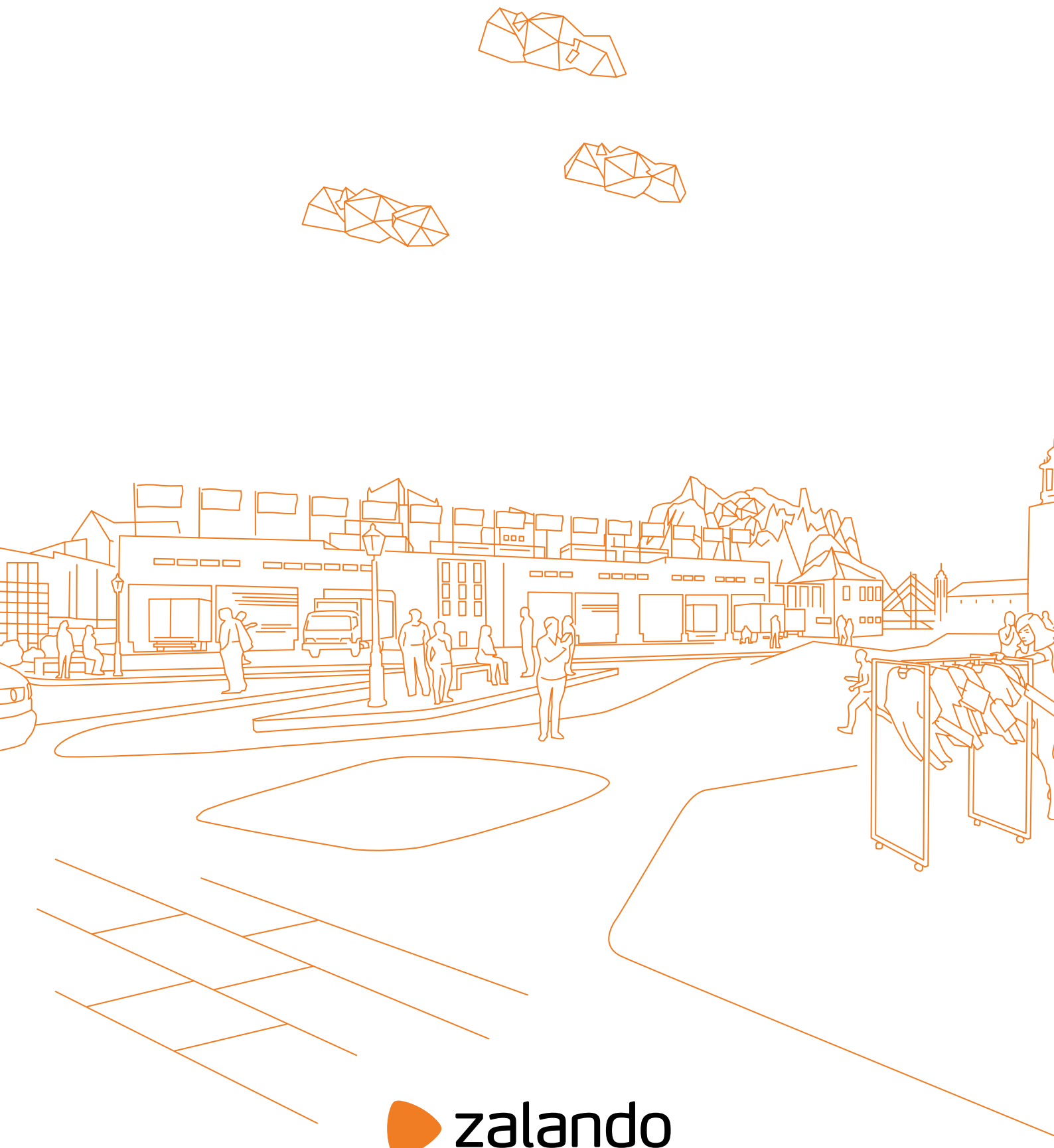


QUARTERLY STATEMENT Q1 2017



ZALANDO AT A GLANCE

KEY FIGURES

	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016	Change
Group key performance indicators			
Site visits (in millions)	617.6	479.5	28.8%
Mobile visit share (in %)	68.8	62.3	6.6pp
Active customers (in millions)	20.4	18.4	11.0%
Number of orders (in millions)	19.9	15.6	27.3%
Average orders per active customer	3.6	3.2	12.4%
Average basket size (in EUR)	63.0	66.5	-5.3%
Marketing cost ratio (in % of revenue)	9.5	10.6	-1.1pp
Adjusted marketing cost ratio (in % of revenue)	9.4	10.5	-1.1pp
Fulfillment cost ratio (in % of revenue)	25.1	24.2	0.9pp
Adjusted fulfillment cost ratio (in % of revenue)	24.9	24.1	0.8pp
Results of operations			
Revenue (in EUR m)	980.2	796.1	23.1%
EBIT (in EUR m)	14.9	16.4	-9.4%
EBIT (in % of revenue)	1.5	2.1	-0.5pp
Adjusted EBIT (in EUR m)	20.3	20.2	0.2%
Adjusted EBIT (in % of revenue)	2.1	2.5	-0.5pp
EBITDA (in EUR m)	27.5	25.5	7.5%
EBITDA (in % of revenue)	2.8	3.2	-0.4pp
Adjusted EBITDA (in EUR m)	32.8	29.3	12.0%
Adjusted EBITDA (in % of revenue)	3.4	3.7	-0.3pp
Financial position			
Net working capital (in EUR m)	-97.7	-127.6*	-23.4%
Equity ratio (in % of balance sheet total)	52.7	55.5*	-2.8 pp
Cash flow from operating activities (in EUR m)	-16.7	-9.2	-81.3%
Cash flow from investing activities (in EUR m)	-7.4	-24.6	69.9%
Cash and cash equivalents (in EUR m)	949.9	941.2	0.9%
Other			
Employees (as of the reporting date)	12,583	11,998*	4.9%
Basic earnings per share (in EUR)	0.02	0.02	0.0%
Diluted earnings per share (in EUR)	0.02	0.02	0.0%

pp = percentage points

*) As of Dec 31, 2016

For an explanation of the performance indicators please refer to the Glossary to the annual report 2016 (section 04.1).
Rounding differences may arise in the percentages and numbers shown in this quarterly statement.

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01.1 FINANCIAL PERFORMANCE OF THE GROUP

- Zalando successfully closes first quarter of 2017
- All segments contribute to the 23.1% growth in revenue to EUR 980.2m
- Adjusted EBIT at EUR 20.3m, adjusted EBIT margin at 2.1%
- Continued high strategic investments to cement partnerships with customers and suppliers and in infrastructure
- Full-year guidance confirmed: Revenue growth at 20% – 25%, adjusted EBIT margin between 5.0% and 6.0%

01.1 FINANCIAL PERFORMANCE OF THE GROUP

In the reporting period, the condensed consolidated income statement for the first quarter of 2017 shows strong growth in revenue compared to the corresponding prior-year period. The operating performance of our group developed strongly, while we continued to push forward our investments in consumer experience, brand partner proposition, technology and operations infrastructure.

CONSOLIDATED INCOME STATEMENT

IN EUR M	JAN 1 – MAR 31, 2017	As % of revenue	JAN 1 – MAR 31, 2016	As % of revenue	Change
Revenue	980.2	100.0%	796.1	100.0%	0.0pp
Cost of sales	-574.8	-58.6%	-462.7	-58.1%	-0.5pp
Gross profit	405.4	41.4%	333.4	41.9%	-0.5pp
Selling and distribution costs	-339.2	-34.6%	-277.2	-34.8%	0.2pp
Administrative expenses	-52.8	-5.4%	-40.6	-5.1%	-0.3pp
Other operating income	2.7	0.3%	1.5	0.2%	0.1pp
Other operating expenses	-1.1	-0.1%	-0.7	-0.1%	0.0pp
Earnings before interest and taxes (EBIT)	14.9	1.5%	16.4	2.1%	-0.5pp

DEVELOPMENT OF REVENUE

In Q1 2017 Zalando increased its revenue by EUR 184.0m compared to the prior-year period to EUR 980.2m. This corresponds to year-on-year revenue growth of 23.1%. The increase in revenue can be primarily attributed to a higher number of active customers as well as an increase in average orders per active customer. The group had 20.4 million active customers compared to 18.4 million active customers as of March 31, 2016, up 11% on the prior-year period. The higher customer base ordered more often compared to the corresponding prior-year period with the average number of orders per active customer rising by 12.4%, reflecting a more loyal shopping behavior triggered also by an increasing use of mobile devices. The strong growth rate was also supported by prominent marketing campaigns such as the “Man Box” campaign with US actor James Franco and the “Remix Fashion” campaign with US rapper A\$AP Rocky.

01.1 FINANCIAL PERFORMANCE OF THE GROUP

DEVELOPMENT OF EBIT

The group recorded an EBIT of EUR 14.9m in the first quarter of 2017 (prior-year period: EUR 16.4m). The small decrease in the EBIT margin of 0.5 percentage points to 1.5% (Q1 2016: 2.1%) was mainly driven by the slight decrease in gross margin of 0.5 percentage points, and the fulfillment cost ratio which increased by 0.9 percentage points, partially offset by an improved marketing cost ratio by 1.1 percentage points.

Cost of sales increased by EUR 112.1m to EUR 574.8m, with the gross margin being overall in line with the prior-year period, increasing slightly by 0.5 percentage points. The group discount rate was slightly higher compared to the prior-year period, which was partially compensated through economies of scale from successful negotiations with brand partners.

Compared to the first quarter of 2016, fulfillment costs as a percentage of revenue rose by 0.9 percentage points mainly due to higher logistic costs, as Zalando pushed forward its strategic investment into its infrastructure, customer and brand proposition. Examples include the ramp-up of new fulfillment centers in southern Germany, in France and Italy, and investments in convenience such as same day delivery to enhance our customer experience.

The marketing cost ratio improved by 1.1 percentage points compared to the prior-year period. We continued to drive forward marketing efficiency gains, in particular within performance marketing.

Administration cost increased from EUR 40.6m to EUR 52.8m (an increase of 0.3 percentage points as a percentage of revenue). The increase results mainly from higher personnel and office expenses in connection with our investments.

In order to assess the operating performance of the business, Zalando's management also considers adjusted EBIT and the adjusted EBIT margin before expenses for equity-settled share-based payments and non-operating one-time effects. In the first quarter of 2017, Zalando generated an adjusted EBIT of EUR 20.3m (prior year: EUR 20.2m), or an adjusted EBIT margin of 2.1%.

EBIT includes the following expenses from equity-settled share-based payments. More information can be found in the notes to the annual financial statements 2016 (Section 03.5.7 (20.)).

SHARE-BASED COMPENSATION EXPENSES PER FUNCTIONAL AREA

IN EUR M	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016	Change
Expenses for equity-settled share-based payments	5.4	3.8	1.6
Cost of sales	1.3	0.9	0.4
Selling and distribution costs	2.7	1.9	0.8
thereof marketing costs	1.3	0.9	0.4
thereof fulfillment costs	1.3	0.9	0.4
Administrative expenses	1.3	0.9	0.4

EBIT neither contains any other non-operating one-time effects in the first quarter of 2017 nor in the prior-year period.

01.2 RESULTS BY SEGMENT

The condensed segment results for Q1 2017 show a strong improvement in revenue across all segments. EBIT increased in the Other segment, while the DACH and Rest of Europe segments showed a slight decrease in EBIT compared to the prior-year period.

CONSOLIDATED SEGMENT RESULTS

IN EUR M	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016	Change
Revenue			
DACH	475.0	405.8	69.2
Rest of Europe	428.3	334.5	93.8
Other	76.9	55.8	21.1
Earnings before interest and taxes (EBIT)			
DACH	32.8	37.4	-4.5
Rest of Europe	-21.4	-18.5	-2.9
Other	3.4	-2.4	5.9
Other segment financial information			
Adjusted EBIT DACH	35.5	39.3	-3.8
Adjusted EBIT Rest of Europe	-19.1	-17.0	-2.1
Adjusted EBIT Other	3.9	-2.1	6.0

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

SHARE-BASED COMPENSATION EXPENSES PER SEGMENT

IN EUR M	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016	Change
Equity-settled share-based compensation expenses	5.4	3.8	1.6
DACH	2.6	1.9	0.7
Rest of Europe	2.3	1.5	0.8
Other	0.5	0.4	0.1

The positive development of revenue continued across all segments. Compared to the prior-year period, revenue grew by 17.0% in the DACH segment, by 28.0% in the Rest of Europe segment and by 37.8% in the Other segment. The DACH segment continued to generate the highest level of revenue, the Rest of Europe segment shows the highest increase of revenue in absolute terms.

The DACH segment showed solid profitability in Q1 2017 with an EBIT margin of 6.9%. Year on year, the EBIT margin decreased by 2.3 percentage points mainly due to higher investments in infrastructure, consumer and brand experience in comparison to the prior-year period.

The EBIT margin of the Rest of Europe segment improved by 0.5 percentage points from -5.5% to -5.0% mainly due to efficiency gains in marketing costs. Furthermore, the Other segment recorded an improvement of 8.8 percentage points, resulting in an EBIT margin of 4.4% in Q1 2017. The positive development mainly resulted from Zalando Lounge, which saw a strong margin uplift due to profitable sourcing deals.

In order to assess the operating performance of the segments, Zalando's management also considers adjusted EBIT and the adjusted EBIT margin before expenses for equity-settled share-based payments and other non-operating one-time effects. The DACH segment generated an adjusted EBIT margin of 7.5% in Q1 2017. Compared to the prior-year period, the adjusted EBIT margin decreased by 2.2 percentage points. The Rest of Europe segment recorded an increase of 0.6 percentage points in the adjusted EBIT margin compared to the prior year from -5.1% to -4.5%. The Other segment also showed a positive development, generating an adjusted EBIT margin of 5.1% in Q1 2017. In comparison to the prior-year period, the adjusted EBIT margin improved by 8.8 percentage points.

01.3 FINANCIAL POSITION

The liquidity 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, 2017	JAN 1 – MAR 31, 2016
Cash flow from operating activities	-16.7	-9.2
Cash flow from investing activities	-7.4	-24.6
Cash flow from financing activities	-0.8	-0.8
Change in cash and cash equivalents	-25.0	-34.7
Exchange rate-related and other changes in cash and cash equivalents	2.2	-0.4
Cash and cash equivalents at the beginning of the period	972.6	976.2
Cash and cash equivalents as of March 31	949.9	941.2

In the first quarter of 2017, Zalando generated a negative cash flow from operating activities of EUR –16.7m (prior year: EUR –9.2m). This was largely due to a seasonal increase in net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, amounting to EUR –97.7m as of March 31, 2017 (December 31, 2016: EUR –127.6m).

Cash outflow from investing activities mainly results from investments in the logistics infrastructure relating primarily to the fulfillment centers in Szczecin and Lahr, as well as capital expenditures on internally developed software. Cash flow from investing activities further consists of cash invested in term deposits with an original term of more than three months and is therefore presented in the cash flow from investing activities. In Q1 2017 term deposits of EUR 70m were converted to cash, and thus amounted to EUR 150m as of March 31, 2017 (December 31, 2016: EUR 220m).

Overall, cash and cash equivalents thus decreased by EUR 22.8m during the first quarter of the reporting period, resulting in Zalando carrying cash and cash equivalents of EUR 949.9m as of March 31, 2017.

Compared to the prior-year period, free cash flow decreased by EUR 60.7m from EUR –33.8m to EUR –94.6m, mainly driven by the aforementioned investing activity, which increased by EUR 53.2m and by the EUR 12.0m stronger increase in net working capital compared to the prior-year period.

01.4 NET ASSETS

The group's net assets are shown in the following condensed statement of financial position.

ASSETS

IN EUR M	MAR 31, 2017		DEC 31, 2016		Change	
Non-current assets	456.6	17.0%	392.6	15.5%	64.0	16.3%
Current assets	2,230.5	83.0%	2,145.6	84.5%	84.9	4.0%
Total assets	2,687.0	100.0%	2,538.2	100.0%	148.9	5.9%

EQUITY AND LIABILITIES

IN EUR M	MAR 31, 2017		DEC 31, 2016		Change	
Equity	1,415.1	52.7%	1,407.5	55.5%	7.6	0.5%
Non-current liabilities	29.5	1.1%	32.5	1.3%	–3.1	–9.5%
Current liabilities	1,242.5	46.2%	1,098.2	43.3%	144.3	13.1%
Total equity and liabilities	2,687.0	100.0%	2,538.2	100.0%	148.9	5.9%

In the first quarter of 2017, total assets increased by 5.9%. The balance sheet is dominated by working capital, cash and cash equivalents as well as equity.

In 2017 to date, investments in intangible assets amounted to EUR 15.4m (prior year: EUR 12.9m) while investments in property, plant and equipment significantly increased to EUR 63.4m (prior year: EUR 12.7m).

Inventories mainly comprise goods required for Zalando's wholesale business. The 24.6% increase in inventories to EUR 718.7m resulted from the increased business volume and from the delivery peak with respect to the spring/summer collection.

Trade and other receivables slightly increased by 7.1% to EUR 231.4m, which is primarily attributable to the higher volume in business at the end of the quarter.

Equity rose from EUR 1,407.5m to EUR 1,415.1m in first three months of the fiscal year. The EUR 7.6m increase primarily stems from the net income for the period. In the reporting period, the equity ratio fell from 55.5% at the beginning of the year to 52.7% as of March 31, 2017 due to the rise in total assets.

Current liabilities increased by EUR 144.3m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose by EUR 127.4m, climbing from EUR 920.5m to EUR 1,047.9m in the reporting period. The increase is largely due to recent deliveries of the spring/summer collection. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 312.3m as of March 31, 2017 were transferred to various factoring providers (December 31, 2016: EUR 282.3m). These items were recognized in the statement of financial position under trade payables and similar liabilities.

01.5 OUTLOOK

There are no changes compared to the guidance for 2017 contained in the 2016 annual report. Zalando confirms its full year guidance of revenue growth in the 20% to 25% growth corridor and an adjusted EBIT margin of 5.0% to 6.0%.

Berlin, May 9, 2017

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

02.1 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

IN EUR M	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016
Revenue	980.2	796.1
Cost of sales	-574.8	-462.7
Gross profit	405.4	333.4
Selling and distribution costs	-339.2	-277.2
Administrative expenses	-52.8	-40.6
Other operating income	2.7	1.5
Other operating expenses	-1.1	-0.7
Earnings before interest and taxes (EBIT)	14.9	16.4
Interest and similar income	0.7	0.2
Interest and similar expenses	-3.3	-5.3
Result of investments accounted for using the equity method	-1.7	-0.6
Other financial result	0.7	-0.5
Financial result	-3.6	-6.2
Earnings before taxes (EBT)	11.3	10.3
Income taxes	-6.2	-5.7
Net income for the period	5.1	4.6

02.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

IN EUR M	MAR 31, 2017	DEC 31, 2016
Non-current assets		
Intangible assets	109.8	100.9
Property, plant and equipment	300.3	243.0
Financial assets	30.7	29.2
Deferred tax assets	0.0	1.6
Non-financial assets	2.7	3.0
Investments accounted for using the equity method	13.1	14.8
	456.6	392.6
Current assets		
Inventories	718.7	576.9
Prepayments	0.4	1.1
Trade and other receivables	231.4	216.0
Other financial assets	176.8	245.8
Other non-financial assets	153.3	133.1
Cash and cash equivalents	949.9	972.6
	2,230.5	2,145.6
Total assets	2,687.0	2,538.2

02.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN EUR M	MAR 31, 2017	DEC 31, 2016
Equity		
Issued capital	247.2	247.2
Capital reserves	1,166.4	1,161.0
Other reserves	-5.3	-3.3
Accumulated loss	6.8	2.5
	1,415.1	1,407.5
Non-current liabilities		
Provisions	12.7	12.6
Government grants	0.2	0.0
Borrowings	10.5	11.2
Other financial liabilities	1.1	2.3
Other non-financial liabilities	1.8	3.3
Deferred tax liabilities	3.1	3.1
	29.5	32.5
Current liabilities		
Provisions	1.6	1.7
Borrowings	3.1	3.2
Trade payables and similar liabilities	1,047.9	920.5
Prepayments received	15.2	8.1
Income tax liabilities	9.0	8.9
Other financial liabilities	74.8	69.0
Other non-financial liabilities	91.0	86.7
	1,242.5	1,098.2
Total equity and liabilities	2,687.0	2,538.2

02.3 CONSOLIDATED STATEMENT OF CASH FLOWS

02.3 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR M	JAN 1 – MAR 31, 2017	JAN 1 – MAR 31, 2016
1. Net income for the period	5.1	4.6
2. + Non-cash expenses from share-based payments	5.4	3.8
3. – Cash paid for settlement of claims from share-based payments	0.0	0.0
4. + Depreciation of property, plant and equipment and amortization of intangible assets	12.6	9.1
5. + Income taxes	6.2	5.7
6. – Income taxes paid, less refunds	–3.9	–20.1
7. +/- Increase/decrease in provisions	–0.1	3.6
8. – Other non-cash income/expenses	0.7	0.0
9. – Increase in inventories	–141.8	–96.9
10. – Increase in trade and other receivables	–15.4	–11.4
11. + Increase in trade payables and similar liabilities	126.5	89.6
12. +/- Increase/decrease in other assets/liabilities	–11.9	2.8
13. = Cash flow from operating activities	–16.7	–9.2
14. – Cash paid for investments in property, plant and equipment	–62.5	–10.9
15. – Cash paid for investments in intangible assets	–15.3	–12.8
16. – Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	0.0	–0.9
17. – Cash paid for investments in term deposits	70.0	0.0
18. + Change in restricted cash	0.4	0.0
19. = Cash flow from investing activities	–7.4	–24.6
20. + Cash received from capital increases by the shareholders less transaction costs	0.0	0.0
21. – Cash repayments of loans	–0.8	–0.8
22. = Cash flow from financing activities	–0.8	–0.8
23. = Net change in cash and cash equivalents from cash relevant transactions	–25.0	–34.7
24. +/- Change in cash and cash equivalents due to exchange rate movements	2.2	–0.4
25. + Cash and cash equivalents at the beginning of the period	972.6	976.2
26. = Cash and cash equivalents as of March 31	949.9	941.2
Free cash flow	–94.6	–33.8

03.1 FINANCIAL CALENDAR 2017

FINANCIAL CALENDAR

Date	Event
Wednesday, May 31	Annual general meeting 2017
Monday, June 19/Tuesday, June 20	Capital Markets Day 2017
Thursday, August 10	Publication of the second quarter results 2017
Tuesday, November 7	Publication of the third quarter results 2017

03.2 IMPRINT

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CONCEPT AND LAYOUT

With the collaboration of MPM Corporate Communication Solutions, Mainz

Statement relating to the future

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

The quarterly statement is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at <https://corporate.zalando.com/en/ir>.

