



THREE MONTHS REPORT 2015

JANUARY – MARCH 2015



1/4 2015 ZALANDO AT A GLANCE

KEY FIGURES

	MAR 31, 2015	MAR 31, 2014	CHANGES
Group key performance indicators			
Site visits (in millions)	392.8	331.8	18.4%
Mobile visit share (in %)	52.6	36.2	16.3pp
Active customers (in millions)	15.4	13.5	13.8%
Number of orders (in millions)	12.0	9.7	23.6%
Average orders per active customer	2.8	2.7	3.8%
Average basket size (in EUR)	68.0	63.9	6.6%
Adjusted marketing cost ratio (in % of revenue)	11.8	13.9	-2.1pp
Adjusted fulfillment cost ratio (in % of revenue)	24.7	24.0	0.7pp
Results of operations			
Revenue (in millions)	643.6	500.7	28.5%
EBIT (in millions)	25.1	-27.9	190.1%
EBIT (in % of revenue)	3.9	-5.6	9.5pp
Adjusted EBIT (in millions)	29.1	-22.8	227.8%
Adjusted EBIT (in % of revenue)	4.5	-4.5	9.1pp
Financial position			
Net working capital (in millions)	34.5	29.7	16.4%
Equity ratio (in % of total liabilities)	59.2	47.1	12.1pp
Cash flow from operating activities (in millions)	-11.8	-21.5	45.3%
Cash flow from investing activities (in millions)	-82.6	-18.9	-337.8%
Cash and cash equivalents (in millions)	960.9	377.9	154.3%
Other			
Employees (as of the reporting date)	8,309	7,588 ¹⁾	9.5%
Undiluted earnings per share (in EUR)	0.10	-0.13	176.9%

pp = percentage point
1) As of Dec 31, 2014

OTHER FACTS

28.5%

SALES GROWTH COMPARED TO Q1 2014

EUR 25.1M

EBIT

15.4M

ACTIVE CUSTOMERS

52.6%

OF SITE VISITS VIA MOBILE DEVICES

CONNECTING PEOPLE AND FASHION.

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EASY NAVIGATION MENU

 FURTHER INFORMATION
IN THE REPORT

 FURTHER INFORMATION
ON THE INTERNET

 FOR THE
QUICK READER

01

1/4 2015

INTERIM GROUP MANAGEMENT REPORT

OTHER FACTS

8,309

EMPLOYEES

278,000_{SQM}

FLOOR SPACE IN FULFILLMENT CENTERS

>1,500

LABELS

8.5_M

APP DOWNLOADS

01.1 BASIC INFORMATION ON THE GROUP

The statements made in the annual report 2014 on the business model, the group structure, the strategy and the objectives of the group as well as on research and development and sustainability in the Zalando group still apply at the time this interim report was issued for publication.

01.2 REPORT ON ECONOMIC POSITION

01.2.1 MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

In Germany, the internet retail segment developed at a much faster pace than the retail sector as a whole. In nominal terms, for example, revenue in 2014 was up more than 21% on the prior-year figure. Following stagnant sales in 2013, the German fashion trade again only generated moderate nominal revenue growth in the past year of 0.7% in comparison to the prior year. In 2014, the fashion trade was in particular affected by the summery weather late into the second half of the year, which had a noticeable impact on the sell-through of fall merchandise in September and October. Initial reactions from the German fashion trade on the course of the first quarter of 2015 suggest that the hoped for revenue boost after the weak performance in the past year failed to materialize. According to the Textilwirtschaft journal, the fashion trade closed the first quarter with a decline of 5%.¹ By contrast, the online fashion trade recorded solid earnings according to the consumer research organization GfK. After a slight decline in January, revenue in February 2015 increased by 4.9% year-on-year.²

Due to the consistently positive development in the online trade with fashion, we continue to see **growing market opportunities** for our business model:

- We anticipate that the share of fashion sold online will continue to grow in comparison to fashion sold in bricks-and-mortar stores.
- Online fashion retailers can typically generate gross margins between 40% and 60%. These gross margins are thus considerably higher than those of online retailers in other product categories, e.g., electronics.³
- Mobile devices have significantly contributed to the strong growth of online retail. This also applies to the online sale of fashion. Smartphones and tablets give consumers access to fashion anytime and practically anywhere. We expect this rapid growth to continue in the coming years.⁴



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SKIP TO P. 6

1) Textilwirtschaft: Modehandel: Drittes Minus-Jahr in Folge (only available in German), January 7, 2015
 2) Textilwirtschaft: Modehandel: Drittes Minus-Jahr in Folge (only available in German), January 7, 2015
 3) Company information; average of 2014 gross margins of publicly available information of selected publicly listed e-commerce companies including Asos, Yoox and Boohoo
 4) IDC, Worldwide New Media Market Model, 2H13, May 2014



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
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01.2.2 RESULTS OF OPERATIONS OF THE GROUP

In the reporting period, the condensed consolidated income statement shows a considerable rise in revenue and a significant improvement in earnings before interest and taxes (EBIT) compared to the prior year. This is also reflected in the significant improvement in the adjusted EBIT margin.

CONSOLIDATED INCOME STATEMENT

IN EUR M	JAN 1– MAR 31, 2015	AS % OF REVENUE	JAN 1– MAR 31, 2014	AS % OF REVENUE	CHANGE IN PER- CENTAGE POINTS
Revenue	643.6	100.0%	500.7	100.0%	0.0
Cost of sales	–353.5	–54.9%	–311.3	–62.2%	7.3
Gross profit	290.1	45.1%	189.4	37.8%	7.3
Selling and distribution costs	–236.8	–36.8%	–192.0	–38.3%	1.5
Administrative expenses	–29.1	–4.5%	–28.8	–5.8%	1.3
Other operating income	3.0	0.5%	4.2	0.8%	–0.3
Other operating expenses	–2.0	–0.3%	–0.8	–0.2%	–0.1
Earnings before interest and taxes (EBIT)	25.1	3.9%	–27.9	–5.6%	9.5



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IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014	CHANGE
Other consolidated financial data			
EBIT margin (as % of revenue)	3.9%	–5.6%	9.5pp
Adjusted EBIT	29.1	–22.8	51.8
<i>Adjusted EBIT (as % of revenue)</i>	4.5%	–4.5%	9.1pp
EBITDA	32.6	–22.4	55.1
Adjusted EBITDA	36.6	–17.3	53.9

EBIT comprises the following expenses from equity-settled share-based payments. The corresponding expenses are corrected in adjusted EBIT. For more information, please refer to the notes to the consolidated financial statements as of December 31, 2014 (05.5.8 (19)).

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014	CHANGE
Expenses for equity-settled share-based payments			
	4.0	5.1	–1.2
Cost of sales	1.0	0.8	0.2
Selling and distribution costs	2.0	2.2	–0.3
Administrative expenses	1.0	2.1	–1.2

In a prior-year comparison, the key performance indicators to steer the group recorded a largely positive development.

PERFORMANCE INDICATORS

	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014	CHANGE
Site visits (in millions)	392.8	331.8	18.4%
Mobile visit share (as % of site visits)	52.6	36.2	16.3pp
Active customers (in millions)	15.4	13.5	13.8%
Number of orders (in millions)	12.0	9.7	23.6%
Average orders per active customer	2.8	2.7	3.8%
Average basket size (in EUR)	68.0	63.9	6.6%
Revenue (EUR m)	643.6	500.7	28.5%
Adjusted fulfillment cost ratio (as % of revenue)	24.7	24.0	0.7pp
Adjusted marketing cost ratio (as % of revenue)	11.8	13.9	-2.1pp



Zalando generated group revenue of EUR 643.6m in the first three months of the fiscal year 2015. Revenue was thus up 28.5% on the prior-year period (EUR 500.7m). The increase in revenue is mainly driven by a considerably **larger customer base**, an **increase in orders** as well as a **larger average basket size**. For example, as of March 31, 2015, the group had 15.4 million active customers who made at least one purchase from Zalando in the last twelve months; as of March 31, 2014, there were 13.5 million active customers. This corresponds to an increase of 13.8%. The larger customer group ordered more and more often compared to the corresponding prior-year period. Specifically, orders increased by 23.6%; while the average basket size rose by 6.6%. The higher number of customer orders was driven in particular by an 18.4% increase in site visits. The higher traffic on the website also relates to a significant increase in the share of visitors that access the website on their mobile devices. Compared to the corresponding prior-year period, the share of site visits on mobile devices rose by 16.3 percentage points to 52.6% in the first quarter of 2015.



The group recorded EBIT of EUR 25.1m in the first quarter of 2015 (prior year: EUR 27.9m). The **significant improvement in the EBIT margin** by 9.5 percentage points from -5.6% in the first quarter of 2014 to 3.9% in the first quarter of 2015 is mainly the result of a substantial improvement in the gross margin to 45.1% (prior-year period: 37.8%).



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The good sell-through rate in the past fall/winter season as well as the strong start to the spring/summer season is primarily thanks to a more customer-specific selection of products and the growing share of customers that access the website on their mobile devices. Zalando also benefited from the generally positive consumer sentiment. Price concessions were also considerably lower as a result. Lower expenses from impairment losses on inventories in comparison to the prior-year period also had a positive effect on margins. Furthermore, revenue growth was achieved with a proportionately lower marketing cost. Finally, administrative expenses also saw efficiency gains.

Compared to the first quarter of 2014, fulfillment costs as a percentage of revenue rose slightly due to a result of customer-friendly management of payment terms. The higher share of orders on account compared to the prior-year period led to higher write-downs of trade and other receivables.

In order to assess the operating performance of the business, Zalando management also considers adjusted EBIT and the adjusted EBIT margin before expenses for equity-settled share-based payments. In the first three months of 2015, Zalando generated adjusted EBIT of EUR 29.1m (prior year: EUR -22.8m). This represents a significant improvement of 9.1 percentage points in the adjusted EBIT margin from -4.5% in the first quarter 2014 to 4.5% in 2015.

01.2.3 RESULTS OF OPERATIONS BY SEGMENT

The condensed segment results show a significant improvement in revenue as well as growing profitability in all segments.



SKIP TO P.9

CONSOLIDATED SEGMENT RESULTS

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014	CHANGE
Revenue			
DACH	347.1	283.9	63.2
Rest of Europe	265.0	193.2	71.7
Other	31.5	23.5	8.0
Earnings before interest and taxes (EBIT)			
DACH	30.2	-3.1	33.2
Rest of Europe	-6.3	-23.5	17.3
Other	1.2	-1.3	2.5
Other segment financial information			
Adjusted EBIT DACH	32.3	-0.2	32.5
Adjusted EBIT Rest of Europe	-4.7	-21.8	17.1
Adjusted EBIT Other	1.4	-0.7	2.2

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

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014	CHANGE
Expenses for equity-settled share-based payments			
DACH	4.0	5.1	-1.2
DACH	2.2	2.9	-0.7
Rest of Europe	1.5	1.7	-0.2
Other	0.2	0.6	-0.4

The Zalando group's significant increase in revenue was **generated in all segments**. Compared to the prior-year period, revenue grew by 22.3% in the DACH segment, by 37.1% in the Rest of Europe segment and by 33.9% in the Other segment. At EUR 347.1m (prior year: EUR 283.9m), the DACH core segment continues to generate the highest level of revenue, followed by the Rest of Europe segment, which reported revenue of EUR 265.0m (prior year: EUR 193.2m) in the first quarter of 2015.

All segments also contributed to the positive EBIT development of the group. With a positive EBIT margin of 8.7%, the DACH segment was clearly profitable in the first quarter of 2015, improving considerably by 9.8 percentage points on the prior-year period. Zalando improved the EBIT margin in the Rest of Europe segment by 9.8 percentage points from -12.2% to -2.4%. The Other segment also recorded an increase of 9.4 percentage points to reach an EBIT margin of 3.9% in the first quarter of 2015.

In order to assess the **operating performance** of the segments, Zalando management also considers EBIT and the EBIT margin before expenses for equity-settled share-based payments. The DACH segment generated an adjusted EBIT margin of 9.3% in the first quarter of 2015. Compared to the prior-year period, the adjusted EBIT margin thus improved by 9.4 percentage points. The Rest of Europe segment also significantly improved the adjusted EBIT margin compared to the prior-year period by 9.5 percentage points from -11.3% to -1.8%. The Other segment also saw a strong increase in the adjusted EBIT margin by 7.7 percentage points to 4.5% in the first quarter of 2015.

01.2.4 FINANCIAL POSITION

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

CONDENSED STATEMENT OF CASH FLOWS		
IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Cash flow from operating activities	-11.8	-21.5
Cash flow from investing activities	-82.6	-18.9
Cash flow from financing activities	0.7	1.1
Change in cash and cash equivalents	-93.7	-39.3
Exchange-rate related and other changes in cash and cash equivalents	3.6	0.0
Cash and cash equivalents at the beginning of the period	1,051.0	417.2
Cash and cash equivalents as of Mar 31	960.9	377.9

Zalando generated a negative cash flow from operating activities of EUR -11.8m in the first quarter of 2015 (prior-year period: EUR -21.5m). The positive change is mainly attributable to the positive development compared to the corresponding prior-year period of the net income for the period to EUR 24.3m (prior year: net loss of EUR 28.9m).

The cash flow from investing activities includes cash paid for investments in non-current assets of EUR 8.4m (prior year: EUR 20.7m). The cash outflow otherwise mainly results from the investment in term deposits with a term of between three and twelve months.

In the first quarter of 2015 the free available cash flow improved by EUR 22.1m from EUR -42.2m in the first quarter of 2014 to EUR -20.2m. The increase is primarily due to the considerable **improvement in the cash flow from operating activities**.

On aggregate, cash and cash equivalents have declined by EUR 90.1m since the beginning of the year; resulting in cash and cash equivalents of EUR 960.9m as of March 31, 2015. This decrease in free available cash and cash equivalents is largely the result of the investment of



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF CASH FLOWS P. 20



SKIP TO P. 10

EUR 90.0m in term deposits. Cash and cash equivalents of EUR 520.0m are invested in money market funds.

The group was able to meet all its payment obligations at all times.

01.2.5 NET ASSETS

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



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION P. 16

ASSETS						
IN EUR M	MAR 31, 2015		DEC 31, 2014		CHANGE	
Non-current assets	179.1	9.2%	194.0	10.9%	-14.9	-7.7%
Current assets	1,758.8	90.8%	1,591.5	89.1%	167.3	10.5%
Total assets	1,937.9	100.0%	1,785.5	100.0%	152.4	8.5%



EQUITY AND LIABILITIES						
IN EUR M	MAR 31, 2015		DEC 31, 2014		CHANGE	
Equity	1,148.1	59.2%	1,126.7	63.1%	21.4	1.9%
Non-current liabilities	33.9	1.7%	30.9	1.7%	3.0	9.7%
Current liabilities	755.9	39.0%	627.9	35.2%	128.0	20.4%
Total equity and liabilities	1,937.9	100.0%	1,785.5	100.0%	152.4	8.5%

In the first quarter of 2015, Zalando's total assets increased by 8.5% in comparison to December 31, 2014. The assets of the company consist primarily of current assets including inventories, trade receivables and cash and cash equivalents in particular. Equity and liabilities mainly consist of equity and current liabilities.

At the end of the first quarter of 2015, inventories mainly consist of merchandise. The EUR 126.3m increase in inventories to EUR 474.6m mainly relates to the delivery of the spring/summer collection.

The trade and other receivables of the group recognized as of December 31, 2014 are all current. The EUR 29.7m increase to EUR 169.8m is primarily attributable to the greater share of orders on account.

Net current assets, consisting of inventories and trade and other receivables less trade payables and similar liabilities, amounted to EUR 34.5m as of March 31, 2015 (December 31, 2014: EUR -3.7m). The slight increase in the capital tied up is mainly due to the increase in trade and other receivables. The comparatively strong increase in this item from EUR 140.1m as of December 31, 2014 to EUR 169.8m as of March 31, 2015 is attributable to the growth in revenue and the higher share of orders on account.



SKIP TO P. 11

In the fiscal year, equity increased from EUR 1,126.7m to EUR 1,148.1m. The EUR 21.4m increase primarily stems from the net income for the period. In the reporting period, the equity ratio declined from 63.1% at the beginning of the year to 59.2% as of March 31, 2015.

Current **liabilities increased** by EUR 128.0m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose from EUR 492.1m by EUR 117.7m to EUR 609.8m in the reporting period. The growth is mainly the result of the delivery of incoming goods. Under reverse factoring agreements, supplier receivables due from Zalando totaling EUR 94.9m were transferred to a factor as of March 31, 2015 (prior year: EUR 90.5m). These are recognized in the statement of financial position under trade payables and similar liabilities.

OVERALL STATEMENT

Overall, development was very positive in the first quarter of 2015. **Revenue growth** was **extremely strong** and the EBIT margin also saw a significant improvement.

01.2.6 EMPLOYEES

Compared to 7,588 employees as of December 31, 2014, the headcount rose by 721 to 8,309 employees. The **significant growth** was primarily achieved by increasing the headcount in the fulfillment centers and the area of technology.



SKIP TO P. 12

01.3 SUBSEQUENT EVENTS

No significant events occurred subsequent to the reporting date which could materially affect the presentation of the results of operations, financial position and net assets of the group.

01.4 RISK AND OPPORTUNITY REPORT

There are no significant changes compared to the risk and opportunity report contained in the 2014 annual report. There are still no discernible risks that could jeopardize Zalando's ability to continue as a going concern.

01.5 OUTLOOK

01.5.1 FUTURE MACROECONOMIC AND INDUSTRY-SPECIFIC SITUATION



WWW.HDE.DE

Internet trade is expected to see much greater dynamic growth than the market as a whole both for the current year and the coming years. For example, the European retail industry is expected to achieve year-on-year growth of around 1% in 2015, while an increase of 13% is believed possible in online trade. The picture in Germany is similar. The overall forecast for retail is for growth of 2% in 2015; in comparison, internet trade is expected to increase by 17% in the same period.¹ The German Retail Federation (HDE) also predicts a **substantial increase in revenue for online trade** in 2015. The federation forecasts slightly weaker growth of 12% in comparison to the prior year, while retail as a whole is expected to grow by 2%.²

As a whole, the fashion industry in Europe and Germany is predicted to have another rather weak year in the current year 2015. Revenue at European level is expected to stagnate (up 0.1%), while fashion sales in Germany are actually expected to decline slightly (down 0.4%).³ However, with the **further development of e-commerce models** and the increasing openness of consumers for online shopping, Zalando also expects the online share in the fashion trade to continue to grow in 2015.

Thanks to the focus on the European market as well as infrastructure already installed and the brand awareness achieved, Zalando is convinced that it is well positioned to benefit from these favorable market conditions for online sales. The high emotional factor that both producers and customers associate with fashion brands also provides independent and purely e-commerce fashion retailers, like Zalando, with a considerable edge compared to non-specialized e-commerce retailers.

01.5.2 ADJUSTED GUIDANCE



END OF THE QUICK READER
INFORMATION

Both revenue and EBIT have developed above expectations in the first quarter of 2015, mainly due to a strong start into the spring/summer season. With this revenue growth Zalando significantly exceeds its target corridor of 20–25% growth rate in fiscal 2015. Against this background, management now forecasts revenue growth on the higher end of the target corridor. If the positive momentum continues in the course of the remaining fiscal year revenue growth can also be slightly above the target corridor.

Management expected EBIT margin in 2015 to be broadly around the level achieved in fiscal year 2014. EBIT of the first quarter of 2015 exceeded those expectations. Management expectation for the remaining fiscal year has not changed. Adjusting the 2015 full-year guidance for the over-performance in the first quarter leads to an EBIT margin guidance of around 3.9% (or an adjusted EBIT margin of around 4.5%).

1) Euromonitor International, retail segment including grocery retailers
2) German Retail Federation (HDE), annual press conference 2015
3) Euromonitor International

01.5.3 OVERALL STATEMENT BY THE MANAGEMENT BOARD OF ZALANDO SE

Overall, the net assets, financial position and result of operations show that at the time of preparing the report for the first three months of the fiscal year 2015, the group was still in sound economic condition.

Berlin, May 8, 2015

The Management Board

David Schneider

Robert Gentz

Rubin Ritter

02

1/4 2015

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OTHER FACTS

150,000

STYLES

ACTIVE IN

15

EUROPEAN MARKETS

ALMOST **90%**

BRAND AWARENESS IN ESTABLISHED MARKETS

>20

PAYMENT METHODS

02.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



FURTHER INFORMATION
RESULTS OF OPERATIONS OF
THE GROUP P. 6

IN EUR M	NOTES	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Revenue	(1.)	643.6	500.7
Cost of sales	(2.)	–353.5	–311.3
Gross profit		290.1	189.4
Selling and distribution costs		–236.8	–192.0
Administrative expenses		–29.1	–28.8
Other operating income		3.0	4.2
Other operating expenses		–2.0	–0.8
Earnings before interest and taxes (EBIT)		25.1	–27.9
Interest income		0.1	0.0
Interest expense		–1.2	–0.9
Other financial result		6.6	0.0
Financial result	(3.)	5.5	–0.8
Earnings before taxes (EBT)		30.6	–28.7
Income taxes		–6.3	–0.2
Net income/loss for the period		24.3	–28.9
Thereof net income/loss attributable to the shareholders of Zalando SE		24.3	–28.9
Net income/loss for the period as percentage of revenue		3.8%	–5.8%
Basic earnings per share (in EUR)	(4.)	0.10	–0.13
Diluted earnings per share (in EUR)	(4.)	0.10	–0.13

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Net income/loss for the period	24.3	–28.9
Items recycled to profit or loss in subsequent periods		
Effective portion of gains/losses from cash flow hedges, net of tax	–6.3	0.0
Exchange differences on translation of foreign financial statements	0.0	0.1
Other comprehensive income	–6.3	0.1
Total comprehensive income	18.0	–28.8
Thereof net income/loss attributable to the shareholders of Zalando SE	18.0	–28.8



FURTHER INFORMATION
NET ASSETS P. 10

02.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

IN EUR M	NOTES	MAR 31, 2015	DEC 31, 2014
Non-current assets			
Intangible assets		34.1	29.0
Property, plant and equipment		108.8	111.0
Financial assets	(5.)	32.3	49.4
Deferred tax assets		0.9	0.9
Non-financial assets		3.0	3.7
		179.1	194.0
Current assets			
Inventories		474.6	348.3
Prepayments		1.7	0.9
Trade and other receivables		169.8	140.1
Other financial assets	(5.)	107.0	13.6
Other non-financial assets		44.8	37.6
Cash and cash equivalents		960.9	1,051.0
		1,758.8	1,591.5
Total assets		1,937.9	1,785.5

EQUITY AND LIABILITIES

IN EUR M	NOTES	MAR 31, 2015	DEC 31, 2014
Equity			
Issued capital		245.6	244.8
Capital reserves		1,123.0	1,120.4
Retained earnings		-5.3	1.0
Accumulated loss		-215.2	-239.5
	(6.)	1,148.1	1,126.7
Non-current liabilities			
Provisions		5.8	5.8
Government grants		2.3	3.0
Financial liabilities		16.8	17.6
Other financial liabilities		2.0	0.6
Other non-financial liabilities		2.9	1.3
Deferred tax liabilities		4.1	2.6
		33.9	30.9
Current liabilities			
Provisions		0.2	0.5
Financial liabilities		3.2	3.2
Trade accounts payables and similar liabilities	(7.)	609.8	492.1
Prepayments received		12.0	6.7
Income tax liabilities		9.2	6.1
Other financial liabilities		63.2	61.9
Other non-financial liabilities		58.3	57.4
		755.9	627.9
Total equity and liabilities		1,937.9	1,785.5

02.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2015

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2015		244.8	1,120.4
Net income for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		0.0	0.0
Capital increase	(6.)	0.8	0.7
Reversal of claims to share-based payments		0.0	-2.0
Share-based payments		0.0	4.0
As of Mar 31, 2015		245.6	1,123.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014

IN EUR M	NOTES	ISSUED CAPITAL	CAPITAL RESERVES
As of Jan 1, 2014		0.1	833.3
Net loss for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		0.0	0.0
Share-based payments		0.0	5.1
As of Mar 31, 2014		0.1	838.4

RETAINED EARNINGS

CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
1.0	0.0	-239.5	1,126.7
0.0	0.0	24.3	24.3
-6.3	0.0	0.0	-6.3
-6.3	0.0	24.3	18.0
0.0	0.0	0.0	1.5
0.0	0.0	0.0	-2.0
0.0	0.0	0.0	4.0
-5.3	0.0	-215.2	1,148.1

RETAINED EARNINGS

CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
-0.1	-0.1	-286.6	546.5
0.0	0.0	-28.9	-28.9
0.0	0.1	0.0	0.1
0.0	0.1	-28.9	-28.8
0.0	0.0	0.0	5.1
-0.1	0.0	-315.5	522.8



FURTHER INFORMATION
FINANCIAL POSITION P.9

02.4 CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR M		NOTES	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
1.	Net income/loss for the period		24.3	–28.9
2. +	Non-cash expenses from share-based payments		4.0	5.1
3. –	Cash paid for settlement of claims from share-based payments		–2.0	0.0
4. +	Depreciation of property, plant and equipment and amortization of intangible assets		7,5	5.5
5. –	Increase in provisions		–0.4	0.0
6. –	Other non-cash income		–0.9	–0.7
7. –	Increase in inventories		–126.2	–59.4
8. –	Increase in trade and other receivables		–29.2	–13.0
9. +	Increase in trade accounts payables and similar liabilities	(7.)	117.5	57.0
10. –/+	Increase/decrease in other assets/liabilities		–6.4	12.9
11. =	Cash flow from operating activities		–11.8	–21.5
12. –	Cash paid for investments in property, plant and equipment		–1.4	–16.7
13. –	Cash paid for investments in intangible assets		–6.9	–4.0
14. –	Cash paid for investments in term deposits		–90.0	0.0
15. +	Decrease in restricted cash		15.8	1.8
16. =	Cash flow from investing activity		–82.6	–18.9
17. +	Cash received from capital increases by the shareholders less transaction costs	(6.)	1.5	0.0
18. +	Cash received from loans		0.0	1.9
19. –	Cash repayments of loans		–0.8	–0.8
20. =	Cash inflow from financing activities		0.7	1.1
21. =	Net change in cash and cash equivalents from cash relevant transactions		–93.7	–39.3
22. +	Increase in cash and cash equivalents from exchange rate differences		3.6	0.0
23. +	Cash and cash equivalents at the beginning of the fiscal year		1,051.0	417.2
24. =	Cash and cash equivalents as of Mar 31		960.9	377.9

Interest and income taxes paid and received included in cash flow from operating activities:

CASH-RELEVANT INTERESTS AND INCOME TAXES

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Interest paid	–1.4	–0.5
Interest received	0.1	0.0
Income taxes paid	0.0	–0.1
Total	–1.3	–0.6

The calculation below shows the calculation of the free cash flow based on the cash flow from operating activities.

FREE CASH FLOW

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Cash flow from operating activities	–11.8	–21.5
Cash paid for investments in property, plant and equipment	–1.4	–16.7
Cash paid for investments in intangible assets	–6.9	–4.0
Free cash flow	–20.2	–42.2

02.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

02.5.1 CORPORATE INFORMATION

Zalando SE is a **publicly listed stock corporation** with registered offices in Berlin, Germany. Zalando SE, Berlin, is the parent of the Zalando group (hereinafter referred to as “Zalando” or the “group”).

The condensed and unaudited interim consolidated financial statements as of March 31, 2015 of Zalando SE comply with the International Financial Reporting Standards (IFRSs) as adopted by the EU. These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting in conjunction with IAS 1 Presentation of Financial Statements. Moreover, the terms of the WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] were also complied with. The interim condensed consolidated financial statements do not include all of the information and disclosures required for consolidated financial statements as of year-end and must therefore be read in conjunction with the consolidated financial statements for the year ending December 31, 2014.

The **accounting policies** applied for the consolidated financial statements as of December 31, 2014 remained largely unchanged. The first-time adoption of new accounting standards in the 2015 fiscal year did not have a material impact on the quarterly financial statements, as was explained in the 2014 annual report.

The condensed interim consolidated financial statements are presented in euros.

02.5.2 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1.) REVENUE

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Revenue from the sale of merchandise	639.0	495.7
Revenue from other services	4.6	5.0
Total	643.6	500.7

Zalando was able to significantly increase revenue in all group segments. In comparison to the prior-year period, revenue increased by 28.5%. The increase in revenue is primarily attributable to the considerably larger customer base, an increase in orders as well as a larger average basket size per order.

(2.) COST OF SALES

IN EUR M	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Non-personnel costs	340.7	301.1
Personnel costs	12.8	10.2
Total	353.5	311.3

Cost of sales mainly consists of cost of materials, personnel expenses, write-downs on inventories, third-party services and infrastructure costs. Cost of sales was up 13.6% on the prior-year period.

Cost of materials in the group totals EUR 321.6m (prior-year period: EUR 273.1m).

Zalando generated a gross profit of EUR 290.1m in the first quarter of 2015 (prior-year period: EUR 189.4m). The **gross margin improved significantly** by 7.3 percentage points from 37.8% in the first quarter of 2014 to 45.1%.

(3.) FINANCIAL RESULT

The positive financial result primarily stems from the remeasurement of foreign currency receivables in Swiss francs, which had to be written up as a result of unpegging the exchange rate on January 15, 2015.

(4.) EARNING PER SHARE

The basic earnings per share are calculated by dividing the total result after taxes for the period by the weighted average number of shares.

BASIC EARNINGS PER SHARE (EPS)

	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Net income/loss for the period (in EUR m)	24.3	–28.9
Basic weighted average number of shares (millions)	245	220
Total (in EUR)	0.10	–0.13

The average number of shares used in the denominator was corrected retroactively in accordance with IAS 33. The basic earnings per share developed in line with the improvement in the net income/loss for the period from EUR –0.13 to EUR 0.10.

DILUTED EARNINGS PER SHARE (EPS)

	JAN 1–MAR 31, 2015	JAN 1–MAR 31, 2014
Net income/loss for the period (in EUR m)	24.3	–28.9
Weighted average number of diluted shares (in millions)	252	220
Total (in EUR)	0.10	–0.13

The diluted earnings per share are calculated by dividing the total result after taxes for the period by the weighted average number of diluted shares.

Additional employee options and agreements that could be settled in ordinary shares or cash were taken into account when calculating the diluted earnings per share. However, certain share-based payments with a corresponding increase in equity that at the balance sheet date still had not included a condition for success are not factored in when calculating the diluted earnings per share. Thus, the stock options granted under SOP 2014 were not taken into account when calculating the diluted earnings.

The diluted earnings per share for the first quarter 2014 correspond to the basic earnings per share, because within the meaning of IAS 33 potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would increase loss per share for the period.

02.5.3 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(5.) NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

Non-current financial assets mainly comprise restricted cash of EUR 30.2m (prior year: EUR 48.3m).

Current financial assets primarily relate to financial assets with a remaining term of between three and twelve months of EUR 90.0m (prior year: EUR 0.0m).

(6.) EQUITY

The issued capital of the parent company was increased from the authorized capital by a total of EUR 0.8m to EUR 245.6m in March 2015. It has been paid in full.

Authorized and conditional capital comprise the following components as of the reporting date:

AUTHORIZED AND CONDITIONAL CAPITAL			
	IN EUR M	NUMBER OF NO-PAR VALUE SHARES	PURPOSE
Authorized capital 2013	4.5	4,516,050	Servicing of subscription rights from COPs and SOP 2011 until October 28, 2018*
Authorized capital 2014	47.3	47,264,457	Cash or non-cash capital increase until July 10, 2019
Conditional capital 2013	9.8	9,817,500	Servicing of subscription rights from SOP 2013*
Conditional capital 2014	6.7	6,732,000	Servicing of subscription rights from SOP 2014*

* The explanation of the individual programs can be found in the consolidated financial statements as of December 31, 2014 (05.5.8 (19.)).

The use of authorized capital 2013 and authorized capital 2014 requires the approval of the Supervisory Board. The increase in the issued capital was approved by the Supervisory Board on February 26 and March 10, 2015 and entered in the commercial register on March 9 and March 13, 2015, respectively.

The change in **other comprehensive income** compared to December 31, 2014 is mainly attributable to the unpegging of the CHF/EUR exchange rate and the resulting negative market values of forward exchange contracts which were concluded in the 2014 fiscal year to hedge future revenue in Swiss francs.

The development of equity is shown in the detail in the consolidated statement of changes in equity.

(7.) TRADE ACCOUNTS PAYABLES AND SIMILAR LIABILITIES

Trade accounts payables and similar liabilities rose by EUR 117.7m to EUR 609.8m. There are no significant liabilities denominated in foreign currency as of the reporting date. Trade accounts payables and similar liabilities also contain the obligations from reverse factoring agreements of EUR 94.9m (prior year: EUR 90.5m).

(8.) NOTES TO THE STATEMENT OF CASH FLOWS

Zalando generated a negative cash flow from operating activities of EUR –11.8m in the first quarter of 2015 (prior-year period: EUR –21.5m). The **improvement in the cash flow from operating activities** is mainly attributable to the positive development of the net income/loss for the period from EUR –28.9m in the prior-year period by EUR 53.2m to EUR 24.3m.

In total, cash and cash equivalents have declined by EUR 90.1m since the beginning of the year, resulting in cash and cash equivalents of EUR 960.9m as of March 31, 2015. The decrease in free available cash and cash equivalents is largely the result of the investment of funds in term deposits. The group was able to meet all its payment obligations at all times.

The free available cash and cash equivalents comprise cash on hand and bank balances as well as short-term bank deposits with terms of less than three months and money market fund shares.

02.5.4 OTHER NOTES

INFORMATION ABOUT RELATED PARTIES

Zalando procures merchandise from a related party. On account of this supply arrangement, Zalando recognized **liabilities** of EUR 31.0m as of the quarterly reporting date as of Dec 31, 2014: EUR 32.0m. The related party mainly transferred supplier receivables due from Zalando to a factor. Notwithstanding this, the company does not have any material trade payables or similar liabilities to related parties as of the quarterly reporting date. Merchandise of EUR 21.9m was ordered from related parties in the reporting period. In the comparative reporting period, the company had ordered merchandise of EUR 22.0m from related parties as defined by IAS 24. The cost of services received came to EUR 0.2m in the quarter (comparative period: EUR 0.3m). The transactions generally do not differ from the trade relationships with third parties.

SEGMENT REPORTING

The Management Board **measures the performance of the segments** on the basis of the EBIT calculated in accordance with IFRSs. EBIT for segment reporting purposes is defined as earnings before interest and taxes. There are no intersegment transactions in the internal reporting structure. No information on segment assets or liabilities is available or relevant for decision-making.

The segment reporting shows the **positive development of revenue and earnings** in all reporting segments of the Zalando group:

SEGMENT REPORTING JAN 1–MAR 31, 2015

IN EUR M	DACH	REST OF EUROPE	OTHER	JAN 1–MAR 31, 2015
Revenue	347.1	265.0	31.5	643.6
Earnings before interest and taxes (EBIT)	30.2	–6.3	1.2	25.1

SEGMENT REPORTING JAN 1–MAR 31, 2014

IN EUR M	DACH	REST OF EUROPE	OTHER	JAN 1–MAR 31, 2014
Revenue	283.9	193.2	23.5	500.7
Earnings before interest and taxes (EBIT)	–3.1	–23.5	–1.3	–27.9

The group's financial result is not allocated to the segments.

SUBSEQUENT EVENTS

No significant events occurred after the reporting date which could materially affect the presentation of the net assets, financial position and results of operations of the group.

Berlin, May 8, 2015

The Management Board

David Schneider

Robert Gentz

Rubin Ritter

02.6 REVIEW REPORT

To Zalando SE

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the condensed statement of changes in equity and selected explanatory notes, and the interim group management report of Zalando SE, Berlin, for the period from January 1, 2015 to March 31, 2015, which are part of the quarterly financial report pursuant to Sec. 37x (3) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Berlin, May 8, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig
Wirtschaftsprüfer
[German Public Auditor]

Dr. Röders
Wirtschaftsprüfer
[German Public Auditor]

03.1 GLOSSARY

Active customers

We define active customers as the number of customers who have placed at least one order in the last 12 months during the reporting period, irrespective of cancelations or returns.

Adjusted EBIT

We define adjusted EBIT as EBIT before equity-settled share-based payment expense.

Adjusted EBITDA

We define adjusted EBITDA as EBITDA before equity-settled share-based payment expense.

Adjusted fulfillment cost ratio

We define the adjusted fulfillment cost ratio as fulfillment costs before equity-settled share-based payment expense, divided by the revenue during the reporting period. Fulfillment costs include expenditures for shipment processing, content creation, customer service and payment processing, as well as allocated overhead costs and write-downs on trade receivables. Fulfillment costs thus include all sales costs with the exception of marketing costs.

Adjusted marketing cost ratio

We define the adjusted marketing cost ratio as marketing costs before equity-settled share-based expense, divided by the revenue during the reporting period. Marketing costs consist of expenses for advertising, including search engine marketing and advertising on television, online and other marketing channels, as well as allocated overhead costs.

Average basket size

We define the average basket size as the gross merchandise volume (including the gross merchandise volume from our partner program) after cancelations and returns, divided by the number of orders delivered during the reporting period. The gross merchandise volume is defined as the total amount spent by our customers (including VAT) less cancelations and returns during the reporting period.

Apps

Applications that were developed to optimize internet use for a specific task with a mobile phone or smartphone.

Average orders per active customer

We define the average orders per active customer as the number of orders in the last 12 months of the reporting period, divided by the number of active customers.

CAGR

CAGR stands for "Compound Annual Growth Rate" and refers to the year-on-year growth rate over a specific period of time. The compounded annual growth rate is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the reporting period.

Content creation

We define content creation as the production of photos and text for the sale of products on our websites.

Customer service

We define customer services as the service we offer our customers via our hotline.

EBIT

EBIT is short for “earnings before interest and taxes”.

EBITDA

EBITDA stands for EBIT before depreciation and amortization of property, plant and equipment and intangible assets.

EBIT margin

The EBIT margin is defined as EBIT as a percentage of revenue.

Free cash flow

Cash flow from operating activities plus cash flow from investment activities.

Mobile visit share (as % of site visits)

We define the mobile visit share (as % of site visits) as the number of page views via m.sites, t.sites or apps divided by the total number of page views during the period in question.

m.sites

Websites designed to be accessed via mobile phones or smartphones that offer users internet access.

Net working capital

Net working capital is calculated as sum of inventories and trade receivables less trade accounts payables and similar liabilities.

Number of orders

We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancelations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.

Site visits

We define site visits as the number of series of page views from the same device and the same source (via websites, m.sites, t.sites or apps) during the period in question. The series is considered ended when a page view is not recorded for longer than 30 minutes.

t.sites

Websites designed to be accessed via tablets, such as the Apple iPad or the Samsung Galaxy tablet.

03.2 FINANCIAL CALENDAR 2015

DATE	EVENT
Tuesday, June 2	Annual general meeting 2015
Thursday, August 13	Publication of the Second Quarter Results 2015
Thursday, November 12	Publication of the Third Quarter Results 2015

03.3 IMPRINT

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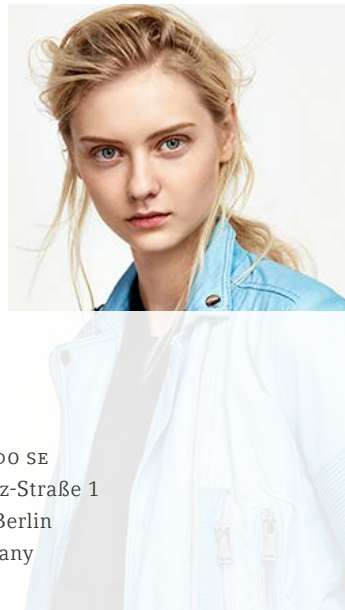
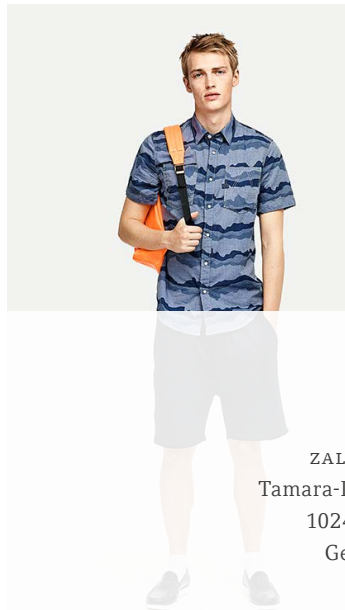
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PICTURE CREDITS

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Statement relating to the future

This interim report contains statements that relate to the future and are based on assumptions and estimates made by the management of ZALANDO SE. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. ZALANDO SE makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this interim report. It is neither the intention of ZALANDO SE nor does ZALANDO SE accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published. The interim report is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at <https://corporate.zalando.de/de/ir>.



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