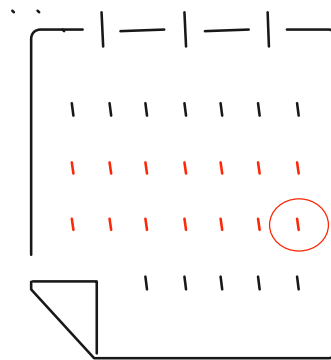
Our presence in 17 countries
requires localization

Payment Methods



22 different payment methods

Deferred Payments



>60% deferred payment share

We Recently Turned Every Living Room Into A Personal Fitting Room

Traditional e-commerce customer flow



New Zalando Pay Later experience¹



To Ensure A Fast And Convenient Delivery And Return Handling To Our Customers...

1. ERFURT
Start in 2012

2. BRIESELANG
Start in 2011

3. MÖNCHENGLADBACH
Start in 2013

4. LAHR
Start in 2016

5. PARIS
(Moissy-Cramayel)
Start in 2016

6. STOCKHOLM
Start in 2018

7. SZCZECIN (Gryfino)
Start in 2017

8. OLSZTYNEK
Start in 2019

9. LODZ (Gluchow)
Start in 2019

10. VERONA (Nogarole Rocca)
Start in 2020

11. MILANO (Stradella)
Start in 2016

12. ROTTERDAM (Bleiswijk)
Start in 2021

13. Halle/Saale
(Inbound Distribution Center)
Start in 2019

Create the capacity for future growth:
12 warehouses allow > 14bn GMV

Get closer to our customers:
We will deliver 30% of orders
on the next day by 2020¹

Scale a differentiating asset which
we can open up to brand partners

...We Heavily Invested Into Our Warehouse Assets¹

		Type	Construction start	Full capacity exp.	Capex (€m)	Size (k sqm)	Status
1	Brieselang (GER)	Hub	2011	2014	<50	~30	Done
2	Erfurt (GER)	Hub	2012	2015	~100	~130	Done
3	Mönchengladbach (GER)	Hub	2013	2017	~100	~130	Done
4	Lahr (GER)	Hub	2015	2018	~150	~130	Done
5	Milan (IT)	Spoke	2015	2018	<50	~40	Done
6	Szczecin (PL)	Hub	2016	2019	~150	~130	Done
7	Paris (FR)	Spoke	2016	2018	<50	~20	Done
8	Stockholm (SWE)	Spoke	2017	2018	<50	~50	Done
9	Lodz (PL)	Hub	2017	2021	~100	~130	Construction
10	Olsztyn (PL)	Hub (Lounge)	2018	2021	~100	~80	Construction
11	Verona (IT)	Hub	2018	2021	~150	~130	Construction
12	Rotterdam (NL)	Hub	2019	2022	~200	~140	Construction
13	Halle/Saale (GER)	Inbound DC		2019	Third Party	~35	Done

We Continue To Focus On Warehouse Automation To Reduce Lead Time And Costs

Generation I (live)



Conveyor, linesorter,
outbound sorter

Generation II (live)



Bag sorter

Generation III (live)



Warehouse robotics

Generation IV (coming)



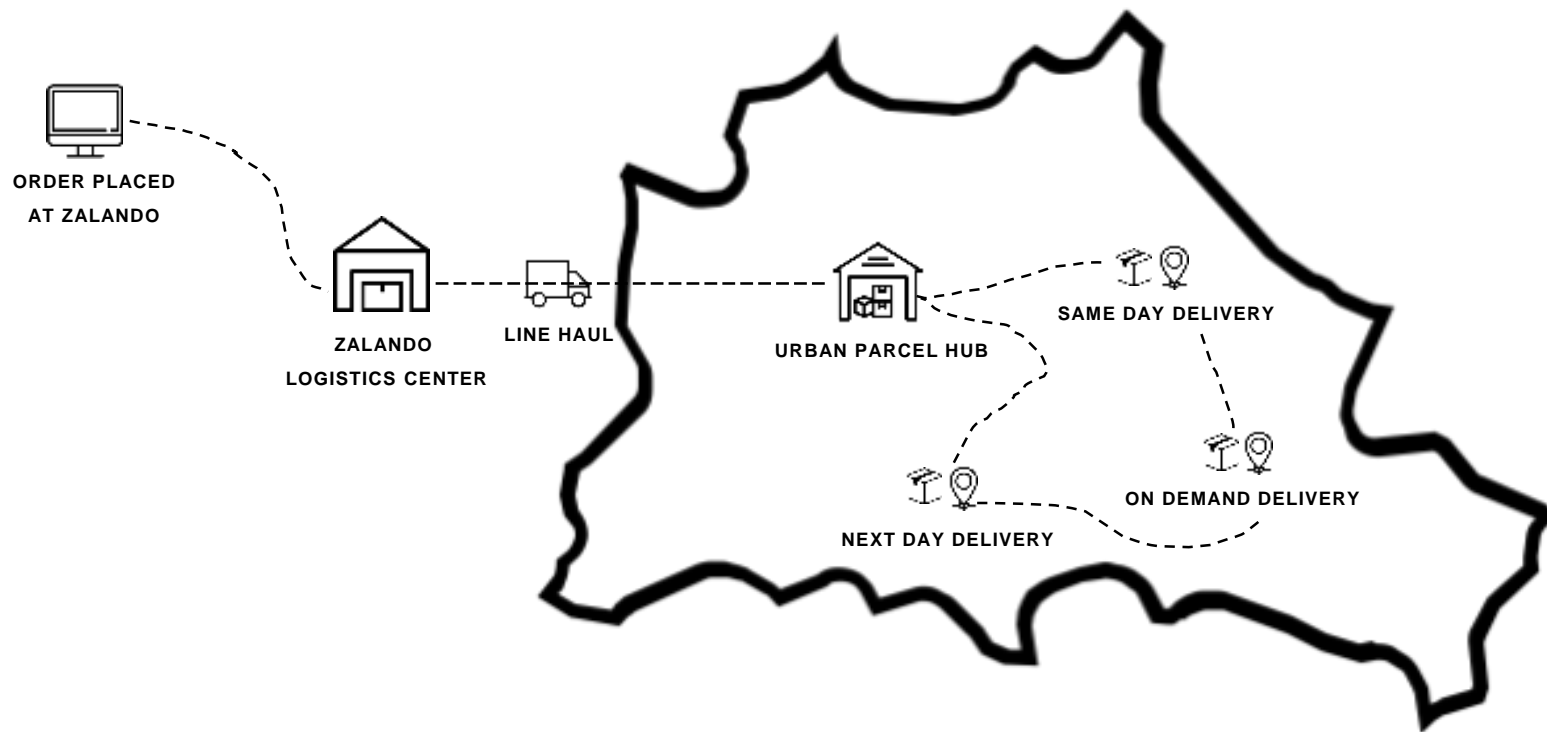
Shuttle technology and bag
sorter

Without Having Strong Partnerships With (Local) Logistics Partners, A 'Best-in-class' E-com Network Would Be Fruitless



- >10 international warehouses
- 25 domestic carrier integrations, 2 express carrier, 14 same day destinations
- Economies of scale and “unfair” order economics

We Furthermore Make Use Of A Local Delivery Network - Orchestrated Via Technology



To Enhance Our Customer Propositions Even Further, We Introduced Our To Fashion Tailored Membership Program Zalando Plus



Program vision:
Building a program that defines the best-in-class online
fashion experience



Target customer:
existing customers with
a high fashion spend



Economic objective:
to increase customer satisfaction &
share of wallet

Available to all customers
in Germany for €15 / year

 **zalando** *PLUS*

Faster delivery, including same-day

Convenient return-on-demand service

Early access to sales

Personal stylist service

Dedicated customer service

Now we are scaling it as part of our premium membership program Zalando Plus

Premium delivery for Zalando Plus

Progress bar: 1. Select ✓ 2. Address ✓ 3. Delivery ✓ 4. Payment (highlighted)

CHECK ORDER [SEND ORDER AND CONTINUE FOR PAYMENT](#)

DELIVERY OPTION		DELIVERY ADDRESS
<input checked="" type="radio"/> Today, 18:00 - 21:30 Premium delivery in the evening <small>Only a few time windows left!</small>	for free with zalando plus	Mx Smart Delivery Nazarethkirchstr. 88 5-DG Front building 10547 Berlin Germany
<input type="radio"/> Sat. 26.05. - Mo. 28.05. Premium Delivery	for free with zalando plus	BILLING ADDRESS Corresponds to my delivery address
<input type="radio"/> Mo. 29.05. - Di. 29.05. Standard Delivery	free	PAYMENT PayPal
<input type="radio"/> Sat. 26.05. Express Delivery	5.90 €	VOUCHERS & DISCOUNT CODES (optional)

Zalando Plus expands in Europe





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Our Holistic Fashion Proposition to Customers and Brand Partners

Segments	Fashion Store		Offprice		Others	
					Emerging Businesses	Platform Enablers
	Sales Channels / Service		Business models			
	 <ul style="list-style-type: none"> Major sales channels Includes business models: <ul style="list-style-type: none"> Partner Program Zalando Fulfillment Solutions Private label business labels Distributed Commerce 		  <ul style="list-style-type: none"> Lounge: shopping club for off-season merchandise Outlet: offline sales channel for excess inventory (8 stores +5 stores in the planning) 		  <ul style="list-style-type: none"> Zalon: fashion curation service (stylists) Wardrobe: second hand channel Connected Retail: integration of brick-and-mortar stores 	   <ul style="list-style-type: none"> ZMS: marketing services unit Brand facing inventory integration business (Saas)

Offprice With Outstanding Development In The Last 8 Years – Successfully Leveraging The Zalando Platform

CUSTOMERS



- Shopping club addressing discount affine customers
- Daily sales campaigns with 50-70% discount



- Synergetic with Zalando platform: additional consumer reach, solves overstock problem for brands and Zalando
- Strong financials: ~45% p.a. growth since 2016 and profitable
- 2/5 sourced internal, remaining part from external sources¹

BRANDS



- Allows brands to manage excess inventory while maintaining brand image
- International distribution

The Zalando Outlets Strategically Complement Other Offerings On The Zalando Platform





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					<ul style="list-style-type: none"> ZMS: marketing services unit Brand facing inventory integration business (Saas) 	
					<div>Consumer-facing/ App based</div>	
					<div>Brand-facing/ B2B services</div>	

Zalon – Connecting Consumers With Stylists

CONSUMERS (M/W)



ZALON
PERSONALIZED STYLE
ADVICE FOR FREE



TOGETHER TOWARDS
THE PERFECT LOOK

FREELANCE STYLISTS



Zalando Marketing Services – Connecting Brands To Consumers

Brands

Zalando Marketing Services

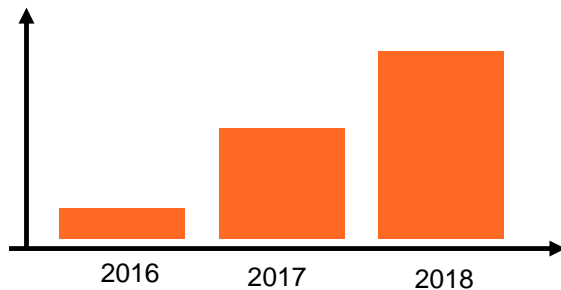
Consumers

Influencer Products (Collabary)

Consumer Insights

Media Products

No. of campaigns



>900 m visits per quarter

>28 m active customers



Connected Retail - Connecting Offline Stores To Our Online World

**DEEP SYSTEM INTEGRATION -
MANY TRIED IT, MANY FAILED**



**HANDSHAKE MODEL -
LEAN WAY OF INTEGRATING**





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Zalando KPI Development

	FY/15	FY/16	FY/17	Q1/18	Q2/18	FY/18	Q1/19	Q2/19
Site Visits (m) ¹	1,656.4	1,991.6	2,563.5	713.5	734.3	3,137.2	923.6	986.4
Mobile Visit Share (in % of Site Visits) ²	57.1%	65.6%	70.7%	76.6%	78.4%	79.3%	82.4%	83.5%
Active Customers (m) ³	17.9	19.9	23.1	23.9	24.6	26.4	27.2	28.3
Number of Orders (m) ⁴	55.3	69.2	90.5	25.4	29	116.2	31.4	36.1
Average Order per Active Customer (LTM)	3.08x	3.48x	3.92x	4.02x	4.18x	4.40x	4.49x	4.60x
Average Basket Size (in €) (LTM) ⁵	-	-	60.6	59.4	58.4	57.2	57.1	56.9
Average Basket Size (in €) (quarter)	-	-	60.6	56.1	56.9	57.2	55.9	56.4
Gross Merchandise Volume (in €bn) ⁶	3.57	4.4	5.48	1.43	1.65	6.64	1.76	2.04
Fulfillment Cost Ratio (in % of revenue) ⁷	26%	23%	26%	28%	28%	28%	29%	27%
Marketing Cost Ratio (in % of revenue) ⁸	12%	10%	8%	7%	6%	7%	7%	8%

(1) Site Visits defined as the number of series of page requests from the same uniquely identified client at Zalando, including website, m.site and apps in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) Mobile is defined as tablets, mobile site and apps.

(3) Active Customers defined as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancellations or returns.

(4) Number of Orders defined as the number of customer orders placed in the measurement period irrespective of cancellations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) Defined as GMV divided by the number of orders.

(6) GMV is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees) – these are included in revenue only. GMV is recorded based on the time of the customer order. Dynamically reported.

(7) Fulfillment Cost Ratio defined as fulfillment cost as a proportion of revenue in the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment costs therefore comprises all selling and distribution costs, except for marketing costs. All numbers shown excluding equity-settled SBC costs.

(8) Marketing Cost Ratio defined as marketing cost as a proportion of revenue in the measurement period. Marketing cost mainly consists of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead cost. All numbers shown excluding equity-settled SBC costs.

Income statement

€m	FY/15 ¹	FY/16 ¹	FY/17 ¹	FY/18	Q2/18	H1/18	Q2/19	H1/19
Revenue	2,958.2	3,639.0	4,489.0	5,387.9	1,330.0	2,526.0	1,597.3	2,975.5
% growth	33.6%	23.0%	23.4%	20.0%	20.9%	21.4%	20.1%	17.8%
Cost of Sales	(1624.0)	(2029.6)	(2529.6)	(3107.0)	(721.7)	(1443.6)	(866.9)	(1683.9)
Gross Profit	1,334.1	1,609.4	1,959.4	2,280.9	608.4	1,082.4	730.4	1,291.6
% margin	45.1%	44.2%	43.6%	42.3%	45.7%	42.9%	45.7%	43.4%
Selling and Distribution Costs	(1,118.9)	(1,223.7)	(1,530.8)	(1,899.2)	(462.4)	(892.1)	(567.2)	(1,055.9)
Administrative Expenses	(129.0)	(191.3)	(242.9)	(268.9)	(64.4)	(125.4)	(70.3)	(129.5)
Other Operating Income	10.2	16.7	11.8	18.7	6.7	9.4	3.8	9.0
Other Operating Expenses	(7.0)	(4.1)	(9.9)	(12.3)	(1.0)	(2.2)	(4.6)	(7.1)
EBIT	89.6	207.0	187.6	119.2	87.3	72.1	92.0	108.1
% margin	3.0%	5.7%	4.2%	2.2%	6.6%	2.9%	5.8%	3.6%
Net Financial Result	(3.0)	(14.1)	(12.4)	(13.6)	(0.6)	(4.0)	(5.7)	(8.5)
EBT	86.6	192.9	175.2	105.6	86.7	68.1	86.3	99.7
% margin	2.9%	5.3%	3.9%	2.0%	6.5%	2.7%	5.4%	3.6%
Income and Other Tax	34.9	(72.5)	(73.6)	(54.4)	(34.9)	(31.4)	(49.4)	(45.8)
Net Income	121.5	120.5	101.6	51.2	51.8	36.7	36.9	53.8
% margin	4.1%	3.3%	2.3%	0.9%	3.9%	1.5%	2.3%	1.8%
Depreciation & Amortization	34.2	48.2	58.7	86.5	19.6	37.5	51.3	94.1
EBITDA	123.8	255.2	246.4	205.7	106.9	109.6	143.3	167.7
% margin	4.2%	7.0%	5.5%	3.8%	8.0%	4.3%	9.0%	7%
Share Based Compensation (SBC)	17.9	19.9	27.5	43.3	6.7	11.4	9.7	21.5
Adj. EBIT²	107.5	216.3	215.1	173.4	94.0	94.4	101.7	108.1
% margin	3.6%	5.9%	4.8%	3.2%	7.1%	3.7%	6.4%	3.6%
Adj. EBITDA²	141.7	264.5	273.8	259.9	113.6	131.9	153.1	202.3

Segments¹

€m	FY/15	FY/16	FY/17	FY/18	Q2/18	H1/18	Q2/19	H1/19
Revenue	2,958.2	3,639.0	4,489.0	5,387.9	1,330.0	2,526.0	1,597.3	2,975.5
Fashion Store			4,150.5	4,967.7	1,233.4	2,327.3	1,478.1	2,746.6
<i>thereof DACH</i>	1,580.1	1,813.8	2,150.0	2,483.7	625.8	1,177.8	732.0	1,353.7
<i>thereof Rest of Europe</i>	1,211.6	1,570.2	2,000.4	2,484.0	607.6	1,149.5	746.1	1,392.9
Offprice			345.3	497.5	114.6	235.0	155.7	292.5
Other	166.5	255.1	345.3	444.8	100.8	200.6	45.2	147.8
Reconciliation			(352.0)	(522.0)	(118.7)	(236.8)	(81.7)	(211.4)
Adjusted EBIT	107.5	216.3	215.1	173.4	94.0	94.4	101.7	108.1
Fashion Store			213.7	162.0	92.2	92.1	103.6	112.0
<i>thereof DACH</i>	101.9	226.3	193.5	139.9	60.0	76.7	67.5	93.8
<i>thereof Rest of Europe</i>	(3.3)	(3.3)	20.3	22.0	32.2	15.4	36.1	18.1
Offprice			27.6	35.2	7.5	16.0	6.9	10.7
Other	8.9	(6.7)	(26.3)	(24.4)	(7.5)	(15.8)	(8.9)	(15.1)
Reconciliation			(0.0)	0.7	1.7	2.1	0.1	0.5
% adjusted margin	3.6%	5.9%	4.8%	3.2%	7.1%	3.7%	6.4%	3.6%
Fashion Store			5.2%	3.3%	7.5%	3.6%	7.0%	3.8%
<i>Fashion Store – DACH</i>	6.4%	12.5%	9.0%	5.6%	9.6%	3.0%	9.2%	3.2%
<i>Europe</i>	(0.3%)	(0.2%)	1.0%	0.9%	5.3%	0.6%	4.8%	0.6%
Offprice			8.0%	7.1%	6.5%	0.6%	4.4%	0.4%
Other		5.3%	(7.6%)	(5.5%)	(7.4%)	(0.6%)	(19.7%)	(0.5%)
Reconciliation			(0.4%)	3.4%	3.8%	0.1%	(0.2%)	0.0%

Share Based Compensation And Adjustments

€m	FY/15	FY/16	FY/17	FY/18	Q2/18	H1/18	Q2/19	H1/19
Per Income Statement Line Item								
Cost of Sales	4.5	5.0	6.9	3.6	0.9	1.6	0.7	1.5
Selling and Distribution Costs	9.0	9.9	13.7	10.1	2.4	3.7	1.8	3.8
Administrative Expenses	4.5	5.0	6.9	29.5	3.4	6.1	7.3	16.2
Share Based Compensation	17.9	19.9	27.5	43.3	6.7	11.4	9.7	21.5
Restructuring Costs / Non-Operating One-Time Effects	0.0	(10.6)	0.0	10.9	0.0	10.9	0.0	13.0
Delta between adj. EBIT and EBIT	17.9	9.3	27.5	54.2	6.7	22.3	9.7	0.0

Balance Sheet

€m	Q2/18	Q2/19
Total Non-Current Assets	641.5	1,289.6
Thereof: Property, Plant and Equipment	427.6	599.3
Lease Assets		477.5
Other Non-Current Assets	188.8	184.4
Total Current Assets	2,276.1	2,497.5
Thereof: Inventories	813.3	862.9
Trade and Other Receivables	310.8	401.8
Other Assets ¹	277.2	278.4
Cash and Cash Equivalents	874.7	954.4
Total Assets	2,917.6	3,787.2
Total Equity	1,489.9	1,561.7
Thereof: Issued Capital	246.0	247.5
Capital Reserves	1,101.0	1155.3
Retained earnings	7.2	(11.0)
Accumulated Loss	135.8	170.0
Minority Interests	(0.2)	(0.2)
Total Non-Current Liabilities	69.2	502.9
Thereof: Non-current Lease Liabilities	7.0	433.0
Financial Liabilities		4.1
Other Non-Current Liabilities	46.2	65.8
Total Current Liabilities	1,358.5	1722.6
Thereof: Trade Payables and Similar Obligations	1,108.0	1343.4
Other Current Liabilities	247.1	379.2
Total Equity & Liabilities	2,917.6	3787.2
Net Working Capital	16.1	(78.6)

77 ⁽¹⁾ Other assets includes investments into short-term deposits of €20m, which are not listed under Cash and Cash Equivalents due to their maturity of more than 3 but less than 12 months.

Cash Flow Statement

€m	FY/15	FY/16	FY/17	FY/18	Q2/18	Q2/19
Net Income	121.5	120.5	101.6	51.2	51.8	36.9
Non-Cash Expenses from Share-Based Payments	17.9	19.9	27.5	43.3	6.7	9.7
Cash Settlement of Claims from Share-Based Payments	(2.3)	0.0	0.0	0.0	0.0	0.0
Depreciation & Amortization	34.2	48.2	58.7	86.5	19.6	51.3
Income Taxes	(34.9)	72.5	73.6	54.4	34.9	49.4
Income Taxes Paid, Less Refunds	0.0	(33.8)	(49.4)	(42.4)	(10.3)	(40.5)
Change in Provisions	(0.5)	0.1	(1.5)	0.3	(0.0)	0.2
Other Non-Cash Income	(1.0)	1.2	6.5	4.2	(0.4)	6.2
Change in Inventories and Receivables	(154.2)	(147.4)	(251.0)	(157.0)	61.7	97.2
Change in Trade Liabilities	154.9	264.3	198.4	180.6	(117.8)	(41.8)
Change in Other Assets/Other Liabilities	(16.2)	(69.7)	29.2	(8.5)	34.6	(25.4)
Cash Flow from Operating Activities	119.4	275.8	193.7	212.8	80.7	143.2
Payments Received from the Sale of Fixed Assets	0.0	0.0	0.0	58.9	0.0	0.0
Payments for Investments in Fixed and Intangible Assets	(60.0)	(181.7)	(243.9)	(278.4)	(67.0)	(55.1)
Payments for Acquisitions	(16.8)	(30.4)	(34.9)	(7.1)	0.0	(1.7)
Cash Paid for Investments in Term Deposits	(155.0)	(65.0)	180.0	20.0	0.0	0.0
Change in Restricted Cash	35.3	0.0	10.4	(0.4)	0.0	0.0
Cash Flow from Investing Activities	(196.5)	(277.1)	-88.3	(207.0)	(67.0)	(56.8)
Payments Received from Capital Increases	6.4	1.1	3.9	38.2	2.9	9.9
Cash Received from Loans	0.0	(0.7)	0.0	0.0	0.0	0.0
Repurchase of Treasury Shares	(1.7)	0.0	(11.3)	(111.3)	(66.9)	0.0
Cash Payments for the Principle Portion of Leasing Liabilities					0.0	(12.8)
Cash Repayments of Loans	(3.2)	(3.2)	(3.2)	(2.8)	(0.7)	(0.7)
Cash Flow from Financing Activities	1.5	(2.9)	-10.6	(75.9)	(64.7)	(3.5)
Change in Cash & Cash Equivalents	(75.7)	(4.1)	94.8	(70.1)	(51.0)	82.9
Effects of Exchange Rate on Cash & Cash Equivalents	0.9	0.5	-1.9	0.3	(1.9)	1.6

Management Compensation Scheme¹

Non-Performance-Based Remuneration

Fixed Remuneration

- Gross annual **fixed based salary** amounts to **€65k** per member of the Management Board

Performance-Based Remuneration (Long-Term Incentives)

Long Term Incentive 2018

- Each member of the Management Board receives **1,750,000 options** for the **five-year** contract under the LTI 2018
- Each **option relates to one share** in the company and has an **exercise price of €47.44**
- Performance criterion:**² Exercisable options (in% of total # of vested options)
 - CAGR² ≥ 15.0% → 100%
 - >15.0% but ≥ 14.5% → 90%
 - <14.5% but ≥ 14.0% → 80% etc.
 - <10.0% → 0%

(1) The new management compensation system became effective as of December 1, 2018, only applicable for the three Co-CEOs

(2) The Performance Criterion relates to the compound average growth rate (CAGR) of the Company's business during the relevant performance period. As relevant parameter for the growth of the Company's business the Company's consolidated revenues are used. However, should the share from the Company's so-called Partner Program increase to a 14% share in consolidated revenues, adjusted for the "grossed up Partner Program merchandise volume, then these adjusted consolidated revenues shall be used as the relevant parameter for the growth of the Company's business for the full relevant performance period.



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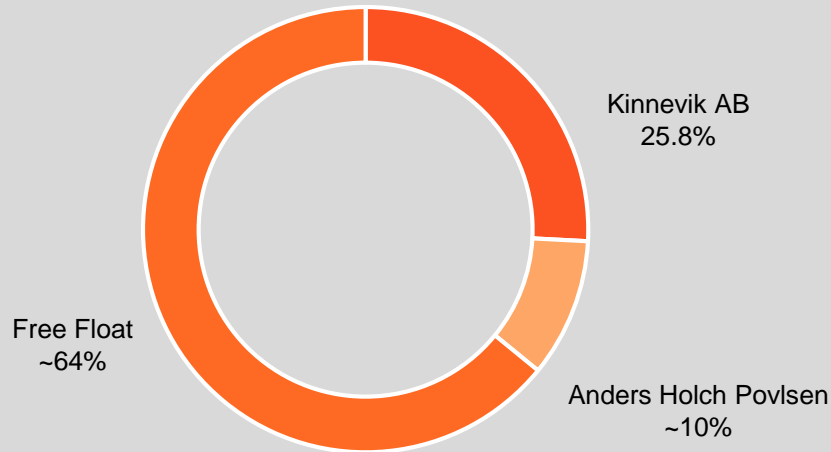
Business segments

Financials

Share & contact

The Zalando Share

Shareholder structure¹



Share information

Type of Shares	Ordinary bearer shares with no-par value (<i>Stückaktien</i>)
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market (<i>Prime Standard</i>)
Index Listings	MDAX, STOXX600, FTSE4Goods
First day of trading	October 1, 2014
Issue price	EUR 21.50
Total Number of Shares Outstanding	252,765,235
Issued Share capital	EUR 252,765,235
ISIN	DE000ZAL1111
WKN	ZAL111
Ticker Symbol	ZAL
Common Code	111189528
Thomson Reuters	ZALG.F
Bloomberg	ZAL.GR

Zalando Analyst Coverage¹



ROCCO STRAUSS



VOLKER BOSSE



CHRISTOPH BAST



DAVID HOLMES



ANDREW ROSS



MICHELLE WILSON



CLEMENT GENELOT



ADAM COCHRANE



ANDREAS RIEMANN



SIMON IRWIN



JAINA MISTRY



THOMAS MAUL



KONRAD GRYGÓ



TUSHAR JAIN



MAGNUS RAMAN



CHRISTIAN SALIS



GEORGINA JOHANAN



JÜRGEN KOLB



WAYNE BROWN



ANDREAS INDERST



TOBIAS SITTIG



DAVID GARDNER



DANIEL OVIN



MARK JOSEFSON



RALF MARINONI



SHERRI MALEK



EMILY WANT



REBECCA MCCLELLAN



ANNE CRITCHLOW



OLIVIA TOWNSEND



JÖRG PHILIPP FREY



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<https://corporate.zalando.com/en>

Disclaimer

Certain statements in this communication may constitute forward looking statements. These statements are based on assumptions that are believed to be reasonable at the time they are made, and are subject to significant risks and uncertainties. You should not rely on these forward-looking statements as predictions of future events and we undertake no obligation to update or revise these statements. Our actual results may differ materially and adversely from any forward-looking statements discussed on this call due to a number of factors, including without limitation, risks from macroeconomic developments, external fraud, inefficient processes at fulfillment centers, inaccurate personnel and capacity forecasts for fulfillment centers, hazardous material / conditions in production with regard to private labels, lack of innovation capabilities, inadequate data security, lack of market knowledge, risk of strike and changes in competition levels.

