



EUROPE'S LEADING ONLINE FASHION DESTINATION

Company Presentation

October 2014

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Introduction



FOUNDER LED MANAGEMENT TEAM



Rubin Ritter

Finance & Operations

David Schneider

Fashion & Brand Relations

Robert Gentz

Marketing & Business Development

OUR MISSION



*Our mission is to
create the world's
best online
fashion experience*

REACH

>100m

visits per month

~41%

mobile device traffic

SCALE

>13.7m

active customers

~88%

brand awareness¹

ASSORTMENT

150,000+

styles

1,500+

brands

GROWTH

€2.0bn

LTM revenue after
only six years

From a basement full of shoeboxes ...



...to Europe's leading online fashion destination



(1) Aided, in markets launched pre-2012.

SYSTEMATIC EXPANSION ACROSS CATEGORIES & GEOGRAPHIES zalando

2009 revenue: €6m LTM Jun'14 revenue: €2bn

MARKET ENTRY

- Focus on shoes
- Building market leadership in Germany
- Definition of value proposition



2008/09

CATEGORY EXPANSION

- Apparel
- Sports
- Accessories
- Private label



2010/11

GEOGRAPHIC EXPANSION

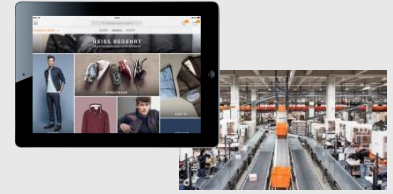
- 15 European markets
- 425m population
- Building highly localized market leadership



2011/12

OPERATIONAL EXCELLENCE

- Building basis for sustained growth
- Investing in proprietary technology and logistics infrastructure
- Mobile innovation



2013/14

GLOBAL BRANDS



Relevance

FAST FASHION



Freshness

LOCAL BRANDS



Localization

PRIVATE LABEL



Uniqueness

WHY CUSTOMERS LOVE ZALANDO

- Convenient shopping anytime, anywhere
- Broad & unique selection
- Inspirational and personalized shopping experience
- Highly localized offering
- Free delivery and returns



WHY FASHION BRANDS LOVE ZALANDO

- Delivering online growth
- Localized access to 15 markets via single partner
- Fashionable & brand-enhancing environment
- Data-driven customer insight
- Partnership-based approach

Key highlights



KEY HIGHLIGHTS

**Disrupting the
€420bn European
fashion market**

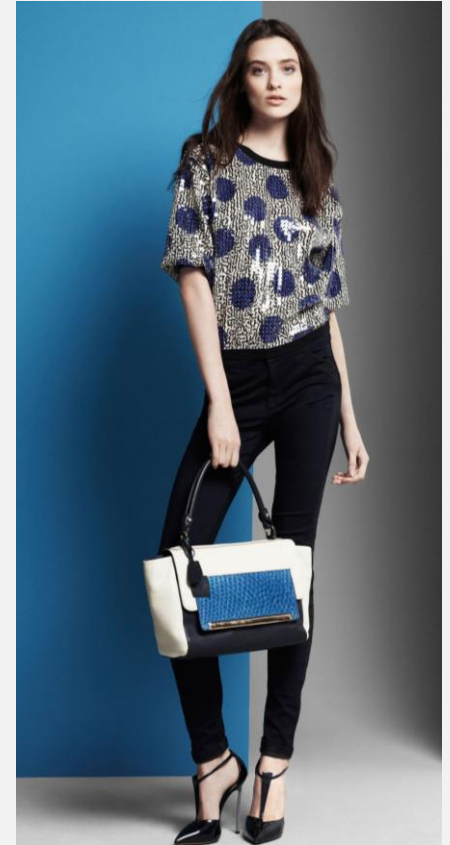
**Clear pure-play
online fashion leader
in Europe with strong
mobile platform**

**Highly localized and
personalized fashion
experience**

**Technology and
operational “engine”
in place, custom-built
for large scale**

**Powerful combination
of scale and growth,
at inflection point in
margin**

**Pole position to
capture future growth
opportunities**



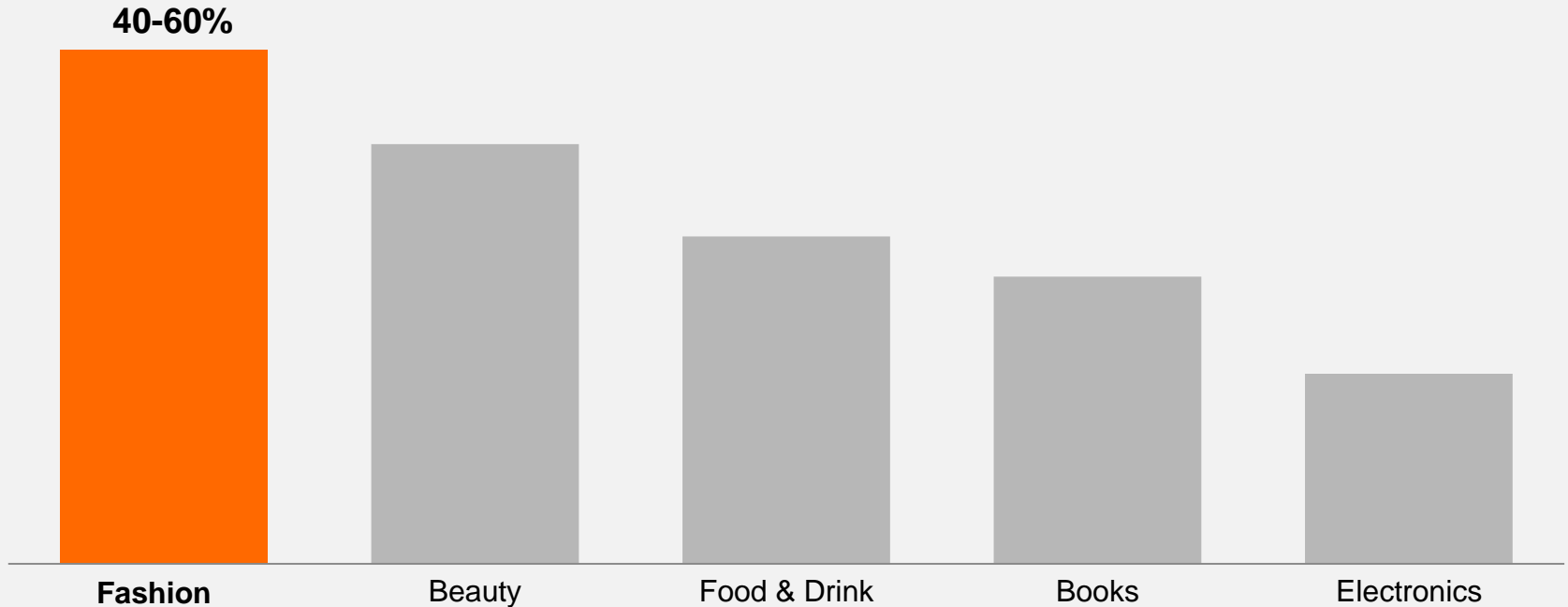
TARGETING A LARGE & FRAGMENTED MARKET OPPORTUNITY



Source: Euromonitor International, June 2014, 2013 fixed exchange rates.
Data for Europe (excl. Russia) incl. apparel and footwear, bags and luggage, jewellery and watches. All market figures inclusive of sales tax. Company information.
(1) Data as of FY2013. Source: Euromonitor International and company information.

FASHION HAS THE HIGHEST GROSS MARGINS

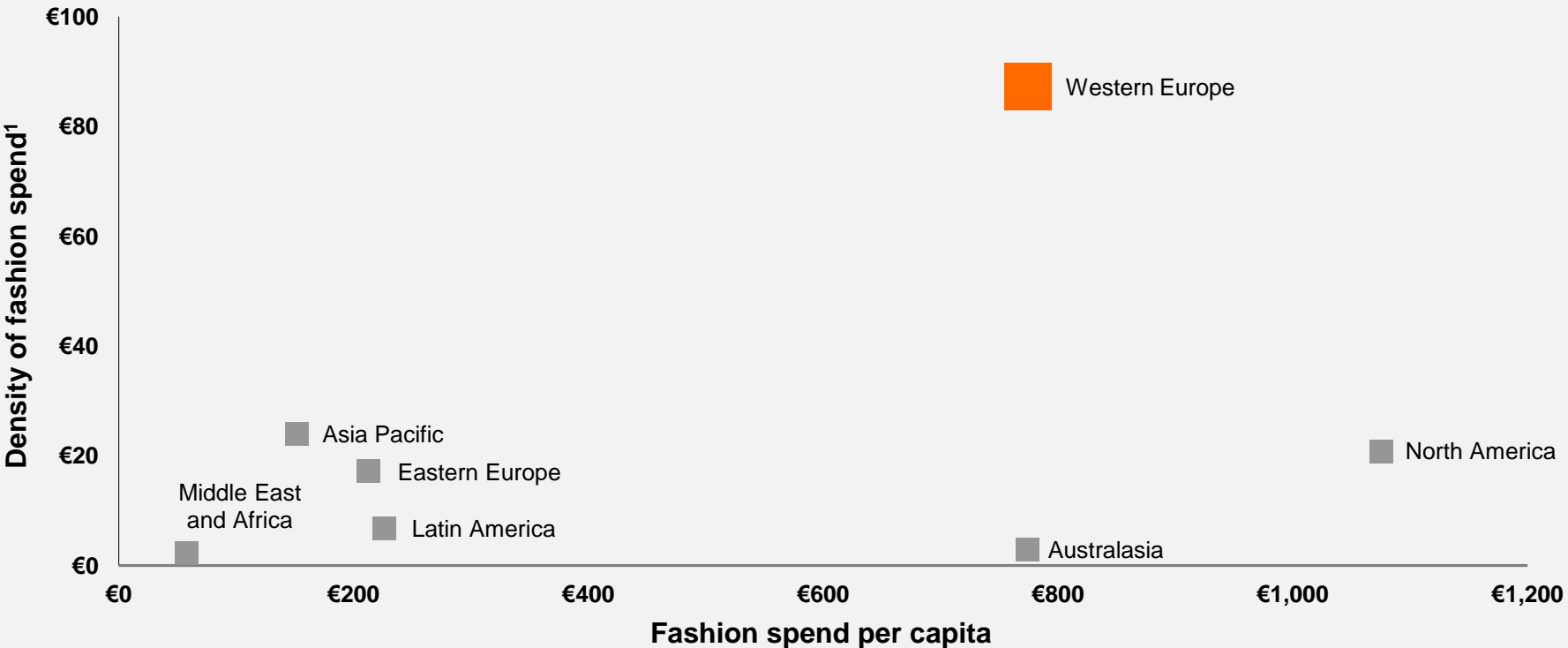
Average gross margins of representative sample of e-commerce players¹



Source: Company filings.

(1) Segment gross margins based on average of industry players; LTM figures as per the most recent published company filings.
Fashion: Asos, Yoox and Boohoo; Beauty: Jumei; Food and Drink: Ocado; Books: Amazon; Electronics: Amazon, Dangdang, JD.com.

EUROPE – STRUCTURALLY WELL SUITED FOR ONLINE FASHION



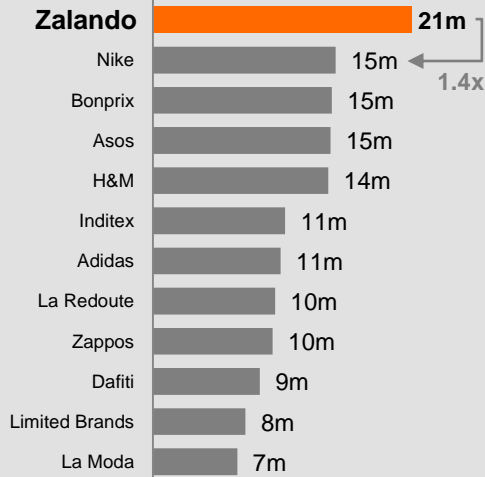
Source: Euromonitor International. Data for Eastern Europe excluding Russia.
(1) Fashion spend in €'000 per square km.

THE CLEAR PURE-PLAY ONLINE FASHION LEADER IN EUROPE



Most visited fashion website globally (excl. China and India)

Average monthly unique visitors for the 12 months ended in June 2014



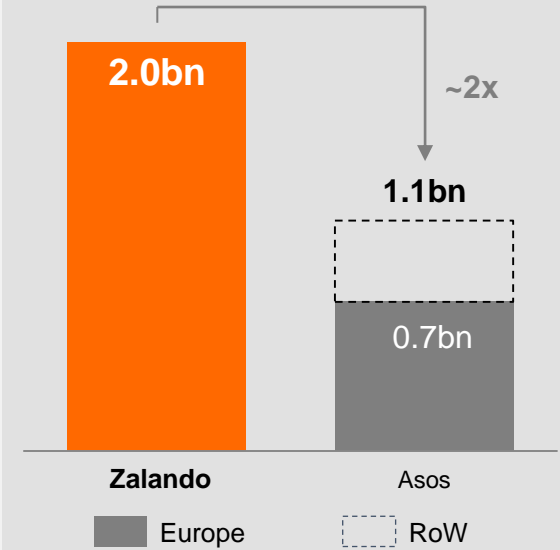
Strong brand recognition: Household name in Europe

Key elements of strong Zalando brand image

- ✓ ~€850m investment in marketing since 2011
- ✓ 88% brand awareness in markets launched pre-2012¹
- ✓ ~2x unaided brand awareness vs. the nearest competitor²
- ✓ ~70% organic traffic

~2x revenue vs. the next largest competitor

Revenue in €bn³



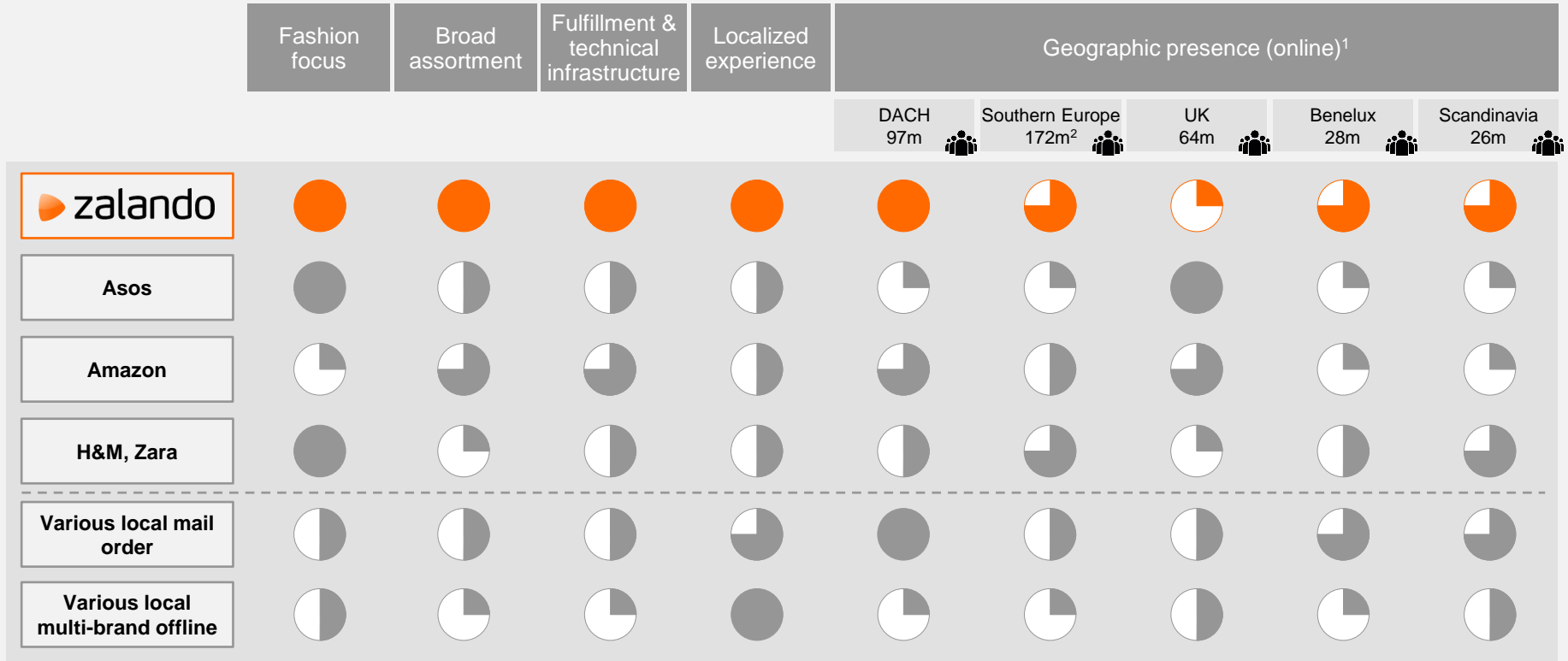
Source: comScore as of June 2014 (left). Company information (middle & right).

(1) Source: Survey conducted by Zalando and Norstat in June 2014 for aided brand awareness excluding UK (survey not conducted on an ongoing basis).

(2) Source: Survey conducted by Zalando and Norstar in June 2014 for unaided brand awareness. Position by unaided brand awareness relative to following competitor. Simple average of relative positions across markets.

(3) LTM June 2014 revenue for Zalando. LTM revenue as of May 2014 for Asos as per respective public filings.

OUR WINNING FORMULA FOR ONLINE FASHION IN EUROPE



Source: Euromonitor International, June 2014, for population data. Moons as per Company management.

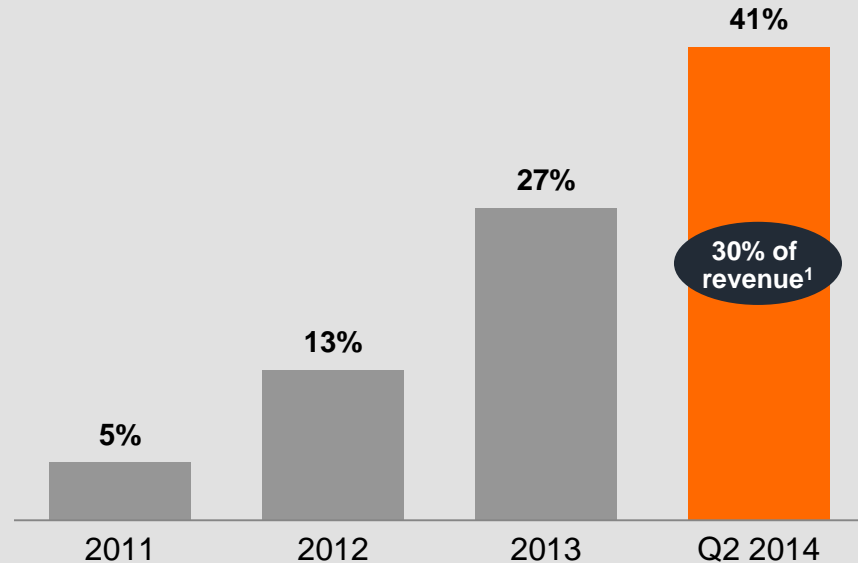
(1) 2013 regional population.

(2) Includes France, Italy and Spain.

AT THE FOREFRONT OF THE MOBILE OPPORTUNITY

Zalando mobile platform is rapidly growing

Mobile Visit Share (% of site visits)



- (1) Based on share of gross revenue before cancellation during Q2 2014.
- (2) App downloads as of Q2 2014.
- (3) As of 21 August 2014.

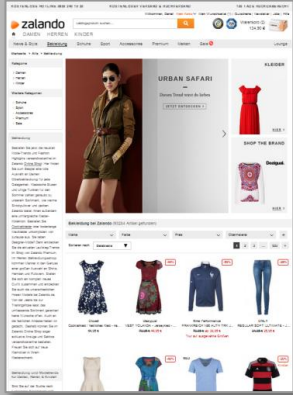
3.8m App downloads²

★★★★★ User rating on Google-play in Germany³

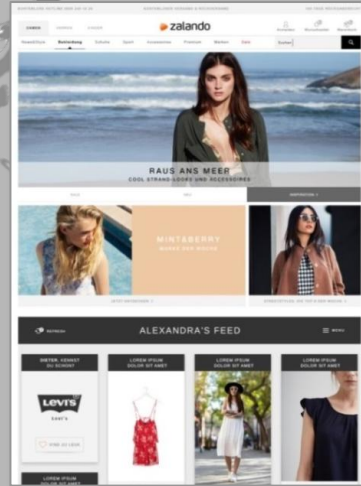
★★★★★ User rating on iOS store in Germany³

CURATION & INNOVATION OF FASHION EXPERIENCE

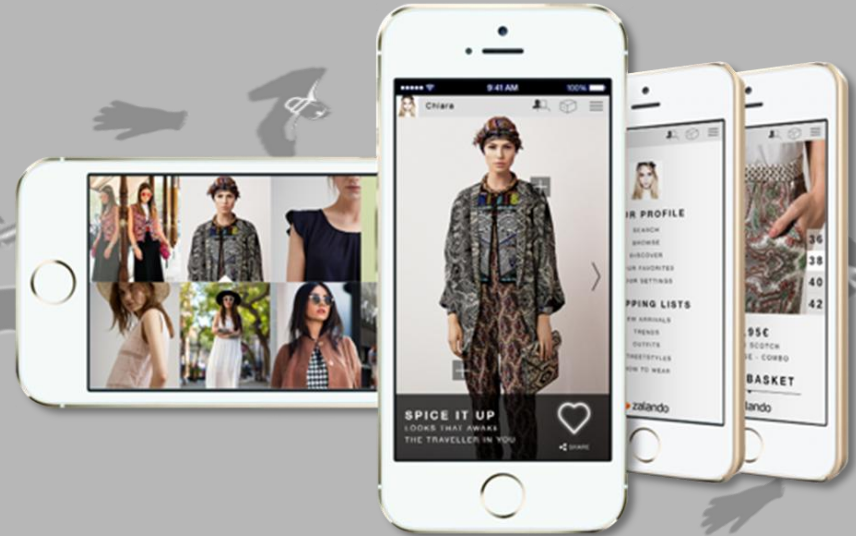
YESTERDAY



TODAY



TOMORROW



LOCALIZED CUSTOMER EXPERIENCE & CENTRALIZED BACKEND

15 countries, 12 languages, 7 currencies, zonal pricing

11 local logistic partners

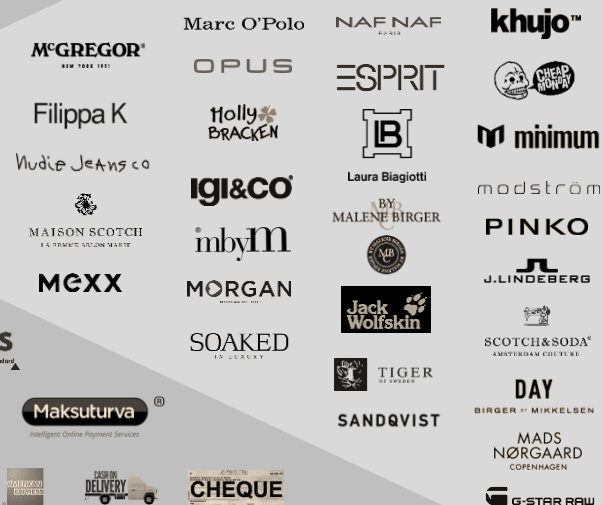


Centralized backend supports scale

- Fulfillment
- Sourcing
- Technology



Hundreds of curated local brands




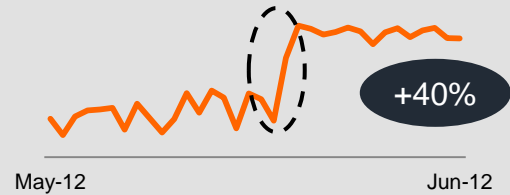
Over 20 payment methods


PAYMENTS

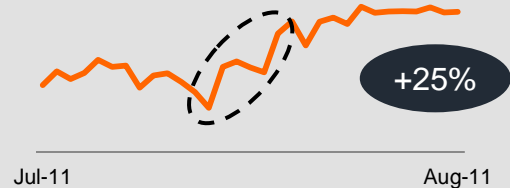
Introducing local payment methods

Improvement in check-out conversion

 Belgium: invoice




 Italy: cash on delivery



Note: Refers to check-out conversion rate.

LOGISTICS


 Introducing a local delivery provider in the Netherlands

Improvement in customer satisfaction with delivery



+54%
Q2 to Q3
2012

CUSTOMER CARE

 Offering local customer care in Switzerland

Improvement in customer satisfaction with customer care



+26%
Dec-13 to
Jan-14

PROPRIETARY AND EFFICIENT FULFILLMENT INFRASTRUCTURE

Custom-built to deliver convenience and designed for 2x current revenue



Brieselang
28,000 sq.m.



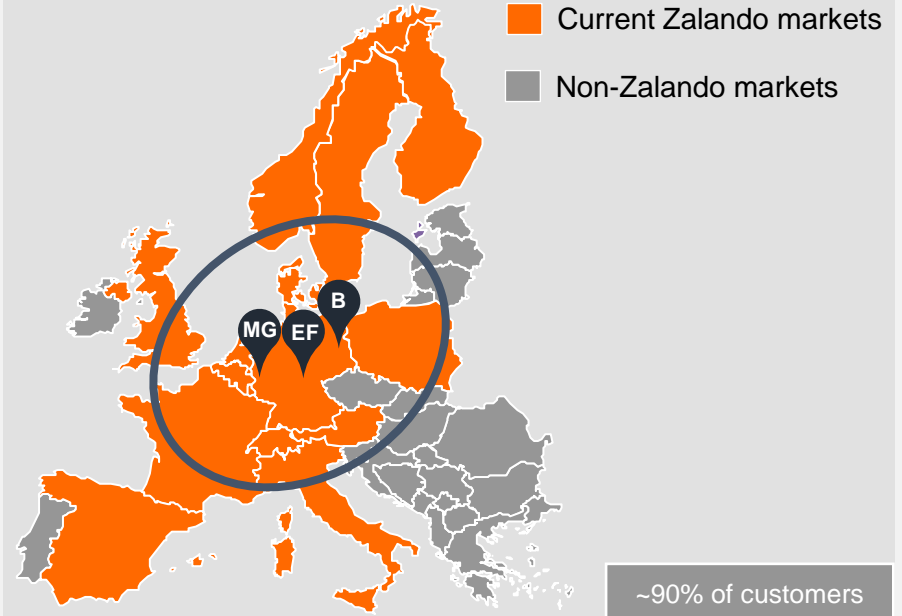
Erfurt
125,000 sq.m.



Mönchengladbach
75,000 sq.m.
(+50,000 sq.m.
expansion ongoing)

Total capacity
equals ~ 40
soccer fields

~65% of population and ~85% of active customers within 9 hours truck drive from warehouses



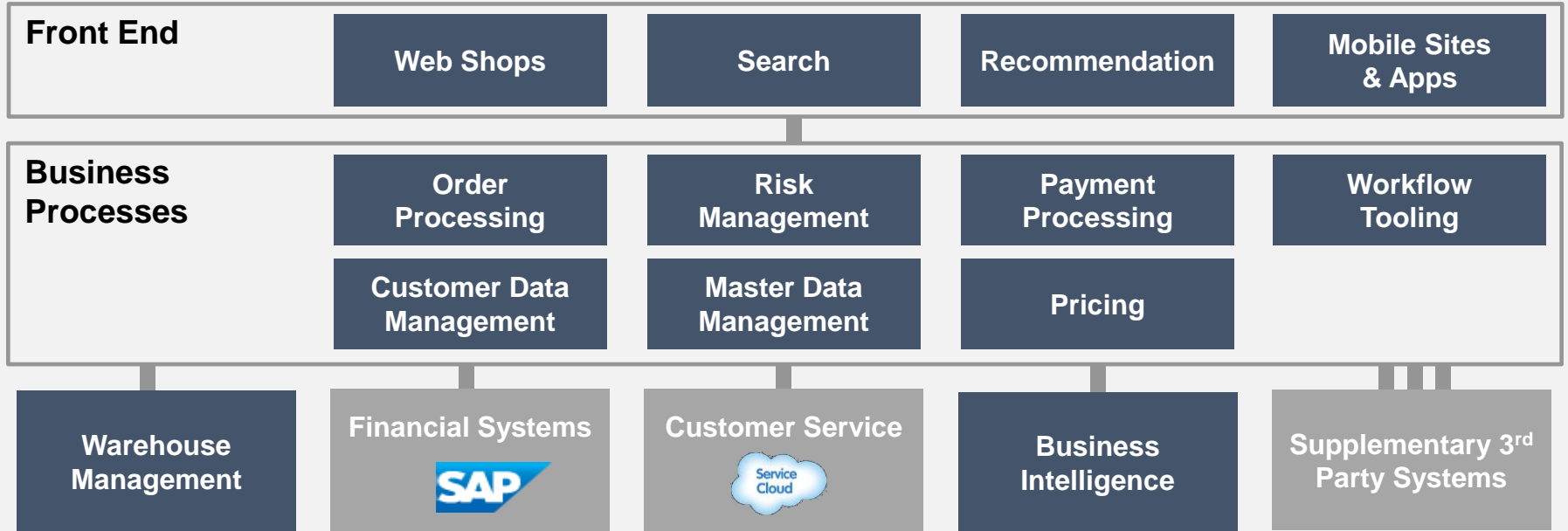
~90% of customers
are satisfied with our
delivery performance¹

(1) Zalando Survey, January-May 2014. Weighted average across Zalando markets.

HIGHLY SCALABLE, PROPRIETARY TECHNOLOGY PLATFORM



- ✓ 500+ IT experts
- ✓ Top talent from 50+ countries
- ✓ 40+ dedicated product teams
- ✓ Focus on innovation



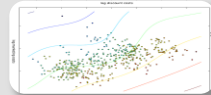
■ Custom-built system ■ Integrated 3rd party system

Use of big data across business processes

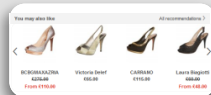
Demand forecast



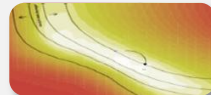
Marketing vs. discount



Cross-sell recommendation



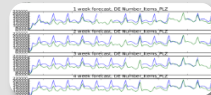
Payment option steering



Return forecast



Order forecast



Financial benefits (Germany)

Invoice offering rate



+4%

Conversion rate



+4%

Fraud rate decrease



-13%

EBIT increase



~+€10m

Note: Payment option steering rolled out for Germany in February 2014. Invoice offering rate, conversion rate and fraud rate decrease for Germany during February 2014. EBIT increase for Germany annualized based on input data measured during February 2014 and applied to 2014 management plan.

Financial profile





Significant revenue growth at scale



Strong trends across customer metrics



Operating leverage resulting in Group EBIT break-even, DACH profitable



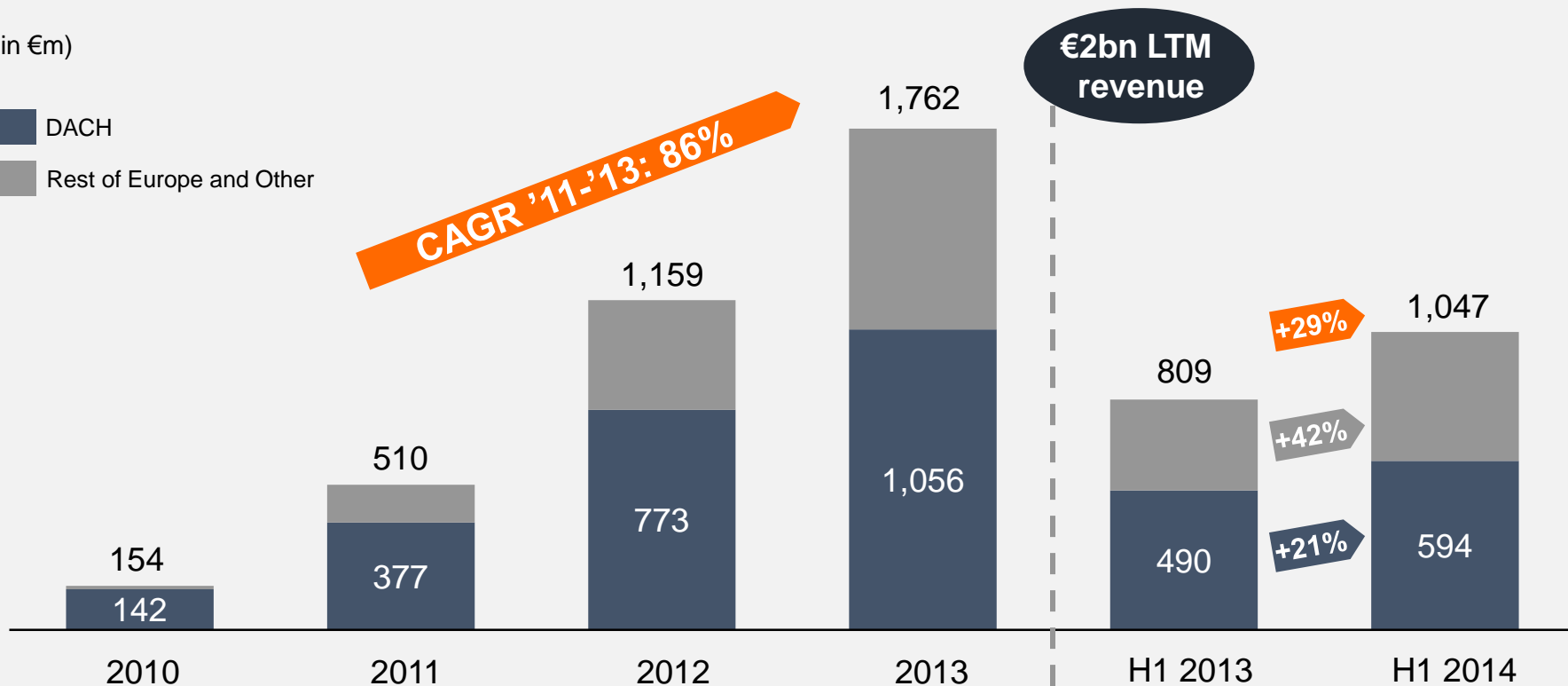
Low capital intensity with broadly neutral working capital

SIGNIFICANT REVENUE GROWTH AT SCALE

(in €m)

DACH

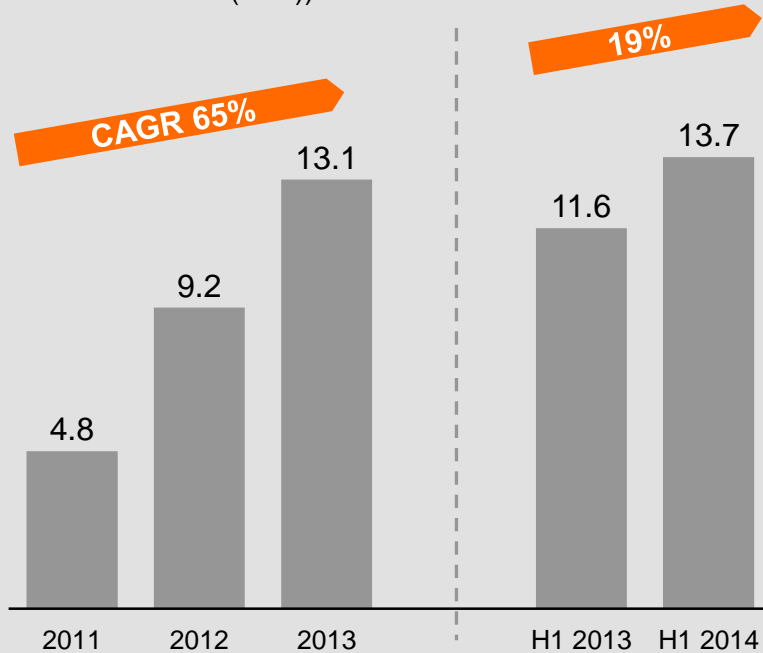
Rest of Europe and Other



STRONG GROWTH ACROSS CUSTOMER METRICS

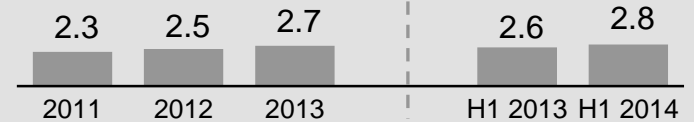
Growing number of customers...

(Active customers (in m))



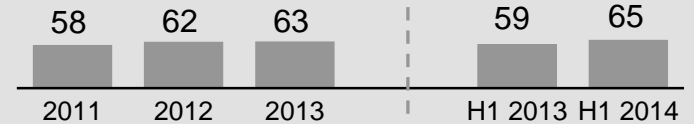
...who buy more often...

(avg. # of orders per active customer)



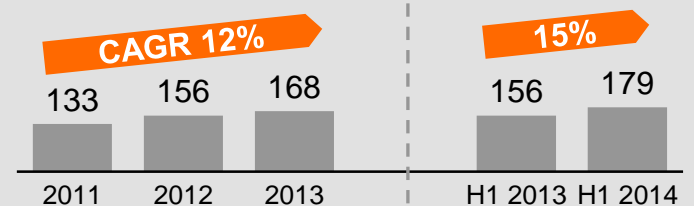
...and spend more per order...

(avg. basket size¹ in €)



...increasing our revenue per active customer

(LTM transactional revenue in €)

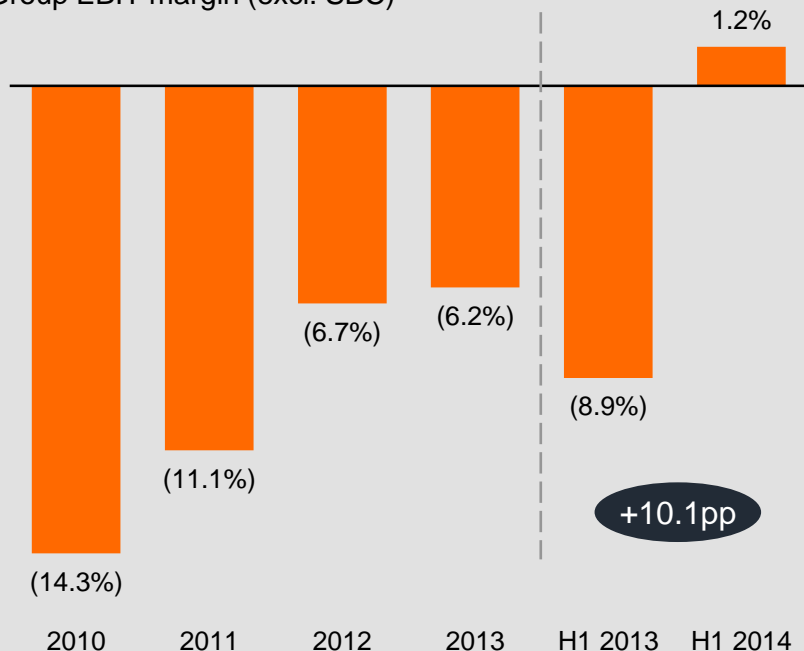


(1) Defined as the transactional revenue (incl. VAT and transactional volume of Partner Program) after cancellations or returns divided by the number of orders.

CLEAR OPERATING LEVERAGE

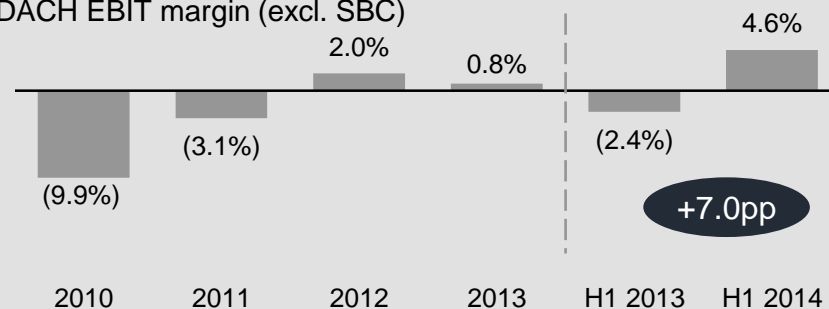
Break-even at Group EBIT level in H1 2014

Group EBIT margin (excl. SBC)



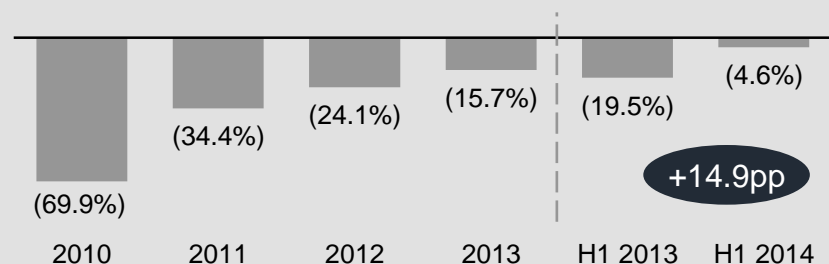
DACH with ~5% EBIT margin in H1 2014

DACH EBIT margin (excl. SBC)



Strong margin increase in Rest of Europe

Rest of Europe EBIT margin (excl. SBC)



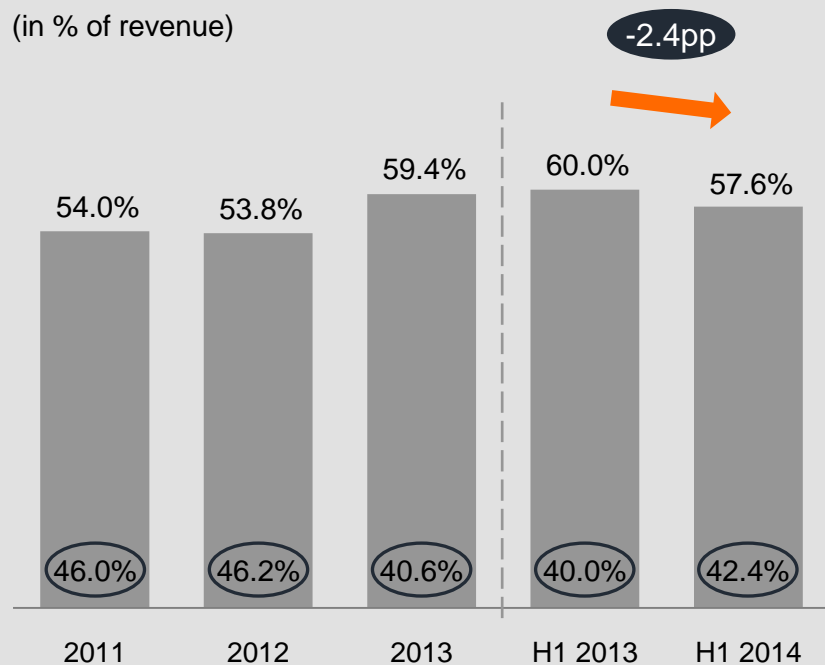
Note: SBC refers to equity settled share-based compensation expense.

FAVORABLE GROSS MARGIN DRIVERS, AS SHOWN IN Q2 2014



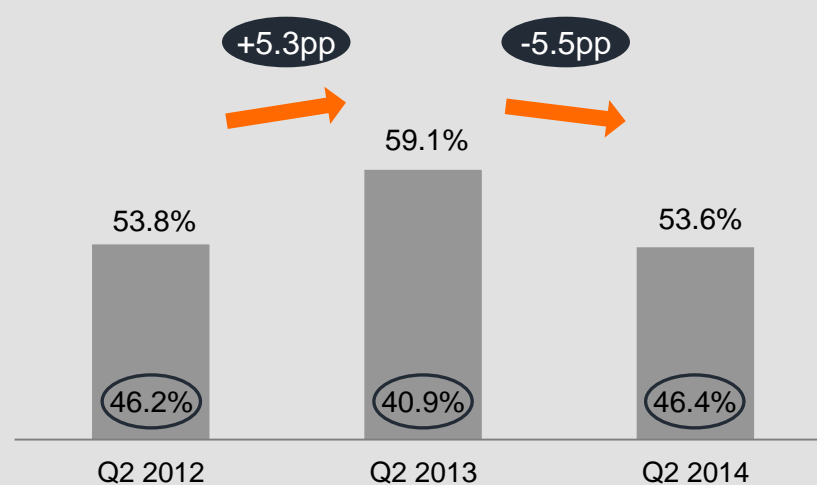
Cost of sales

(in % of revenue)



(%) Gross profit in % of revenue

Favorable drivers in 2014 and beyond

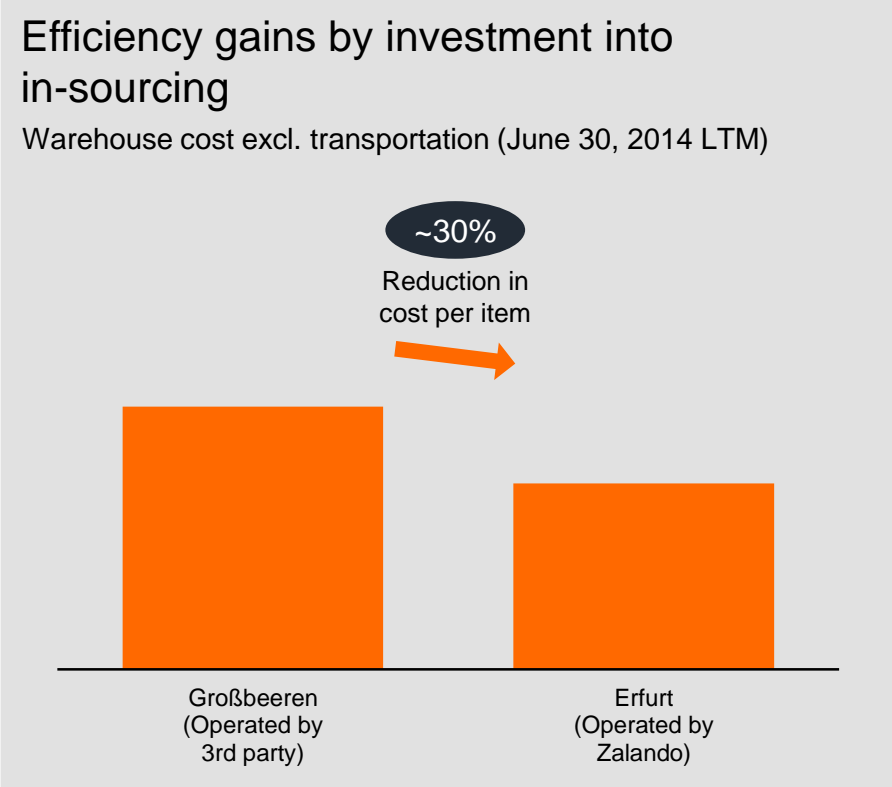
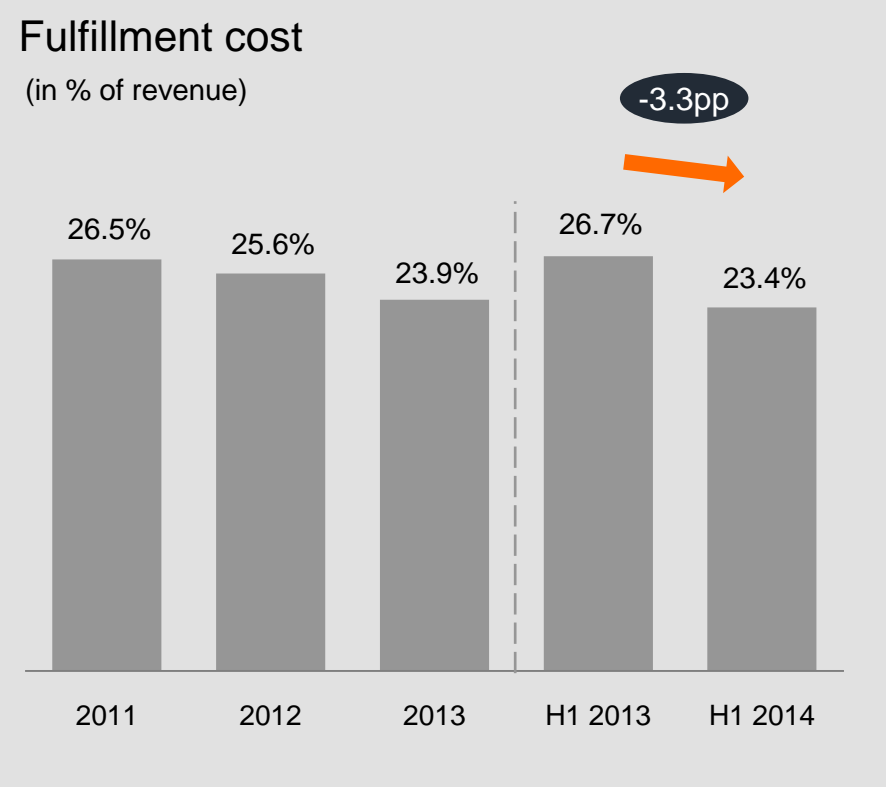


Favorable gross margin drivers

- Higher post-order share
- Negotiating leverage due to scale
- Share of private brands

Note: All cost items presented on this page and the following pages are excluding equity settled SBC costs.

FULFILLMENT COST EFFICIENCIES DRIVEN BY IN-SOURCING

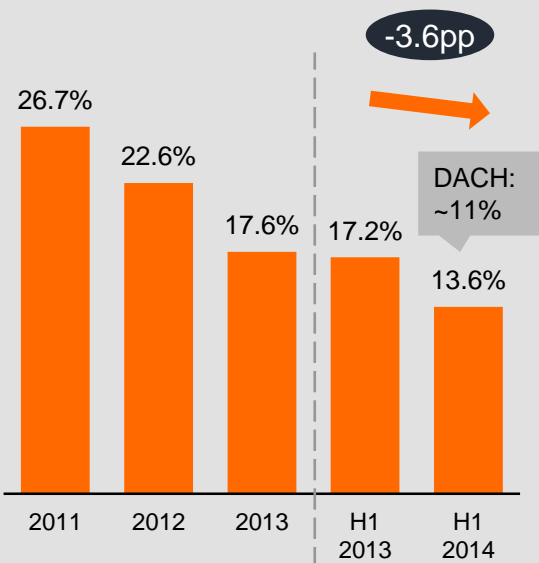


CLEAR OPERATING LEVERAGE FROM MARKETING EFFICIENCY



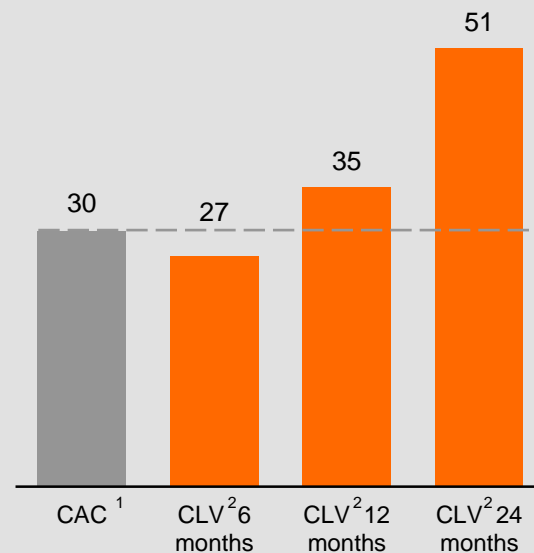
Marketing cost

% of revenue



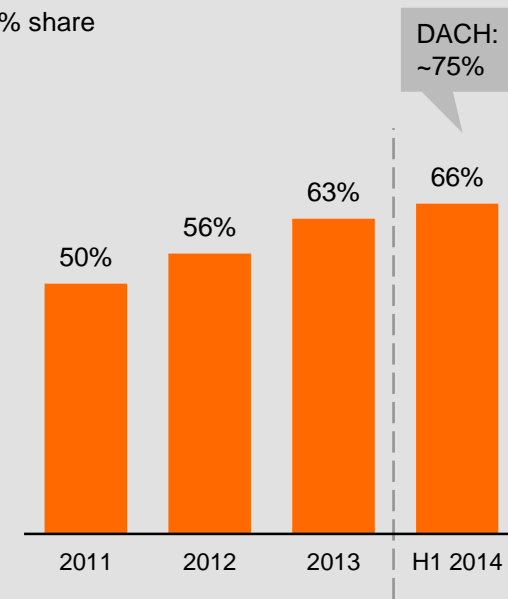
Disciplined ROI approach

Example: Germany October 2011 Cohort (€)



Increasing share of returning customers³

% share



(1) Customer Acquisition Cost is defined as total marketing cost during a specific period (as of October 2011 here) divided by the number of new customers acquired during the same period.

(2) Customer Lifetime Value is a measure defined as the cumulated profit contribution II (PC II), according to the expense method, before marketing expenses, i.e., gross profit less fulfillment costs, by all orders of that specific acquired customer cohort within a particular timeframe (as of October 2011 here) since customer acquisition (CLV cumulative as per beginning of June 2014; CLV calculated on the basis of days, presentation based on approximated months).

(3) We define returning customers share as the number of customers that (a) is an active customer, and (b) placed at least two orders since our inception divided by all active customers.

Scaling with minimal working capital requirement...

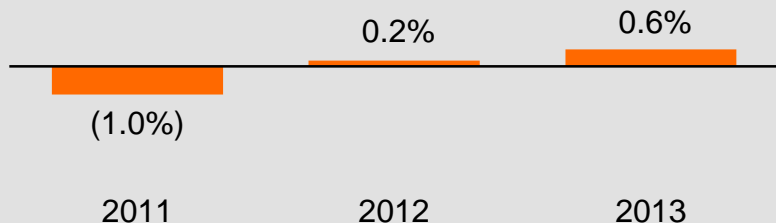
Net working capital (in €m)

(5)

2

10

Net working capital as % of revenues



... and low capital intensity

Total capex (in €m)

13

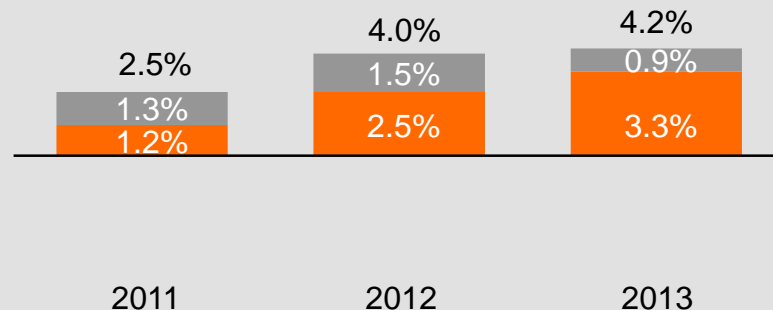
47

74

Logistics infrastructure allows for 2x current LTM revenue

Other capex¹ as % of revenues

Warehouse capex as % of revenues



(1) Mainly investments in intangibles such as software developments.

WELL-POSITIONED TO CAPITALIZE ON GROWTH OPPORTUNITIES zalando

