Zalando GmbH, Berlin
Balance sheet as of 31 December 2012

Assets	EUR	EUR	31 Dec 2011 EUR k
A. Fixed assets			
I. Intangible assets			
1. Internally generated industrial and similar rights and assets	3.768.600,00		2.068
2. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	5.213.796,83		1.730
3. Prepayments	837.437,84		0
		9.819.834,67	3.798
II. Property, plant and equipment			
1. Land, land rights and buildings including buildings on third-party land	235.587,00		0
2. Other equipment, furniture and fixtures	6.726.039,00		2.783
3. Prepayments and assets under construction	141.276,98		0
		7.102.902,98	2.783
III. Financial assets			
Shares in affiliates		34.985.105,40	10.437
		51.907.843,05	17.018
B. Current assets			
I. Inventories			
1. Consumables and supplies	982.026,23		0
2. Merchandise	227.305.809,30		108.998
3. Prepayments	1.582.743,95		1.078
		229.870.579,48	110.076
II. Receivables and other assets			
1. Trade receivables	105.372.030,72		33.082
2. Receivables from affiliates	8.281.062,69		3.363
3. Other assets	31.212.930,29		4.957
		144.866.023,70	41.402
III. Cash on hand and bank balances		388.750.042,06	106.179
		763.486.645,24	257.657
C. Prepaid expenses		1.005.079,71	494
		816.399.568,00	275.169

Equity and liabilities	EUR	EUR	31 Dec 2011 EUR k
A. Equity			
I. Subscribed capital		110.721,00	93
II. Capital reserves		627.422.941,19	189.184
III. Loss carryforward		-78.697.323,24	-22.181
IV. Net loss for the year		-77.257.018,71	-56.516
		471.579.320,24	110.580
B. Special item for investment subsidies		328.591,00	0
C. Provisions			
Other provisions		102.733.075,12	41.706
D. Liabilities			
1. Prepayments received on account of orders	2.243.353,32		1.381
2. Trade payables	203.612.871,95		97.089
3. Liabilities to affiliates	24.010.997,66		10.664
4. Other liabilities thereof for taxes: EUR 2,151,227.30 (prior year: EUR 10,400k) thereof for social security: EUR 40,329.42 (prior year: EUR 0k)	11.891.358,71		13.749
		241.758.581,64	122.883
		816.399.568,00	275.169

Exhibit 2

Zalando GmbH, Berlin
Income statement for fiscal year 2012

	EUR	EUR	2011 EUR k
1. Revenue	1.158.622.184,57		509.858
2. Other own work capitalized	3.408.448,60		1.856
3. Other operating income	10.669.180,61		3.117
thereof income from currency translation EUR 1,005,995.38 (prior year: EUR 77k)			
		1.172.699.813,78	514.831
4. Cost of materials			
Cost of raw materials, consumables and supplies and of purchased merchandise	621.752.573,76		269.369
5. Personnel expenses			
a) Wages and salaries	58.581.960,18		22.892
b) Social security, pension and other benefit costs	8.805.819,63		3.789
thereof for old-age pensions: EUR 162,815.31 (prior year: EUR 107k)			
6. Amortization, depreciation and write-downs of intangible assets and property plant and equipment	5.232.975,06		1.456
7. Other operating expenses	555.098.138,07		273.428
thereof expenses from currency translation EUR 931,440.72 (prior year: EUR 72k)			
		1.249.471.466,70	570.934
8. Income from equity investments	0,00		204
thereof from affiliates: EUR 0.00 (prior year: EUR 204k)			
9. Other interest and similar income	1.445.899,42		451
thereof from affiliates: EUR 7,966.05 (prior year: EUR 2k)			
10. Write-downs of financial assets	119.999,00		0
11. Interest and similar expenses	1.811.266,21		1.068
		-485.365,79	-413
12. Result from ordinary activities		-77.257.018,71	-56.516
13. Net loss for the year		-77.257.018,71	-56.516

Translation from the German language

Exhibit 3

Notes to the financial statements

as of 31 December 2012

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].

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). In addition, the provisions of the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act] have been 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). Furthermore, the Company observed the supplementary accounting and valuation methods that apply to large corporations.

The Company made use of the option pursuant to Sec. 248 (2) HGB to capitalize **internally generated intangible assets** and amortized these assets, if they have a limited life. Amortization is recorded using the straight-line method pro rata temporis. 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 pro rata temporis.

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 pro rata temporis. Low-value assets (acquisition or production cost of between EUR 150.01 and EUR 1,000) are recorded in a collective item and depreciated over five years. Assets with an acquisition cost not exceeding EUR 150 are expensed upon acquisition.

With regard to **financial assets**, equity investments are recognized at the lower of cost or market. Net realizable values are determined on the basis of the budgets and forecasts available for these companies. The figures used in the budgets are based on many assumptions, which means that judgment is used when determining the net realizable values.

Merchandise is recognized at the lower of cost or market (less costs to sell). 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. Specific bad debt allowances have been recognized on trade receivables based on past experience and the age structure of the accounts receivable. Receivables that cannot be collected are written off in full.

Customer returns that had not yet been completely processed in 2012, but were under the control of the Company by the balance sheet date, are deducted from receivables.

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.

Other provisions and other provisions account for all recognizable risks and uncertain liabilities that relate to the past fiscal year up to the date as of which the financial statements were prepared. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Zalando granted options to management that entitle them to purchase shares in the Company after working for the Company for a certain amount of time (equity settled). Significant plans for the reporting have been structured in a similar way. They are settled in the Company's own equity instruments. German GAAP does not explicitly state how to recognize these remuneration activities over the vesting period. Zalando recognized share-based payment awards – where possible – in accordance with the international provisions of IFRS 2 and recognized the personnel expenses incurred in fiscal 2012 in the same amount in the capital reserves under equity.

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

Provisions for employee 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, plus the related costs, is also deducted from revenue.

Liabilities are recorded at the settlement value.

Liabilities from the sale of gift certificates are recognized at the value of the anticipated utilization at 100% in fiscal 2012.

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

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

Zalando GmbH purchases its merchandise globally and is therefore exposed to currency risks. Zalando GmbH uses derivative financial instruments to hedge against these risks.

The risks to be hedged relate to value adjustments in purchases made in USD. Zalando GmbH hedges a portion of pending transactions with micro hedges as part of the hedging concept set out by management. Following receipt of the invoice, value adjustments from the trade payables resulting from the orders are hedged. As of the balance sheet date, transactions totaling EUR 13,483k (prior year: EUR 0k) were hedged. These have a positive market value of EUR 7k (prior year: EUR 0k) and a negative market value of EUR 289k (prior year: EUR 0k).

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

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

The effectiveness was reviewed using the dollar offset method in the fiscal year. Value changes to the fair value of the hedging transaction and the underlying were compared. The market value of the forward exchange contracts are based on the ECB reference rate taking into account the customary market forward discounts and premiums. 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 are not recognized.

To determine **deferred taxes** due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards are valued using the company-specific tax rate of 30.175% at the time these financial statements were prepared. Deferred tax assets and liabilities are offset. The offsetting includes deferred tax assets on tax loss carryforwards to the extent deferred tax liabilities were not offset against other deferred tax assets. Carrying amount differences between the statutory balance sheet and the tax balance sheet essentially relate to internally generated intangible assets.

C. Notes to the balance sheet

Fixed assets

The development of the individual fixed asset items, including depreciation and amortization for the fiscal year, is shown in the statement of changes in the fixed assets (see attached).

Development costs for internally generated intangible assets of EUR 3,872k (prior year: EUR 1,856k) were recognized in full in the fiscal year. An immaterial amount of research expenses relating to software development were incurred.

An impairment loss on MyBrands GmbH of EUR 120k was recorded under financial assets in the fiscal year. No additional impairment losses were recorded in 2012.

List of shareholdings classified as fixed financial assets

The Company held shareholdings in the following affiliates as of 31 December 2012:

Name	Registered office	Share	Net income/loss for 2012 in EUR k	Equity EUR k
zLabels GmbH	Berlin	100%	-2,808	-4,290
MyBrands GmbH (in liquidation as of 31 December 2012)	Berlin	100%	-67[1]	-39
MyBrands Zalando Verwaltungs GmbH	Berlin	100%	214	295
MyBrands Zalando eLogistics GmbH & Co. KG	Grossbeeren	100%	-3,632	28,149
MyBrands Zalando eLogistics West GmbH & Co. KG	Berlin	100%	-18	18
MyBrands Zalando eServices GmbH & Co. KG	Berlin	100%	-418	346
MyBrands Zalando eProductions GmbH & Co. KG	Berlin	100%	-314	46
MyBrands Zalando eStudios GmbH & Co. KG	Berlin	100%	-182	18
Zalando SAS	Paris (France)	100%	336	297
Zalando Ltd.	London (UK)	100%	501	530
Zalando S.r.l.	Milan (Italy)	100%	5	15
Kiomi GmbH	Berlin	100%	No business activities in 2012	25

[1] *Net income/loss for 2011*

Inventories

Inventories primarily include merchandise containing the shoe and textile material groups.

Receivables and other assets

As in the prior year, most of the receivables due from affiliates are trade receivables. There is a letter of subordination in place for receivables of EUR 5,501k due from zLabels GmbH.

Receivables and other assets were valued taking into account the recognizable risks.

Other assets for the most part relate to receivables from credit card companies and tax refunds.

As in the prior year, no receivables or other assets with a residual term of more than one year were recognized as of the balance sheet date.

Other assets include an amount of EUR 7,390k to which the Company gained title only after closing. These concern input tax deductible in the following year.

Bank balances

Bank balances of EUR 20,116k (prior year: EUR 6,700k) are blocked in favor of third parties as of the balance sheet date and serve as collateral for rental agreements.

Prepaid expenses

Prepaid expenses mainly contain prepayments for rent for buildings, license fees and insurance premiums.

Equity

An amount of EUR 6,454k (prior year: EUR 2,156k) was recognized under capital reserves on account of the share-based payment awards netted with equity instruments in fiscal 2012.

Provisions

Other provisions came to EUR 102,733k (prior year: EUR 41,706k). They mainly stem from outstanding invoices, anticipated returns and personnel expenses.

Liabilities

No liabilities with a residual term of more than five years or, as in the prior year, with a residual term of more than one year were recognized.

Financial obligations to affiliates amount to EUR 24,011k (prior year: EUR 10,664k) as of the balance sheet date. As in the prior year, these mainly relate to trade payables.

Deferred taxes

Deferred tax liabilities come to EUR 1,386k as of the balance sheet date. These were offset against existing deferred tax assets.

Restrictions on distribution pursuant to Sec. 268 (8) HGB

The total amount as defined by Sec. 268 (8) HGB comes to EUR 3,768,600.00 (prior year: EUR 2,068,328.00). This item only relates to the recognition of internally generated assets.

Contingent liabilities and related parties

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

Zalando GmbH has joint and several liability for the loan liabilities of MyBrands Zalando eLogistics GmbH & Co. KG, Berlin, of EUR 27,373k.

As of the balance sheet date, EUR 14,343k of these loan liabilities had been claimed.

Furthermore, bank balances of EUR 16,264k are pledged as collateral for the rental agreements of MyBrands Zalando eLogistics GmbH & Co. KG, Berlin.

Zalando GmbH 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 MyBrands Zalando eLogistics GmbH & Co. KG, Grossbeeren and MyBrands Zalando eLogistics West GmbH & Co. KG, Berlin, with financial resources so that it is in a position at all times to settle its liabilities from rental agreements for logistics space in Erfurt and Mönchengladbach.

Based on the economic situation and the forecasts available, Zalando GmbH deems the risk of claims being made to be low.

Other financial obligations pursuant to Sec. 285 No. 3a HGB

The Company has other financial obligations of EUR 15,686k (thereof to affiliates: EUR 0k) as of the balance sheet date. These obligations relate to the following items:

31 December 2012	**in EUR k**
Rental agreements	15,078
Leases	608
Total	**15,686**

The rental and lease agreements expire between 1 February 2013 and 30 September 2015.

D. Notes to the income statement

Revenue

In fiscal 2012, around 70% of revenue related to the region Germany/Austria/Switzerland (see following table).

in EUR k	2012		2011		Change
DACH*	811,828	70.1%	399,320	78.3%	412,508
RoW**	346,794	29.9%	110,538	21.7%	236,256
Zalando GmbH	**1,158,622**	**100%**	**509,858**	**100%**	**648,764**

** DACH countries contain Germany, Austria and Switzerland in fiscal 2012.*

*** RoW countries include the Netherlands, France, Italy, the UK, Poland, Belgium, Sweden, Finland, Denmark, Spain and Norway in fiscal 2012*

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.

E. Other notes

Average number of employees during the year

An annual average of 1,496 (prior year: 735) persons were employed in the fiscal year.

Stock-option-based management remuneration

In fiscal 2012 remuneration paid to management came to EUR 4,439k (prior year: EUR 956k). No new stock options were granted to management in fiscal 2012 (prior year: 1,650 stock options). On the day the options were granted in the prior year they had a fair value of EUR 6,943k. They can be earned over a certain period of time and are included in the total remuneration over this time period based on the activities completed in the respective fiscal year.

Group affiliation

As the German parent company, Zalando GmbH prepares consolidated financial statements. The consolidated financial statements of Zalando GmbH, 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 does not disclose audit fees in accordance with Sec. 285 No. 17 last clause HGB. They are disclosed in the consolidated financial statements of Zalando GmbH.

Management

Last name	First name	Position
Gentz	Robert	General manager
Ritter	Rubin	General manager
Schneider	David	General manager
Biedka	Frank	General manager (until 31 July 2012)

Appropriation of profits

In agreement with the shareholders, management proposes appropriation of the

Net loss for the year	EUR -77,257,018.71

as follows:

Carrying forward to new account	EUR -77,257,018.71

Signing of the 2012 financial statements

Berlin, 27 March 2013

The management

Robert Gentz	David Schneider	Rubin Ritter

Attachment to the notes

Statement of changes in fixed assets for 2012

	Acquisition and production cost					Accumulated amortization, depreciation and write-downs					Net book values	
	1 Jan 2012 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2012 EUR	1 Jan 2012 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Dec 2012 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR k
I. Intangible assets												
1. Internally generated industrial and similar rights and assets	2.423.459,92	3.049.055,56	0,00	0,00	5.472.515,48	355.131,92	1.348.783,56	0,00	0,00	1.703.915,48	3.768.600,00	2.068
2. Purchased franchises, industrial rights and similar rights and assets, and licenses in such rights and assets	2.133.435,07	5.535.763,41	0,00	0,00	7.669.198,48	403.962,07	2.051.439,58	0,00	0,00	2.455.401,65	5.213.796,83	1.730
3. Prepayments	0,00	837.437,84	0,00	0,00	837.437,84	0,00	0,00	0,00	0,00	0,00	837.437,84	0
	4.556.894,99	9.422.256,81	0,00	0,00	13.979.151,80	759.093,99	3.400.223,14	0,00	0,00	4.159.317,13	9.819.834,67	3.798
II. Property, plant and equipment												
1. Land, land rights and buildings including buildings on third-party land	0,00	241.221,93	0,00	1.800,00	243.021,93	0,00	6.887,93	0,00	547,00	7.434,93	235.587,00	0
2. Other equipment, furniture and fixtures	3.880.898,31	5.777.215,62	160.737,74	-1.800,00	9.495.576,19	1.097.556,54	1.825.863,99	153.336,34	-547,00	2.769.537,19	6.726.039,00	2.783
3. Prepayments and assets under construction	0,00	141.276,98	0,00	0,00	141.276,98	0,00	0,00	0,00	0,00	0,00	141.276,98	0
	3.880.898,31	6.159.714,53	160.737,74	0,00	9.879.875,10	1.097.556,54	1.832.751,92	153.336,34	0,00	2.776.972,12	7.102.902,98	2.783
III. Financial assets												
Shares in affiliates	10.437.294,83	24.667.809,57	0,00	0,00	35.105.104,40	0,00	119.999,00	0,00	0,00	119.999,00	34.985.105,40	10.437
	10.437.294,83	24.667.809,57	0,00	0,00	35.105.104,40	0,00	119.999,00	0,00	0,00	119.999,00	34.985.105,40	10.437
	18.875.088,13	40.249.780,91	160.737,74	0,00	58.964.131,30	1.856.650,53	5.352.974,06	153.336,34	0,00	7.056.288,25	51.907.843,05	17.018

Exhibit 4

Translation from the German language

Management report for fiscal year 2012

Zalando GmbH, Berlin

Table of contents

A. Business development and economic environment

Business activities

Zalando is an e-commerce company offering shoes and fashion items on the internet. The wide range of items for women, men, and children extends from popular trendy brands to sought-after designer labels – all in all, Zalando works with over 1,500 brand name manufacturers. In addition to shoes and clothing, Zalando also offers accessories and beauty products as well as sporting goods and home decoration items as part of its extensive product range. Zalando's offering has been broadened and enhanced with the Zalando Lounge, which offers registered members special offers at highly discounted prices. The Company was founded in 2008 and has its registered offices in Berlin. As of the end of 2012, Zalando had business activities in 14 European countries.

Economic environment

Following a very moderate increase of 3.8% in global production in the prior year, the global economy continued to lose momentum in 2012 and only grew by 3.2% on annual average. Economic development in Germany also continues to be burdened by the weak export conditions and the uncertainty surrounding economic policy to combat the crisis in the euro area. Overall, an increase in gross domestic product of just 0.7% is expected for 2012.[1]

German retail business saw a revenue increase of a nominal 1.9% in the past fiscal year; Internet and mail-order businesses generated the highest revenue growth of all sectors with growth of a nominal 3.1%.[2] Clothing proved to have by far the highest sales of all merchandise groups in e-commerce again in 2012.[3]

Business development

Zalando GmbH strived consistently to implement its goals and continued on its course for growth in the 2012 fiscal year. By tapping into new markets and the introduction of additional business models, the Company continued to expand its range and benefit directly from new business opportunities. Moreover, the internationalization of business in particular offered new prospects for growth: after the start-up of the new online

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[1] See IFW ["Institut für Weltwirtschaft": German Institute for the World Economy], based in Kiel: Weltkonjunktur und deutsche Konjuktur im Winter 2012, available online: http://www.ifw-kiel.de
[2] See Federal Statistical Office (Statistisches Bundesamt), press release no. 038 from 31 January 2013, available online: https://www.destatis.de
[3] See BVH ["Bundesverband des Deutschen Versandhandels": German E-Commerce and Distance Selling Trade Association], press release of 12 February 2013, available online: http://www.bvh.info

shops in the Netherlands and France in 2010, Zalando started up its own online shops in Italy, the UK, Austria and Switzerland in 2011. We expanded to an additional seven European markets in 2012. After Sweden, Belgium and Spain in the first half of the year, Denmark, Finland, Poland and Norway followed in the second half of 2012. As a result, Zalando had business activities in 14 European countries at the end of fiscal 2012 and was able to further strengthen its position in the online fashion market in Europe.

In addition to investment in expanding internationally in 2012, Zalando also added new fields of expertise in order to ensure the development of sustainable corporate structures and raise customer satisfaction. In order to guarantee seamless logistics throughout Europe, the Company opened a second internally designed logistics center in fiscal 2012. The logistics center in Erfurt was built in less than one year. This, together with the existing logistics center in Brandenburg and the future logistics center in Mönchengladbach, will allow us to serve customers even quicker and better. Moreover, Zalando invested in the development of software in the past fiscal year.

We are constantly improving our range of brands and products to offer customers the widest product range possible. In addition to eye-catching TV commercials, extensive online marketing activities as well as the Zalando magazine that is printed four times a year, Zalando saw a continually increasing number of new and existing customers in the past fiscal year and continued to expand its market position. For its effective and efficient marketing activities, the Company was awarded the German marketing prize as well as gold for the best cross-border online shop at the European E-Commerce Awards in 2012.

Employee development

The headcount at Zalando GmbH grew considerably on account of strong growth. The Company had an annual average headcount of 1,496 (prior year: 735) employees.

The successful growth of Zalando is based on the competence and motivation of its staff. Due to the considerable growth of its core business, the penetration of new business areas and the rapid international expansion, Zalando constantly needs to strengthen its winning team. Recruitment therefore plays a central role in the HR department. In addition to having an extensive career portal, Zalando showcases itself as an attractive and multifaceted employer at career information fairs and job fairs in order to find a suitable applicant for each vacant position. To further staff qualifications, Zalando offers continual opportunities for training and further education. Interviews to discuss personal performance and potential are conducted and form the basis of making the most of the individual development potential of every employee.

To recruit young talent, the Company has offered various traineeships from 2012 onwards in the areas of finance, graphics, purchasing, customer service and warehouse logistics. By providing traineeships, Zalando seeks to support young people and win qualified young employees for the future of the Company.

B. Net assets, financial position and results of operations

The significant expansion of Zalando GmbH's business activities is clearly reflected in the results of operations, financial position and net assets of the Company as of the 2012 reporting date. Therefore, due to the increases in all items, a comparison with the prior year is only possible to a limited extent.

Results of operations

The results of operations of the Company are presented in the following condensed income statement broken down by expense types within the Company.

in EUR k	2012	2011	Change
Revenue	1,158,622	509,858	648,764
Own work capitalized	3,408	1,856	1,552
Cost of materials	-621,752	-269,369	7,552
Gross profit	**550,947**	**245,462**	**305,485**
Personnel expenses	-67,388	-26,681	-40,707
Amortization, depreciation and write-downs	-5,233	-1,456	-3,777
Other operating expenses	-555,098	-273,428	-281,670
Earnings before interest and taxes (EBIT)	**-76,772**	**-56,103**	**-20,669**
EBIT as a percentage of revenue	-6.6%	-11.0%	
Financial result	**-485**	**-413**	**-72**
Result from ordinary activities	**-77,257**	**-56,516**	**-20,741**
Net loss for the year	**-77,257**	**-56,516**	**-20,741**

Zalando GmbH's revenue more than doubled from EUR 510m in fiscal 2011 to EUR 1,159m in fiscal 2012 as a result of the above-mentioned strategic decisions and the resulting growth of the Company. The increase results from growing demand in established markets such as the DACH region (Germany, Austria, Switzerland) above all, but also from the launch in seven new countries in 2012.

The DACH countries continued to be the most important sales market for Zalando GmbH in fiscal 2012. They generate well over half of the total annual revenue. However, business in the other countries also developed positively; a total revenue of EUR 347m (prior year: EUR 111m) was generated in the RoW region.

in EUR k	2012		2011		Change
DACH*	811,828	70.1%	399,320	78.3%	412,508
RoW**	346,794	29.9%	110,538	21.7%	236,256
Zalando GmbH	**1,158,622**	**100%**	**509,858**	**100%**	**648,764**

** DACH countries contain Germany, Austria and Switzerland in fiscal 2012.*

*** RoW countries include the Netherlands, France, Italy, the UK, Poland, Belgium, Sweden, Finland, Denmark, Spain and Norway in fiscal 2012*

Other operating income mainly relates to advertising revenue from the Zalando magazine as well as cost allocations to subsidiaries initially charged to Zalando GmbH.

Cost of materials increased by EUR 352m to EUR 622m corresponding to the expansion of business activities. At 53.7%, the gross profit margin remained virtually unchanged (prior year: 52.8%). Overall, the Company generated a gross profit of EUR 551m in fiscal 2012.

Personnel expenses increased by EUR 41m to EUR 67m corresponding to the increase in the average headcount. Personnel expenses as a percentage of total operating performance of 5.8% (prior year: 5.2% rose slightly on account of the penetration of new markets and the related start-up costs.

Other operating expenses mainly contain marketing as well as freight and logistics expenses. They rose by EUR 282m in line with business development to EUR 555m.

The Company's operating result fell by EUR 21m on account of the aforementioned increased costs to EUR -77m. On account of revenue increasing at a more rapid rate than expenses, the EBIT margin improved by 4.4 percentage points to -6.6% (prior year: -11.0%).

The net loss for the year of EUR 77m is mainly attributable to expenses in connection with the significant expansion of business activities and international expansion.

Financial position

The liquidity situation and the financial development of Zalando GmbH are disclosed in the following condensed cash flow statement:

in EUR k	**2012**	**2011**
Cash flow from operating activities	**-108,981**	**-40,328**
Cash flow from investing activities	**-40,250**	**-15,896**
Cash flow from financing activities	**431,802**	**128,237**
Changes in cash and cash equivalents	282,571	72,013
Cash and cash equivalents at the beginning of the period	106,179	34,166
Cash and cash equivalents as of 31 December	**388,750**	**106,179**

The negative cash flow from operating activities using the indirect method is essentially attributable to the net loss for the year adjusted for non-cash effects. The Company's growth is also reflected in a significantly higher volume of merchandise and trade receivables and payables.

Cash flow from investing activities in fiscal 2012 was essentially affected by capital increases in subsidiaries which were used for investing in the logistics infrastructure as well as for the further expansion of the respective divisions of the subsidiaries. In this connection, investments were made especially in the new logistics center opened in Erfurt. Moreover, investments were made in intangible assets, mainly relating to IT software, and in property, plant and equipment, primarily for furniture and fixtures.

Cash flow from financing activities results solely from shareholder contributions to Zalando GmbH's equity, which served to pre-finance intended growth and further strengthened the Company's net asset value. Three new investors joined the shareholder structure of Zalando GmbH in the fiscal year: DST Global, J.P. Morgen Asset Management and Quadrant Capital. Moreover, the Swedish investor, AB Kinnevik, increased its shareholding and is thus indirectly the largest Zalando shareholder at present.

In total, cash and cash equivalents increased by EUR 283m to EUR 389m compared with the prior year. Cash and cash equivalents comprise cash on hand and cash at banks.

Net assets

The Company's net assets are summarized in the following condensed statement of financial position:

Assets **in EUR k**	**31 Dec 2012**		**31 Dec 2011**		**Change**
Fixed assets	51,908	6.4%	17,018	6.2%	34,890
Current assets	763,487	93.5%	257,657	93.6%	505,830
Prepaid expenses	1,005	0.1%	494	0.2%	511
Total assets	**816,400**	**100%**	**275,169**	**100%**	**541,231**

Equity and liabilities **in EUR k**	**31 Dec 2012**		**31 Dec 2011**		**Change**
Equity	471,579	57.8%	110,580	40.2%	360,999
Special item for investment subsidies	329	0.0%	0	0.0%	329
Provisions	102,733	12.6%	41,706	15.2%	61,027
Liabilities	241,759	29.6%	122,883	44.6%	118,876
Total equity and liabilities	**816,400**	**100%**	**275,169**	**100%**	**541,231**

Zalando GmbH's total assets nearly tripled as a result of the significant increases in business volume. The assets of the Company primarily relate to current assets including inventories and cash and cash equivalents in particular. Equity and liabilities relate exclusively to equity as well as short-term liabilities and provisions.

Investments in fixed assets of EUR 40m were made in fiscal 2012. Investing activities were financed exclusively from the Group's own funds.

Inventories mainly relate to merchandise for the core operating business of Zalando GmbH in fiscal 2012. The increase in merchandise of EUR 118m to EUR 227m stems from the increase in business volume and the resulting need for more extensive inventories of shoes, textiles and other items.

Zalando GmbH's trade receivables and other assets recognized as of 31 December 2012 are all considered current. This increase of EUR 103m to EUR 145m is also mainly due to the significant growth of the Company.

The increase in cash and cash equivalents is mainly due to additional payments to the capital reserves by the shareholders.

Despite the net loss for the year, Zalando GmbH's equity was increased by EUR 361m to EUR 472m due to the capital increases made by the shareholders. The equity ratio improved as a result of the disproportionate increase in equity compared to total assets from 40.2% as of 31 December 2011 to 57.8% as of 31 December 2012.

Current provisions and liabilities increased by EUR 180m to EUR 344m, corresponding to the expansion of the Group's operating business. As of the cut-off date, these provisions are primarily for anticipated returns from customers, provisions for outstanding invoices as well as trade payables. There are no significant liabilities denominated in foreign currency as of 31 December 2012.

The Group has concluded reverse factoring agreements with various suppliers as well as with two factors. Under these agreements, the factor purchases the supplier receivables due from Zalando. In connection with these agreements, supplier receivables due from Zalando totaling EUR 42m (prior year: EUR 34m) were transferred to the factor as of 31 December 2012; they are nevertheless still recognized under trade payables in the balance sheet.

Overall assessment

The enormous growth of the Company has had a strong influence on Zalando GmbH's economic situation. All items for the results of operations, financial position and net assets thus increased significantly.

C. Opportunity and risk report

In its growth-driven company policy, Zalando GmbH seeks to control opportunities and risks with value-based management to make the best possible use of development opportunities that arise. The Company only enters into risks if they are counterbalanced by the opportunity of generating added value.

Risks

Risks for the Company can result from external developments as well as from internal processes. Due to turmoil in the financial markets and the euro crisis economic development is still expected to be volatile. An unfavorable private consumer environment could lead to risks related to failing to meet revenue targets and the associated risk related to higher inventories at Zalando GmbH. However, management expects that the trend towards e-commerce would continue even in a difficult environment. Moreover, the economic environment will continue to be shaped by intense competition. To monitor and control sales and inventories, Zalando GmbH employs a detailed system of key financial indicators, which enables the Company to detect negative deviations at an early stage and implement appropriate measures. The purchase of merchandise on commission and integrating external retailers via the partner program further minimizes risks and optimizes warehouse capacity utilization. Furthermore, the brick and mortar outlet store that opened in 2012 serves as an additional sales channel for inventories.

Operating risks mainly relate to procurement and logistics. The reliable and speedy delivery of flawless products is a decisive competitive factor for Zalando GmbH. Delivery delays and poor product quality would have a direct effect on the confidence of customers and would cause lasting damage to the Company's image. Close collaboration with suppliers and continuous quality control of merchandise limits the risk of potential product quality problems. Zalando GmbH addresses the risk of unsatisfactory logistics in shipping and delivery to end customers by concluding long-term and clearly defined contract agreements with its service providers as well as by sustainably developing its own logistics activities.

Moreover, as an e-commerce company, Zalando is largely dependent on the functionality and stability of various internet sites. Disruptions or system failures would directly lead to a drop in revenue. To ensure the security of the systems, Zalando is connected to host servers in geographically separate locations. Operation of the platform is constantly monitored to enable appropriate countermeasures to be initiated with a short response time in the event of a system failure. Extensive, multi-level security of the systems and personalized, role-based access also provide protection from unauthorized access and attacks.

Another risk for the Company relates to the payment behavior of customers and the risk of default for individual receivables. As part of the Company's comprehensive fraud management, ordering activities are monitored in order to identify and prevent cases of fraud at an early stage.

Opportunities

Online business in Germany has for years recorded high growth rates and an increasing share in total retail sales.[4] By consistently focusing its business model on the e-commerce segment in conjunction with gearing its product range to market requirements and remaining constantly focused on the customer, Zalando will have with the opportunity to further increase its revenue and market share. Through targeted marketing activities, the Company seeks to increase its brand awareness, win new customers and retain existing ones. Moreover, Zalando can continue to exploit this potential through its presence now in 14 European countries and through the constant expansion of its product range of its own and other brands.

The partner program that was further extended in fiscal 2012 provides the Company the opportunity to expand the variety of products with reduced storage risks. The special offers in the Zalando Lounge provide the opportunity to reach new groups of customers through an additional sales channel, thus supporting Zalando’s course for growth.

Zalando has responded to the increased use of mobile terminals by customers by launching its own app for smartphones starting in December 2012. The mobile version of the Zalando website already made it possible to access Zalando’s large product range anywhere. Thanks to the Zalando app, the additional benefits of simple and secure online shopping can also be accessed on the go.

In order to achieve the pace of growth, Zalando’s technology department places emphasis on short development times, weekly software releases as well as monitoring the platform 24 hours a day. Installing part of the software development at the new location in Dortmund will mean that in the future the high demand for qualified specialists can be satisfied in central Germany as well in order to support the central team resolve complex issues.

For Zalando, a factor of central importance for sustainable growth in Germany and in the international markets is the further expansion of its logistics centers. In this context,

[4] See BVH, press release of 12 February 2013, available online: http://www.bvh.info

the first warehouse designed according to the individual requirements of the Company was opened in Erfurt in 2012. Two extension wings are scheduled for completion in the summer of 2013. The construction of a further logistics center in Mönchengladbach in October 2012 represents another important step towards the sustainable expansion of the Company and stepping up selling activities in the core markets of western Europe.

D. Outlook / Anticipated development

For 2013, the IFW [“Institut für Weltwirtschaft”: German Institute for the World Economy], based in Kiel, forecasts growth in global production at 3.4%. A slightly higher increase in global production of 3.9% is expected for 2014. Overall, in Germany, GDP is expected to increase by just 0.3% in 2013 and 1.5% in 2014.[5]

Business expansion to a current total of 14 European countries has laid the groundwork for Zalando’s growth in the coming years. In addition to further revenue growth, the Company aims to constantly develop towards profitability. Zalando continues to invest in fashion, logistics and IT competencies in order to ensure the development of sustainable corporate structures and raise customer satisfaction. A renowned property developer began work on the construction of an additional office building in 2012 which will be rented and occupied by Zalando after construction. We also rented additional office space that will offer space for several hundred employees, which we will move into in the next fiscal year. The combination of diverse office space gives Zalando the flexibility needed to allow the Company to grow in the coming months and years.

Zalando GmbH is financially prepared for future growth and the continuous expansion of existing structures; the equity ratio rose to above 50% in 2012. The Company’s results of operations and financial position are expected to continue to be marked by growth in revenue and thus by the resulting further investments in the Company’s performance and net asset value over the coming years.

Overall, management considers the economic situation of Zalando GmbH to be positive and sees opportunities for further rapid and sustainable growth in terms of revenue and an increase in the return on sales over the next two years, despite potentially heterogeneous general economic developments. The expenses and capital expenditure required for this will be only partly compensated for by the anticipated increase in the return on sales; a net loss for the year due to capital expenditure will therefore be budgeted for during this period.

The disclosures made in this management report on expectations regarding future development are based on estimations made by the management to the best of their knowledge and belief at the time these financial statements were prepared. The statements are by nature subject to a series of risks and uncertainties. The actual results may therefore deviate from these forecasts should one of these or other uncertainties arise or the assumptions on which the statements are made prove to be inaccurate.

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[5] See IFW, Weltkonjunktur und deutsche Konjunktur im Winter 2012, available online: http://www.ifw-kiel.de

E. Subsequent events

There were no significant events occurring after the end of the fiscal year which could materially affect the presentation of the results of operations, financial position and net assets of the Company.

Berlin, 27 March 2013

Robert Gentz

David Schneider

Rubin Ritter