



HALF-YEAR REPORT

JANUARY — JUNE 2015



HY 2015 ZALANDO AT A GLANCE

KEY FIGURES

	APR 1–JUN 30, 2015	APR 1–JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Group key performance indicators				
Site visits (in millions)	411.8	322.7	804.6	654.6
Mobile visit share (in %)	56.6	40.7	54.7	38.4
Active customers (in millions)	16.4	13.7	16.4	13.7
Number of orders (in millions)	14.0	10.4	26.0	20.1
Average orders per active customer	2.9	2.8	2.9	2.8
Average basket size (in EUR)	67.4	65.7	67.7	64.8
Adjusted marketing cost ratio (in % of revenue)	12.0	13.3	11.9	13.6
Adjusted fulfillment cost ratio (in % of revenue)	28.3	22.9	26.6	23.4
Results of operations				
Revenue (in millions)	733.0	546.4	1,376.6	1,047.1
EBIT (in millions)	25.7	31.5	50.8	3.6
EBIT (in % of revenue)	3.5	5.8	3.7	0.3
Adjusted EBIT (in millions)	30.2	35.1	59.2	12.4
Adjusted EBIT (in % of revenue)	4.1	6.4	4.3	1.2
Financial position				
Net working capital (in millions)	30.7	60.9	30.7	60.9
Equity ratio (in % of total liabilities)	60.8	53.9	60.8	53.9
Cash flow from operating activities (in millions)	35.0	23.6	23.3	2.1
Cash flow from investing activities (in millions)	–25.4	–13.4	–108.0	–32.2
Cash and cash equivalents (in millions)	973.5	387.3	973.5	387.3
Other				
Employees (as of the reporting date)	9,079	7,588*	9,079	7,588*
Basic earnings per share (in EUR)	0.09	0.13	0.19	0.00

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

OTHER FACTS

31.5%

SALES GROWTH COMPARED TO HY 2014

50.8_M

EBIT

16.4_M

ACTIVE CUSTOMERS

54.7%

OF SITE VISITS VIA MOBILE DEVICES IN HY 2015

CONNECTING PEOPLE AND FASHION

CONTENT

01 SPOTLIGHT P.4

02 THE ZALANDO SHARE P.8

03 INTERIM GROUP MANAGEMENT REPORT

→ 03.1	BASIC INFORMATION ON THE GROUP	P.13
→ 03.2	REPORT ON ECONOMIC POSITION	P.13
→ 03.3	SUBSEQUENT EVENTS	P.23
→ 03.4	RISK AND OPPORTUNITY REPORT	P.23
→ 03.5	OUTLOOK	P.24

04 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

→ 04.1	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	P.27
→ 04.2	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	P.28
→ 04.3	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	P.30
→ 04.4	CONSOLIDATED STATEMENT OF CASH FLOWS	P.32
→ 04.5	CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	P.34
→ 04.6	REVIEW REPORT	P.41

05 SERVICE (FINANCIAL CALENDAR 2015)

→ 05.1	GLOSSARY	P.43
→ 05.2	IMPRINT	P.45

EASY NAVIGATION MENU



01

HY 2015

SPOTLIGHT – ZALON BY ZALANDO

OUR CUSTOMERS LOVE FASHION AND BEING INSPIRED
BY NEW TRENDS AND STYLES.

So do we – which is why in the last quarter we developed our own [curated shopping](#) format: Zalon by Zalando. We now offer our customers personalized advice from fashion experts. It was the logical next step for us, allowing us to grow our fashion story and to respond to the high level of demand from our customers for such a platform.





FASHION EXPERTS

OVER 100 STYLISTS NOW WORK FOR ZALON AND THEIR INDIVIDUAL CONSULTATIONS DRAW ON ZALANDO'S OFFERING OF MORE THAN 1,500 DIFFERENT BRANDS.

Zalon customers will still benefit from the Zalando service they are accustomed to – free delivery and 100 days to return an article. In order to use the free consulting service, customers need to register for the platform and answer a few questions about their measurements, their personal style and preferences. Customers then select a stylist who can ask the client additional questions during a phone call. Based on the information given, the stylist then puts together the perfect outfit, in line with the customer's needs and wishes. The Zalon box with the final outfit arrives after only a few days.



PERSONALIZED ADVICE

TRUE TO OUR VISION OF **CONNECTING PEOPLE AND FASHION**, WE ARE CONSTANTLY WORKING TO MAKE SHOPPING ON THE ZALANDO WEBSITE MORE PERSONALIZED.

We believe that curated shopping is more than just a service and we want to connect with our customers on an emotional level. Zalando customers want to be inspired and to feel like they are in good hands. With this in mind, each stylist includes a personal message for the customer in the Zalon box. The message can mark the beginning of a long-running, personal relationship between the customer and the stylist.

“ZALON MEETS OUR CUSTOMERS’ WISHES FOR PERSONALIZED ADVICE THROUGH OUR OWN TAKE ON CURATED SHOPPING.”

IVO SCHERKAMP, RESPONSIBLE FOR ZALON, BERLIN

KRISTOF



SASKIA



SILKE



DENIZ

**KRISTOF, STYLIST, BERLIN**

Fashion, lifestyle and sports: that inspires me every day anew! To bring these things into harmony and create outfits for everyday use that are always special and creative, remarks me.

SASKIA, STYLIST AND EDITOR, BERLIN

Having children has turned my life upside down, but it hasn't changed the way I feel about fashion. I need to be able to put an outfit together quickly.

SILKE, CLOTHING AND JEWELLERY DESIGNER, STYLIST AND MOTHER, BERLIN

Fashion and creativity inspire me, as does good food, good drinks and my family.

DENIZ, STUDENT AND STYLIST, HAMBURG

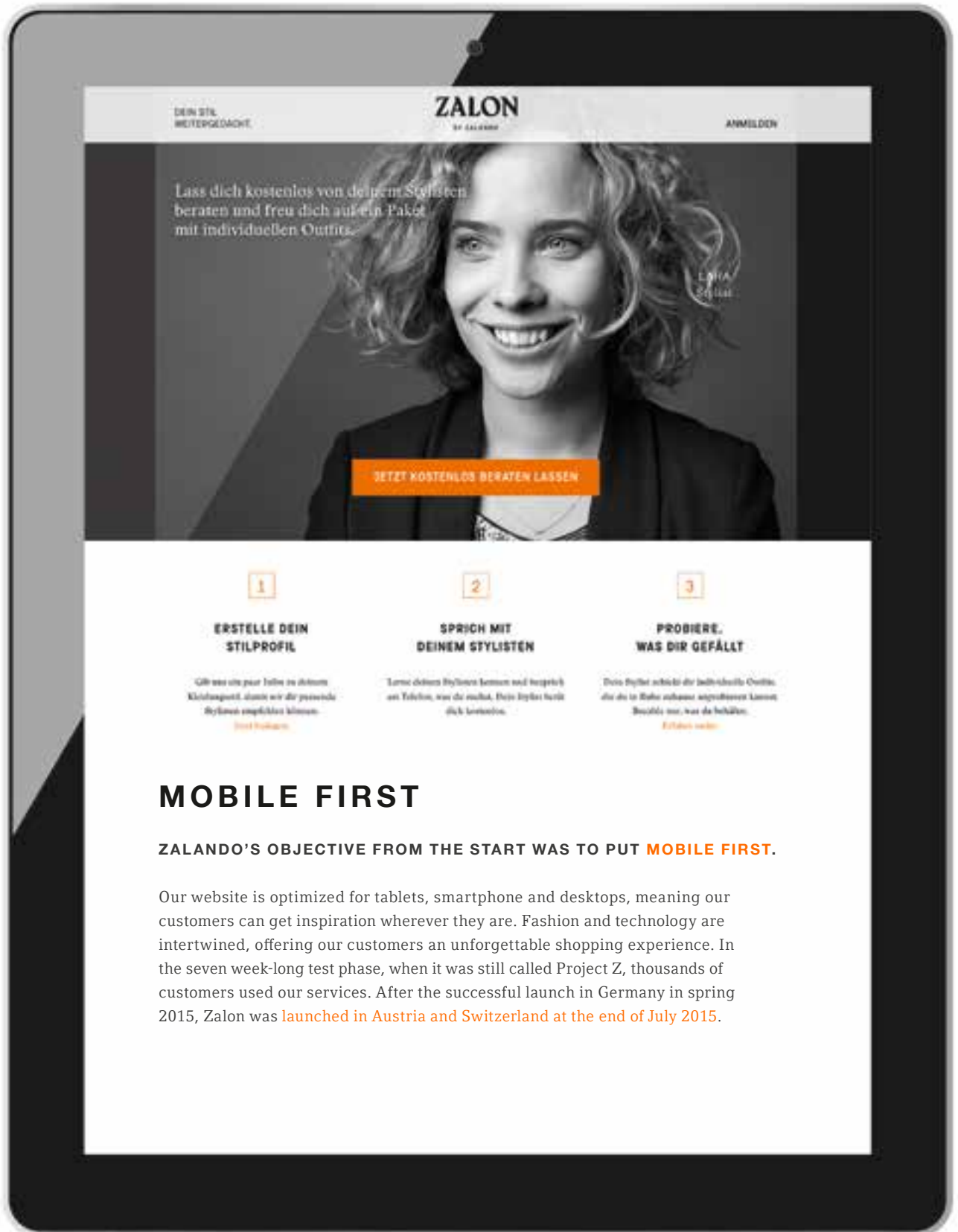
When I'm not having a kickabout, I love being inspired by different influences from around the world. When it comes to fashion, I tend towards a mix of timeless and modern elements, making sure I pay attention to the little details.

INSPIRATION: THE GOLDEN TWENTIES

IN THE 1920s THE SALON WAS THE CENTER OF CULTURAL LIFE AND A PLACE FOR PEOPLE TO COME TOGETHER.

Zalando adapts and reinterprets this feeling. As a "Zalando" for the digital era, our platform provides a space where customers can [get inspiration and advice](#) from the comfort of their own home – whether it's for a dirndl for their next Oktoberfest or the latest trends from New York.





MOBILE FIRST

ZALANDO'S OBJECTIVE FROM THE START WAS TO PUT **MOBILE FIRST**.

Our website is optimized for tablets, smartphone and desktops, meaning our customers can get inspiration wherever they are. Fashion and technology are intertwined, offering our customers an unforgettable shopping experience. In the seven week-long test phase, when it was still called Project Z, thousands of customers used our services. After the successful launch in Germany in spring 2015, Zalon was **launched in Austria and Switzerland at the end of July 2015**.



02

HY 2015 THE ZALANDO SHARE

OTHER FACTS

30.3%

FREE FLOAT

17.5%

SHARE PRICE PERFORMANCE UNTIL JUNE 2015



THE ZALANDO SHARE – FIRST HALF 2015 IN REVIEW

- Share price increase of 39.3% since IPO, or 17.5% in the first half of 2015
- MDAX inclusion on June 19, 2015
- Successful first annual general meeting on June 2, 2015

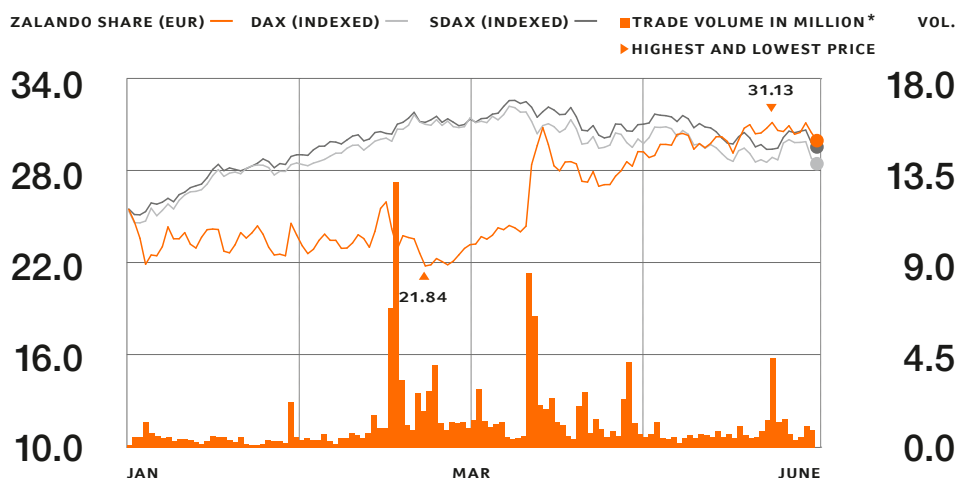


FURTHER INFORMATION
SELECTED NOTES TO THE
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION P.37

ZALANDO SHARE DEVELOPS POSITIVELY

Equity markets developed favorably in the first quarter as the result of the expansionary monetary policy of the European Central Bank. However, mid-April equity capital markets started deteriorating due to the developing Greek crisis. The Zalando share showed only limited movement at the beginning of the year (opening price January 2, 2015: EUR 25.50), and came under pressure in mid-March when few pre-IPO shareholders sold off a portion of their shares (closing price March 18, 2015: EUR 21.84). With the release of the preliminary results on April 15, 2015 the share price increased sharply. On April 20, 2015, the share price achieved an all-time-high with a closing price of EUR 30.80. Since then, the share price has **remained strong and has gained steadily** despite the volatile market environment, achieving additional all-time-highs. At the end of the second quarter, the Zalando share closed at EUR 29.96, which is 17.5% higher than at the beginning of the year, or 39.3% above the IPO price. Free float, defined as holdings below 5%, increased to 30.3%¹ at quarter-end. At the end of the reporting period the market capitalization was EUR 7.4bn (undiluted). The average daily trading volume during the half-year was 1.18m shares or EUR 30.7m.

DEVELOPMENT OF ZALANDO SHARES, DAX UND MDAX
IN THE PERIOD JAN 1, 2015–JUN 30, 2015



*} Based on trading on XETRA, German stock exchanges, electronic communication networks ("ECNs") and over-the-counter ("OTC") trading.
Source: Bloomberg

1) Free float includes the founders' stake of 3.709% (per latest BaFin filing).

THE ZALANDO SHARE

Type of shares	Ordinary bearer shares with no par value ("Stückaktien")
Issued share capital	EUR 246,619,133
Total numbers of shares outstanding (June 30, 2015)	246,619,133
ISIN	DE000ZAL1111
WKN	ZAL111
Bloomberg	ZAL:GR
Thomson Reuters	ZALG.F

SHARE PERFORMANCE

Opening price on Jan 2, 2015	EUR 25.50
Highest price	EUR 31.13
Lowest price	EUR 21.84
Closing price on Jun 30, 2015	EUR 29.96
Performance Jan 2–Jun 30, 2015	+17.5%
Average daily trading volume (shares) *	1.18m
Average daily trading volume (EUR) *	EUR 30.7m

*] Based on trading on XETRA, German stock exchanges, electronic communication networks ("ECNs") and over-the-counter ("OTC") trading.
Source: Bloomberg

JUNE 19, 2015**INCLUSION MDAX****MDAX INCLUSION**

On June 19, 2015 post stock market closing ZALANDO SE joined the MDAX index of German mid-cap stocks, having joined the SDAX index of German small-caps already last December. The MDAX is the Deutsche Börse index which comprises the **50 largest listed companies in Germany after those in the DAX**. Through the MDAX inclusion Zalando joins the league of the 80 most important publicly listed companies in Germany.

SUCCESSFUL FIRST ANNUAL GENERAL MEETING

ZALANDO SE hosted its first annual general meeting (“AGM”) post IPO at Tempodrom in Berlin. In attendance was 90.9% of the voting share capital. The AGM re-elected Cristina Stenbeck, Lorenzo Grabau, Lothar Lanz, Anders Holch Povlsen, Kai-Uwe Ricke and Alexander Samwer to the Supervisory Board and appointed the employee representatives Beate Siert, Dylan Ross and Konrad Schäfers as new board members. In addition to the [election of the Supervisory Board](#) members, all other items on the agenda were approved by the vast majority of the shareholders.



From left to right:

Lorenzo Grabau, Kai-Uwe Ricke, Dylan Ross, Beate Siert, Lothar Lanz, Cristina Stenbeck, Konrad Schäfers, Alexander Samwer, Anders Holch Povlsen



From left to right:

Jochen Krisch Interviewer, David Schneider Co-founder and Member of the Management Board, Robert Gentz Co-founder and Member of the Management Board, Rubin Ritter Member of the Management Board



03

HY 2015

INTERIM GROUP MANAGEMENT REPORT

OTHER FACTS

800+

TECHNOLOGY EMPLOYEES

11_M

APP DOWNLOADS

DO IT YOURSELF
FASHION VIDEOS!



03.1 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.

03.2 REPORT ON ECONOMIC POSITION

03.2.1 MACROECONOMIC AND INDUSTRY SPECIFIC CONDITIONS

In Germany, the online 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 22% year-on-year, compared with an increase of 2.3% for the whole retail industry. The German fashion trade only generated moderate nominal revenue growth in the past year of 0.8% in comparison to the prior year.¹ According to the Textilwirtschaft journal, the fashion trade closed the first half of 2015 with a decline of 2%.² By contrast, the online fashion trade recorded solid earnings according to the consumer research organization GfK. The most remarkable increase was seen in April 2015 with sales up more than 8% compared with the same period of the prior year.³

Due to the consistently positive development in 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 considerably higher than those of online retailers in other product categories, e.g., electronics.⁴
- Mobile commerce has significantly contributed to the strong growth of online retail. In Europe, for example, mobile internet sales rose from EUR 3.6bn in 2011 to EUR 28.9bn in 2014.⁵ 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.



SKIP TO P. 14

1) Euromonitor International
 2) Textilwirtschaft
 3) Gesellschaft für Konsumforschung, Fashion & Lifestyle
 4) Company information
 5) Euromonitor International; Europe excl. Russia; excl. sales tax

03.2.2 RESULTS OF OPERATIONS OF THE GROUP

In the reporting period, the condensed consolidated income statement for the second quarter of 2015 shows considerable growth in revenues compared to the corresponding prior-year period and a strong operating performance leading to continued profitability, although the EBIT margin was adversely affected by an increase in payment cost within the selling and distribution costs line item.



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
P. 27

CONSOLIDATED INCOME STATEMENT

IN EUR M	APR 1– JUN 30, 2015	AS % OF REVENUE	APR 1– JUN 30, 2014	AS % OF REVENUE	CHANGE IN PERCENTAGE POINTS
Revenue	733.0	100.0%	546.4	100.0%	0.0
Cost of sales	-378.5	-51.6%	-293.6	-53.7%	2.1
Gross profit	354.5	48.4%	252.8	46.3%	2.1
Selling and distribution costs	-297.4	-40.6%	-199.4	-36.5%	-4.1
Administrative expenses	-31.7	-4.3%	-24.6	-4.5%	0.2
Other operating income	2.2	0.3%	3.6	0.7%	-0.4
Other operating expenses	-2.0	-0.3%	-0.9	-0.2%	-0.1
Earnings before interest and taxes (EBIT)	25.7	3.5%	31.5	5.8%	-2.3



SKIP TO P. 15

IN EUR M	APR 1–JUN 30, 2015	APR 1–JUN 30, 2014	CHANGE
Other consolidated financial data			
EBIT margin (as % of revenue)	3.5	5.8	-2.3pp
Adjusted EBIT (excl. equity- settled share-based payments)	30.2	35.1	-5.0
Adjusted EBIT (as % of revenue)	4.1	6.4	-2.3pp
EBITDA	33.7	38.4	-4.7
Adjusted EBITDA (excl. equity-settled share-based payments)	38.1	42.0	-3.9

The condensed consolidated income statement for the first six months of the year also shows a considerable rise in revenues compared to the corresponding prior-year period. In spite of significant investments in Zalando's long-term customer proposition across markets EBIT margin improved compared to the corresponding prior-year period.

CONSOLIDATED INCOME STATEMENT

IN EUR M	JAN 1– JUN 30, 2015	AS % OF REVENUE	JAN 1– JUN 30, 2014	AS % OF REVENUE	CHANGE IN PERCENTAGE POINTS
Revenue	1,376.6	100.0%	1,047.1	100.0%	0.0
Cost of sales	-732.0	-53.2%	-604.8	-57.8%	4.6
Gross profit	644.6	46.8%	442.2	42.2%	4.6
Selling and distribution costs	-534.2	-38.8%	-391.4	-37.4%	-1.4
Administrative expenses	-60.8	-4.4%	-53.5	-5.1%	0.7
Other operating income	5.2	0.4%	7.8	0.7%	-0.4
Other operating expenses	-4.0	-0.3%	-1.6	-0.2%	-0.1
Earnings before interest and taxes (EBIT)	50.8	3.7%	3.6	0.3%	3.3

IN EUR M	JAN 1–JUN 30, 2015	JAN 1–JUN 30, 2014	CHANGE
Other consolidated financial data			
EBIT margin (as % of revenue)	3.7	0.3	3.3pp
Adjusted EBIT (excl. equity- settled share-based payments)	59.2	12.4	46.8
Adjusted EBIT (as % of revenue)	4.3	1.2	3.1pp
EBITDA	66.3	15.9	50.4
Adjusted EBITDA (excl. equity-settled share-based payments)	74.7	24.7	50.0

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	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	CHANGE	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014	CHANGE
Expenses for equity-settled share-based payments						
Cost of sales	1.1	0.9	0.2	2.1	1.7	0.4
Selling and distribution costs	2.2	1.8	0.4	4.2	4.1	0.1
Administrative expenses	1.1	0.9	0.2	2.1	3.1	-1.0
Total	4.4	3.7	0.8	8.4	8.8	-0.4



SKIP TO P. 16

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

PERFORMANCE INDICATORS

	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	CHANGE	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014	CHANGE
Site visits (in millions)	411.8	322.7	27.6%	804.6	654.6	22.9%
Mobile visit share (as % of site visits)	56.6	40.7	15.9pp	54.7	38.4	16.2pp
Active customers (in millions)	16.4	13.7	19.1%	16.4	13.7	19.1%
Number of orders (in millions)	14.0	10.4	35.1%	26.0	20.1	29.5%
Average orders per active customer	2.9	2.8	4.4%	2.9	2.8	4.4%
Average basket size (in EUR)	67.4	65.7	2.5%	67.7	64.8	4.4%
Revenue (EUR m)	733.0	546.4	34.1%	1,376.6	1,047.1	31.5%
Adjusted fulfillment cost ratio (as % of revenue)	28.3	22.9	5.4pp	26.6	23.4	3.2pp
Adjusted marketing cost ratio (as % of revenue)	12.0	13.3	–1.3pp	11.9	13.6	–1.7pp

Zalando continued to record strong growth in the first two quarters of 2015. Zalando generated group revenue of EUR 733.0m in the second quarter of the fiscal year 2015, up 34.1% on the prior-year period (EUR 546.4m). In the whole first half of 2015, group revenue increased by 31.5% year-on-year up to EUR 1,376.6m (prior year: EUR 1,047.1m). The increase in revenue is mainly driven by a considerably **larger customer base**, an **increase in orders** as well as a **higher average basket size**. For example, as of June 30, 2015, the group had 16.4 million active customers compared to 13.7 million active customers as of June 30, 2014. This corresponds to an increase of 19.1%. The larger customer base ordered more often in the corresponding prior-year period. Specifically, orders increased by 35.1%, while the average basket size rose by 2.5% and in the first half of 2015 by as much as 4.4%.

The higher number of customer orders was driven in particular by an increase of 27.6% in site visits. The higher traffic on the website also related to a significant increase in the share of visitors that accessed the website on their mobile devices. Compared to the corresponding prior-year period, the share of site visits on mobile devices rose by 15.9 percentage points to 56.6% in the second quarter of 2015.

The good development of the sell through rate in the first quarter as well as the second quarter of 2015 are primarily driven by a more customer-specific selection of products. Zalando's close collaboration with Topshop and Topman and the addition of prestigious brands like Mango and Gap contributed to raising Zalando's Fashion profile. Zalando also benefited from the significantly higher demand of younger customer groups due to a wider range of value for money brands and a good mobile offering. Besides, revenue growth was achieved with a proportionately lower marketing cost and lower administrative expenses.



SKIP TO P. 18

The group recorded EBIT of EUR 25.7m in the second quarter of 2015 (prior year: EUR 31.5m). Operating performance remained strong, leading to a significant decrease in cost of sales as percentage of revenue as well as significantly lower adjusted marketing costs compared to the prior year. The decrease in EBIT margin by 2.3 percentage points from 5.8% in the second quarter of 2014 to 3.5% in the second quarter of 2015 is mainly driven by the adjusted fulfillment cost ratio which increased by 5.4 percentage points. That increase is primarily attributable to higher payment costs. Zalando constantly strives to offer more customer-friendly payment methods. However, the higher share of invoiced customers compared to the corresponding prior-year period combined with a higher level of fraudulent activity in the market led to increased write downs of trade and other receivables.

In that context, Zalando also reconsidered the assumptions of the valuation for prior periods' trade receivables. In light of new information such portfolios received an additional allowance of EUR 18.5m. This has been recorded as an expense in the second quarter of 2015 in line with IAS 8 as a change in estimates. Those changes in estimates relate predominantly to trade receivables originating from the first quarter of 2015.

The EBIT margin at group level improved on the prior year by around 3.3 percentage points from 0.3% in the first half of 2014 to 3.7% in the first half of 2015. In absolute terms, EBIT increased by EUR 47.2m to EUR 50.8m. This significant increase is mainly attributable to an improved gross profit margin. As percentage of revenue, the selling and distribution costs slightly rose from 37.4% in the first half year of 2014 to 38.8% in the first half year 2015, mainly as an effect of higher payment costs in connection with the more customer-friendly payment methods.

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 second quarter of 2015, Zalando generated adjusted EBIT of EUR 30.2m (prior year: EUR 35.1m). This decrease of 2.3 percentage points in the adjusted EBIT margin from 6.4% in the second quarter 2014 to 4.1% in the second quarter 2015 is due to the aforementioned increase in payment costs offsetting the fundamentally strong operating performance of the business.

03.2.3 RESULTS OF OPERATIONS BY SEGMENT

The condensed segment results for the second quarter 2015 show a significant improvement in revenue across all segments as well as growing profitability in Rest of Europe and Other.

CONSOLIDATED SEGMENT RESULTS

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	CHANGE	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014	CHANGE
Revenue						
DACH	411.0	310.3	100.7	758.1	594.2	163.9
Rest of Europe	285.3	206.1	79.3	550.3	399.3	151.0
Other	36.6	30.0	6.6	68.1	53.6	14.5
Earnings before interest (EBIT)						
DACH	11.9	25.5	–13.6	42.1	22.4	19.6
Rest of Europe	9.7	2.2	7.5	3.4	–21.4	24.8
Other	4.1	3.8	0.3	5.3	2.5	2.8
Other segment financial information						
Adjusted EBIT DACH	14.4	27.5	–13.1	46.8	27.3	19.5
Adjusted EBIT Rest of Europe	11.3	3.4	7.9	6.6	–18.4	25.0
Adjusted EBIT Other	4.4	4.2	0.2	5.8	3.5	2.3



SKIP TO P.19

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

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	CHANGE	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014	CHANGE
Expenses for equity-settled share-based payments						
DACH	2.5	2.0	0.5	4.7	4.9	–0.1
Rest of Europe	1.6	1.3	0.4	3.2	3.0	0.2
Other	0.3	0.4	–0.1	0.5	1.0	–0.5
Total	4.4	3.7	0.8	8.4	8.8	–0.4

The Zalando group's significant increase in revenue was generated by all segments. Compared to the corresponding prior-year period, revenue grew by 32.5% in the DACH segment, by 38.5% in the Rest of Europe segment and by 21.9% in the Other segment. At EUR 411.0m (prior year: EUR 310.3m), the DACH core segment continues to generate the highest level of revenue, followed by the Rest of Europe segment, which reported revenue of EUR 285.3m (prior year: EUR 206.1m) in the second quarter of 2015.

With a positive EBIT margin of 2.9%, the DACH segment continued to be clearly profitable in the second quarter of 2015. However, EBIT margin declined by 5.3 percentage points compared to the prior-year period as the DACH segment was predominantly affected by write-downs of trade receivables. Zalando improved the EBIT margin in the Rest of Europe segment by 2.3 percentage points from 1.1% to 3.4%. The EBIT margin improvement was mainly driven by an improved gross margin. The Other segment recorded an EBIT margin of 11.2% in the second quarter of 2015, representing a slight decrease of 1.5 percentage points.

In the first half of 2015 group revenue increased by 31.5% from EUR 1,047.1m in the corresponding prior-year period to EUR 1,376.6m. Zalando is thus continuing its positive development in all segments. The increase is primarily based on revenue increases in the DACH and Rest of Europe segments. In the Rest of Europe segment, revenue grew from EUR 399.3m to EUR 550.3m. With regard to DACH, the strongest segment in terms of revenue, Zalando was also able to generate strong growth to revenue of EUR 758.1m in the first half of 2015 compared to the corresponding prior-year period and build on its market position. Revenue development was also driven by the Other segment, which combines the business activities of the Zalando Lounge and the group's offline activities. Clothing also remained the strongest product category in terms of revenue in the first half of 2015.

The EBIT margin in the DACH segment improved from 3.8% in the first half of 2014 to 5.6% in the first half of 2015. This is mainly due to an improved gross profit in the first half of 2015 compared to the prior-year period.

The EBIT margin in the Rest of Europe segment improved by 6.0 percentage points to 0.6% as of June 30, 2015. The EBIT margin in the Other segment improved from 4.7% in the first half of 2014 to 7.8% in the first half 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 3.5% in the second quarter of 2015. Compared to the prior-year period, the adjusted EBIT margin decreased by 5.4 percentage points. The Rest of Europe segment improved the adjusted EBIT margin by 2.4 percentage points from 1.6% to 4.0%. The Other segment also saw a decrease in the adjusted EBIT margin by 2.0 percentage points to 12.0% in the second quarter of 2015.



SKIP TO P. 21

03.2.4 FINANCIAL POSITION

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



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF CASH FLOWS P.32

CONDENSED STATEMENT OF CASH FLOWS

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Cash flow from operating activities	35.0	23.6	23.3	2.1
Cash flow from investing activities	-25.4	-13.4	-108.0	-32.2
Cash flow from financing activities	3.2	-0.8	3.9	0.3
Change in cash and cash equivalents	12.8	9.4	-80.8	-29.9
Exchange-rate related and other changes in cash and cash equivalents	-0.2	0.0	3.4	0.0
Cash and cash equivalents at the beginning of the period	960.9	377.9	1,051.0	417.2
Cash and cash equivalents as of June 30	973.5	387.3	973.5	387.3

Zalando generated a positive cash flow from operating activities of EUR 35.0m (prior-year period: EUR 23.6m). The positive development has mainly been achieved through longer payment terms with suppliers.

The cash flow from investing activities includes cash paid for investments in non-current assets as well as changes in restricted cash. Thereby the cash flow from investing activities is positively affected by releasing previously restricted cash.

In the second quarter of 2015 the free cash flow declined by EUR 0.7m from EUR 12.6m in the second quarter of 2014 to EUR 11.9m.

On aggregate, since the beginning of the year cash and cash equivalents have decreased by EUR 77.4m, resulting in cash and cash equivalents of EUR 973.5m as of June 30, 2015. The main driver behind that development was the investment of funds in term deposits which has more than offset the positive cash inflow from operating activities.

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

03.2.5 NET ASSETS

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

ASSETS

IN EUR M	JUN 30, 2015		DEC 31, 2014		CHANGE	
Non-current assets	175.6	9.0%	194.0	10.9%	-18.4	-9.5%
Current assets	1,767.1	91.0%	1,591.6	89.1%	175.6	11.0%
Total assets	1,942.7	100.0%	1,785.5	100.0%	157.1	8.8%

EQUITY AND LIABILITIES

IN EUR M	JUN 30, 2015		DEC 31, 2014		CHANGE	
Equity	1,182.0	60.8%	1,126.7	63.1%	55.3	4.9%
Non-current liabilities	33.0	1.7%	30.9	1.7%	2.1	6.7%
Current liabilities	727.6	37.5%	627.9	35.2%	99.7	15.9%
Total equity and liabilities	1,942.7	100.0%	1,785.5	100.0%	157.1	8.8%

In the first half of 2015, Zalando's total assets increased by 8.8% in comparison to December 31, 2014. The assets of the company consist primarily of current assets including inventories, trade and other receivables and cash and cash equivalents in particular. Equity and liabilities mainly consist of equity and current liabilities.

At the end of the second quarter of 2015, inventories mainly consisted of merchandise. The EUR 84.1m increase in inventories to EUR 432.5m mainly relates to the delivery of the fall/winter collection.

The trade and other receivables of the group recognized as of June 30, 2015 are all current. The EUR 27.2m increase to EUR 167.3m is primarily due to the higher sales volume.



FURTHER INFORMATION
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION P. 28



SKIP TO P. 22



SKIP TO P. 23

Current liabilities increased by EUR 99.7m in the reporting period. This increase is mainly attributable to trade payables and similar liabilities, which rose from EUR 492.1m by EUR 77.1m to EUR 569.1m in the reporting period. The growth mainly stemmed from deliveries of goods and was achieved through longer payment terms with suppliers. Under reverse factoring agreements, selected suppliers transferred their receivables due from Zalando totaling EUR 128.2m to a factor as of June 30, 2015 (prior year: EUR 90.5m). These are presented in the statement of financial position under trade payables and similar liabilities.

Net current assets, consisting of inventories, trade and other receivables less trade payables and similar liabilities, amounted to EUR 30.7m as of June 30, 2015 (December 31, 2014: EUR -3,7m). The increase in the capital tied up is mainly due to the increase in trade and other receivables.

In the first half of 2015, equity increased from EUR 1,126.7m to EUR 1,182.0m. The EUR 55.3m 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 60.8% as of June 30, 2015.

OVERALL STATEMENT

Overall, development was very positive in the first two quarters of 2015, as growth remained strong and the gross margin saw a significant improvement. Revenue growth was very strong, emphasizing the success in reaccelerating growth. EBIT margin was clearly positive as a result of strong operating performance. However, it was adversely affected by the increase in payment costs. Overall, Zalando can look back on a successful first half of 2015.

03.2.6 EMPLOYEES

Compared to 7,588 employees as of December 31, 2014, the headcount rose by 1,491 to 9,079 employees. The **significant growth** relates primarily to the fulfillment centers and the technology departments.



SKIP TO P. 24

03.3 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.

03.4 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.

03.5 OUTLOOK

03.5.1 FUTURE MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

According to the German institute for economic research, the German economy showed moderate growth during the second quarter 2015. However, several factors had negative influence on the market, for example the economic uncertainty about the euro crisis in Greece, the EU-scepticism in the United Kingdom, and ongoing political tension in Ukraine.⁶

In defiance of the economic uncertainties in the EU, the retail industry did not seem notably affected, according to CES ifo institute. A survey of companies led by the CES ifo institute assessed the current situation positively and found that the companies are optimistic on the future course of business.⁷

Internet trade is expected to see much more dynamic growth than the whole retail market, for both the current year and the coming years. For example, the European retail industry is expected to achieve year-on-year growth of around 3% in 2015, while an increase of almost 16% is expected for online trade. The picture in Germany is similar. The overall forecast anticipates a growth of almost 4% in 2015; in comparison, internet trade is expected to increase by more than 19% in the same period.⁸ The German Retail Federation also predicts a **substantial increase in revenue for online trade** in 2015. The Federation forecasts a slightly weaker growth of 12% in comparison to the prior year, while retail as a whole is expected to grow by 2%.⁹

As a whole, the fashion industry in Europe and Germany is predicted to recover slightly in 2015. Revenue at European level is expected to grow around 1%, while fashion sales in Germany are expected to increase by around 2%.¹⁰ 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.

The high emotional factor that both producers and customers associate with fashion brands provides independent and purely e-commerce fashion retailers, like Zalando, with a considerable edge compared to non-specialized e-commerce retailers. As Zalando is focused on the European market, has implemented a leading infrastructure and achieved the respective brand awareness, we are convinced that Zalando is well positioned to benefit from these favorable market conditions for online sales.



WWW.CESIFO-GROUP.DE



SKIP TO P. 25

6) German Institute for Economic Research, Economic Barometer for June 2015
7) CES ifo Institute Munich
8) Euromonitor International; Europe excl. Russia
9) Handelsverband Deutschland (HDE)
10) Euromonitor International; Europe excl. Russia

03.5.2 ADJUSTED GUIDANCE

Following a strong spring/summer season, during the second quarter of 2015 revenues have continued to develop above expectations. Given its first half-year performance, Zalando is now expecting to exceed its annual revenues growth corridor of 20–25% for 2015. Management is therefore revising its guidance for 2015 revenues' growth to 28–31%.

Guidance for 2015 EBIT margin remains unchanged at around 3.9% (or adjusted EBIT margin of around 4.5%).



END OF THE QUICK READER
INFORMATION

03.5.3 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 half-year 2015, the group was in sound economic condition.

Berlin, August 10, 2015

The Management Board

David Schneider

Robert Gentz

Rubin Ritter



04

HY 2015 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OTHER FACTS

9,079

EMPLOYEES

100+

STYLISTS WORKING FOR ZALON

04.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



FURTHER INFORMATION
RESULTS OF OPERATIONS
OF THE GROUP P. 14

IN EUR M	NOTES	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Revenue	(1.)	733.0	546.4	1,376.6	1,047.1
Cost of sales	(2.)	–378.5	–293.6	–732.0	–604.8
Gross profit		354.5	252.8	644.6	442.2
Selling and distribution costs		–297.4	–199.4	–534.2	–391.4
Administrative expenses		–31.7	–24.6	–60.8	–53.5
Other operating income		2.2	3.6	5.2	7.8
Other operating expenses		–2.0	–0.9	–4.0	–1.6
Earnings before interests and taxes (EBIT)		25.7	31.5	50.8	3.6
Interest income		0.3	0.0	0.4	0.1
Interest expenses		–1.0	–0.9	–2.3	–1.7
Result of investments accounted for using the equity method	(5.)	–0.4	0.0	–0.4	0.0
Other financial result		0.2	0.1	6.8	0.1
Financial result		–0.9	–0.8	4.5	–1.6
Earnings before taxes (EBT)		24.8	30.7	55.3	2.0
Income taxes	(3.)	–1.8	–1.6	–8.1	–1.8
Net income for the period		23.0	29.0	47.3	0.2
Thereof net income attributable to the shareholders of ZALANDO SE		23.0	29.0	47.3	0.2
Net income for the period as percentage of revenue		3.1%	5.3%	3.4%	0.0%
Basic earnings per share (in EUR)	(4.)	0.09	0.13	0.19	0.00
Diluted earnings per share (in EUR)	(4.)	0.09	0.13	0.19	0.00

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Net income for the period	23.0	29.0	47.3	0.2
Items recycled to profit or loss in subsequent periods				
Effective portion of gains/losses from cash flow hedges, net of tax	2.8	0.0	–3.5	0.3
Exchange differences on translation of foreign financial statements	0.0	0.1	0.0	0.2
Other comprehensive income	2.7	0.1	–3.5	0.5
Total comprehensive income	25.7	29.1	43.8	0.7
Thereof net income attributable to the shareholders of ZALANDO SE	25.7	29.1	43.8	0.7



FURTHER INFORMATION
NET ASSETS P.21

04.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

IN EUR M	NOTES	JUN 30, 2015	DEC 31, 2014
Non-current assets			
Intangible assets		34.4	29.0
Property, plant and equipment		110.1	111.0
Investments accounted for using the equity method	(5.)	8.7	0.0
Financial assets	(6.)	17.6	49.4
Deferred tax assets		0.8	0.9
Non-financial assets		4.0	3.7
		175.6	194.0
Current assets			
Inventories		432.5	348.4
Prepayments		0.9	0.9
Trade and other receivables	(7.)	167.3	140.1
Other financial assets	(6.)	130.0	13.6
Other non-financial assets		62.8	37.7
Cash and cash equivalents		973.5	1,051.0
		1,767.1	1,591.6
Total assets		1,942.7	1,785.5

EQUITY AND LIABILITIES

IN EUR M	NOTES	JUN 30, 2015	DEC 31, 2014
Equity			
Issued capital		246.6	244.8
Capital reserves		1,130.1	1,120.4
Retained earnings		-2.6	1.0
Accumulated loss		-192.2	-239.5
	(8.)	1,182.0	1,126.7
Non-current liabilities			
Provisions		6.0	5.8
Government grants		2.1	3.0
Financial liabilities		16.0	17.6
Other financial liabilities		2.4	0.6
Other non-financial liabilities		3.0	1.3
Deferred tax liabilities		3.4	2.6
		33.0	30.9
Current liabilities			
Provisions		0.1	0.5
Financial liabilities		3.2	3.2
Trade payables and similar liabilities	(9.)	569.1	492.1
Prepayments received		14.4	6.7
Income tax liabilities		12.7	6.1
Other financial liabilities		62.6	61.9
Other non-financial liabilities		65.5	57.3
		727.6	627.9
Total equity and liabilities		1,942.7	1,785.5

04.3 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	(8.)	1.9	3.6
Reversal of claims to share based-payments		0.0	-2.3
Share-based payments		0.0	8.4
As of June 30, 2015		246.6	1,130.1

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 income for the period		0.0	0.0
Other comprehensive income		0.0	0.0
Total comprehensive income		0.0	0.0
Capital increase		0.1	0.0
Transaction costs less taxes		0.0	-0.1
Share-based payments		0.0	8.8
As of June 30, 2014		0.2	842.0

RETAINED EARNINGS

CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
1.0	0.0	-239.5	1,126.7
0.0	0.0	47.3	47.3
-3.5	0.0	0.0	-3.5
-3.5	0.0	47.3	43.8
0.0	0.0	0.0	5.5
0.0	0.0	0.0	-2.3
0.0	0.0	0.0	8.4
-2.5	0.0	-192.2	1,182.0

RETAINED EARNINGS

CASH FLOW HEDGES	CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
-0.1	-0.1	-286.6	546.5
0.0	0.0	0.2	0.2
0.3	0.2	0.0	0.5
0.3	0.2	0.2	0.7
0.0	0.0	0.0	0.1
0.0	0.0	0.0	-0.1
0.0	0.0	0.0	8.8
0.2	0.1	-286.4	556.0



FURTHER INFORMATION
FINANCIAL POSITION P.20

04.4 CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR M	NOTES	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
1.	Net income for the period	23.0	29.0	47.3	0.2
2.	+ Non-cash expenses from share-based payments	4.4	3.7	8.4	8.8
3.	– Cash paid for settlement of claims from share-based payments	–0.3	0.0	–2.3	0.0
4.	+ Depreciation of property, plant and equipment and amortization of intangible assets	8.0	6.9	15.5	12.3
5.	+/- Increase/decrease in provisions	0.1	0.1	–0.3	0.1
6.	–/+ Other non-cash income/expenses	–1.6	–0.6	–2.5	–1.3
7.	+/- Decrease/increase in inventories	42.1	112.6	–84.1	53.1
8.	+/- Decrease/increase in trade and other receivables	(7.) 2.5	–15.5	–26.6	–28.5
9.	+/- Increase/decrease in trade payables and similar liabilities	(9.) –39.3	–125.8	78.2	26.1
10.	+/- Increase/decrease in other assets/liabilities	–3.9	13.2	–10.2	–68.8
11.	= Cash flow from operating activities	35.0	23.6	23.3	2.1
12.	– Cash paid for investments in property, plant and equipment	–6.1	–6.0	–7.5	–22.7
13.	– Cash paid for investments in intangible assets	–4.8	–5.0	–11.8	–8.9
14.	– Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	(5.) –12.2	0.0	–12.2	0.0
15.	– Cash paid for investments in term deposits	–20.0	0.0	–110.0	0.0
16.	+/- Change in restricted cash	17.8	–2.4	33.5	–0.6
17.	= Cash flow from investing activities	–25.4	–13.4	–108.0	–32.2
18.	+ Cash received from capital increases by the shareholders less transaction costs	(8.) 4.0	0.0	5.5	0.0
19.	+ Cash received from loans	0.0	0.0	0.0	1.9
20.	– Cash repayments of loans	–0.8	–0.8	–1.6	–1.6
21.	= Cash inflow from financing activities	3.2	–0.8	3.9	0.3
22.	= Net change in cash and cash equivalents from cash relevant transactions	12.8	9.4	–80.8	–29.9
23.	+ Increase in cash and cash equivalents from exchange rate differences	–0.2	0.0	3.4	0.0
24.	+ Cash and cash equivalents at the beginning of the period	960.9	377.9	1,051.0	417.2
25.	= Cash and cash equivalents as of June 30	973.5	387.3	973.5	387.3

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

CASH-RELEVANT INTERESTS AND INCOME TAXES

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Interest paid	-1.4	-0.6	-2.8	-1.1
Interest received	0.2	0.0	0.3	0.1
Income taxes paid	0.0	0.0	0.0	-0.1
Total	-1.2	-0.6	-2.5	-1.2

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	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Cash flow from operating activities	35.0	23.6	23.3	2.1
Cash paid for investments in property, plant and equipment	-6.1	-6.0	-7.5	-22.7
Cash paid for investments in intangible assets	-4.8	-5.0	-11.8	-8.9
Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	-12.2	0.0	-12.2	0.0
Free cash flow	11.9	12.6	-8.2	-29.6

04.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

04.5.1 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 June 30, 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.

ACCOUNTING AND VALUATION PRINCIPLES

The accounting policies applied for the consolidated financial statements as of December 31, 2014 are in general unchanged.

The first-time adoption of new accounting standards in the 2015 fiscal year did not have a material impact on the interim financial statements, as was explained in the 2014 annual report.

During the second quarter of 2015 Zalando invested in shares in associated companies for the first time and therefore commenced applying the accounting and measurement principles for such investments.

The recognition of shares in associated companies accounted for using the equity method is initially measured at cost as at the date on which a significant influence is obtained. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In subsequent periods, the carrying amount is adjusted to reflect the changes in the net assets of the investee. Goodwill which arose from the acquisition of these shares (after taking into account cumulative impairments) is included in the carrying amount of the associated company. Dividends received from these associated companies accounted for using the equity method reduce their carrying amounts. Group shares of the result of operations are reported in the consolidated statement of comprehensive income as “Result of investments accounted for using the equity method”.

The condensed interim consolidated financial statements are presented in euros.

As the presented figures are rounded, it the individual figures may not add exactly up to the totals shown and that percentage figures presented may not exactly reflect the absolute figures they relate to.

04.5.2 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1.) REVENUE

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Revenue from the sale of merchandise	725.8	541.8	1,364.8	1,037.5
Revenue from other services	7.1	4.6	11.7	9.6
Total	733.0	546.4	1,376.6	1,047.1

Zalando was able to significantly increase revenue in all group segments. In the second quarter, revenue increased by 34.1% as compared to the prior-year period. When compared the first half 2015 with the previous year period, the increase amounts to 31.5%.

The increase in revenue is primarily attributable to the considerably larger customer base, an increase in orders as well as a higher average basket size per order.

(2.) COST OF SALES

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Non-personnel costs	365.8	283.8	706.5	584.8
Personnel costs	12.7	9.8	25.5	20.0
Total	378.5	293.6	732.0	604.8

Cost of sales mainly consists of cost of materials, personnel expenses, write-downs on inventories, third-party services and infrastructure costs. Cost of sales of the second quarter was up 28.9% on the prior-year period due to revenue growth.

Cost of materials in the second quarter totals EUR 344.3m (prior-year period: EUR 262.1m) and in the first six months EUR 665.9m (prior-year period: EUR 535.2m).

Zalando generated a gross profit of EUR 354.5m in the second quarter of 2015 (prior-year period: EUR 252.8m). The gross margin improved by 2.1 percentage points from 46.3% in the second quarter of 2014 to 48.4% for the comparative quarter in 2015. The main driver behind the margin improvement was a successful in season sell through of the current season articles, therefore with a lower level of discounted sales towards season end and lower allowances for inventories.

(3.) INCOME TAXES

IN EUR M	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Current taxes	3.6	1.6	6.6	1.7
Deferred taxes	-1.8	0.1	1.5	0.1
Total	1.8	1.6	8.1	1.8

(4.) EARNINGS 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)

	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Net income for the period (in EUR m)	23.0	29.0	47.3	0.2
Basic weighted average number of shares (in millions)	246	220	246	220
Total (in EUR)	0.09	0.13	0.19	0.00

The basic earnings per share developed in line with the decrease in the net income for the period from EUR 0.13 to EUR 0.09.

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.

DILUTED EARNINGS PER SHARE (EPS)

	APR 1– JUN 30, 2015	APR 1– JUN 30, 2014	JAN 1– JUN 30, 2015	JAN 1– JUN 30, 2014
Net income for the period (in EUR m)	23.0	29.0	47.3	0.2
Weighted average number of diluted shares (in millions)	253	224	253	224
Total (in EUR)	0.09	0.13	0.19	0.00

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 fulfilled a condition for success are not factored in when calculating the diluted earnings per share.

04.5.3 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(5.) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On May 20, 2015, Zalando acquired a 20.0% stake in Anatwine Ltd., Cheltenham, England. By acquiring these shares Zalando exerts significant influence. The company provides customized software integration services for fashion brands to enable the integration of their merchandise into online market places.

In the second quarter the carrying amount of investments accounted for using the equity method decreased by EUR 0.4m driven by operating losses.

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

The non-current financial assets mainly comprise restricted cash of EUR 12.4m (prior year: EUR 48.3m).

Current financial assets primarily relate to financial assets with an original term of between three and up to twelve months and amount to EUR 110.0m (prior year: EUR 0.0m). These assets are assigned to the IAS 39 category "Loans and receivables" and the carrying amounts of these assets are considered to be reasonable estimates of their fair values because of their short maturity.

(7.) TRADE AND OTHER RECEIVABLES

Zalando constantly strives to offer more customer-friendly payment methods. However, the higher share of invoiced customers compared to the corresponding prior-year period combined with a higher level of fraudulent activity in the market led to increased write downs of trade and other receivables.

In that context, Zalando also reconsidered the assumptions of the valuation for prior periods' trade receivables. In light of new information such portfolios received an additional allowance of EUR 18.5m. This has been recorded as an expense in the second quarter of 2015 in line with IAS 8 as a change in estimates. Those changes in estimates relate predominantly to trade receivables originating from the first quarter of 2015.

(8.) EQUITY

The issued capital of the parent company was increased from the authorized capital by a total of EUR 1.9m to EUR 246.6m as of June 30, 2015. It has been paid in full.

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

AUTHORIZED AND CONDITIONAL CAPITAL

	AMOUNT IN EUR M	NUMBER OF NO-PAR VALUE SHARES	PURPOSE
Authorized capital 2013	3.5	3,502,510	Servicing of subscription rights from COPs and SOP 2011 until October 28, 2018*
Authorized capital 2015	94.7	94,694,847	Cash or non-cash capital increases until June 1, 2020
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*
Conditional capital 2015	73.9	73,889,248	Issue of convertible bonds and/or bonds with warrants until June 1, 2020

*] 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 the 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, March 10, March 24, May 8 and June 2, 2015. The capital increases were entered in the commercial register on March 9, March 13, April 16, May 28 and June 18, 2015.

At the annual general meeting of ZALANDO SE on June 2, 2015 the Management Board was authorized, with the consent of the Supervisory Board, to increase the registered share capital of the company until June 1, 2020 by up to EUR 94.7m (authorized capital 2015). The authorized capital 2014 was cancelled when the authorized capital 2015 became effective.

Furthermore, the annual general meeting has approved the conditional increase of the share capital by up to EUR 73.9m by issuance of up to 73,889,248 no-par value bearer shares (conditional capital 2015). The purpose of conditional capital 2015 is to grant shares to the holders/creditors of convertible bonds and/or bonds with warrants or a combination thereof.

Moreover, the Management Board was authorized by the annual general meeting to repurchase own shares until June 1, 2020 for every permissible purpose, up to a limit of 10% of its registered capital as of the date of the resolution or as of the date on which the authorization is exercised if the latter value is lower.

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



FURTHER INFORMATION
SUCCESSFULL FIRST ANNUAL
GENERAL MEETING P. 11

(9.) TRADE PAYABLES AND SIMILAR LIABILITIES

Trade payables and similar liabilities rose by EUR 77.0m to EUR 569.1m. There are no significant liabilities denominated in foreign currency as of the reporting date. Trade payables and similar liabilities also contain the obligations from reverse factoring agreements of EUR 128.2m (prior year: EUR 90.5m).

(10.) NOTES TO THE STATEMENT OF CASH FLOWS

On aggregate, since the beginning of the year cash and cash equivalents have decreased by EUR 77.4m, resulting in cash and cash equivalents of EUR 973.5m as of June 30, 2015. The main driver behind that development was the investment of funds in term deposits which has more than offset the positive cash inflow from operating activities.

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

The free 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.

04.5.4 OTHER NOTES**INFORMATION ABOUT RELATED PARTIES**

Zalando procures merchandise from a related party. On account of this supply arrangement, Zalando recognized liabilities of EUR 37.3m as of the quarterly reporting date (December 31, 2014: EUR 32.0m). Of this amount, EUR 37.2m (December 31, 2014: EUR 30.2m) is due to a reverse factoring provider due in connection with a reverse factoring agreement between Zalando and a related party. As a result, there were liabilities due to related parties from goods and services transactions in the amount of EUR 0.1m (December 31, 2014: EUR 1.8m). Merchandise of EUR 44.8m was ordered from related parties in the reporting period. In the comparative reporting period, Zalando had ordered merchandise of EUR 34.2m from related parties as defined by IAS 24. The cost of services received came to EUR 0.2m in the quarter (comparative period: EUR 0.5m). 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 IFRS. 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 in all reporting segments of the Zalando group:

SEGMENT REPORTING

IN EUR M	APR 1–JUN 30, 2015		APR 1–JUN 30, 2014	
	REVENUE	EBIT	REVENUE	EBIT
DACH	411.0	11.9	310.3	25.5
Rest of Europe	285.3	9.7	206.1	2.2
Other	36.6	4.1	30.0	3.8
Total	733.0	25.7	546.4	31.5

IN EUR M	JAN 1–JUN 30, 2015		JAN 1–JUN 30, 2015	
	REVENUE	EBIT	REVENUE	EBIT
DACH	758.1	42.1	594.2	22.4
Rest of Europe	550.3	3.4	399.3	-21.4
Other	68.1	5.3	53.6	2.5
Total	1,376.6	50.8	1,047.1	3.6

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, August 10, 2015

The Management Board

David Schneider

Robert Gentz

Rubin Ritter

04.6 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 June 30, 2015, which are part of the half-year financial report pursuant to Sec. 37w 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, August 10, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig
Wirtschaftsprüfer
[German Public Auditor]

Dr. Röders
Wirtschaftsprüfer
[German Public Auditor]

A woman with blonde hair in a braid is looking down at a tablet device. The background is a blurred office setting. The number '05' is prominently displayed in the center of the image.

05

HY 2015
SERVICE

FINANCIAL CALENDAR

November 12, 2015

PUBLICATION OF THE THIRD QUARTER RESULTS 2015

05.1 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 cancellations 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 cancellations 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 cancellations 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 or e-mail.

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 investing activities (without investments in term deposits and restricted cash).

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 and other receivables less trade 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.

05.2 IMPRINT

EDITORIAL TEAM AND CONTACT

ZALANDO SE
Tamara-Danz-Straße 1
10243 Berlin, Germany
corporate.zalando.com

INVESTOR RELATIONS

Birgit Opp
E-mail: investor.relations@zalando.de

CORPORATE COMMUNICATIONS

Milena Ratzel
E-mail: press@zalando.com

CONCEPT, LAYOUT AND DESIGN

IR-One AG & Co., Hamburg
www.ir-1.com

PICTURE CREDITS

ZALANDO Bilderpool, Sonja Gutscherra & Leif Osthoff, Tony Haupt, Till Janz, Lukas Korschan, Alexander Rentsch

Forward looking statements

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>.



ZALANDO SE
Tamara-Danz-Straße 1
10243 Berlin
Germany

