

Half-Year Report 2019



Zalando at a Glance

Key Figures

	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Group key performance indicators				
Site visits (in millions)	986.4	734.3	1,910.3	1,447.8
Mobile visit share (in %)	83.5	78.4	83.0	77.5
Active customers (in millions)	28.3	24.6	28.3	24.6
Number of orders (in millions)	36.1	29.0	67.6	54.4
Average orders per active customer (LTM*)	4.6	4.2	4.6	4.2
Average basket size** (LTM, in EUR)	56.9	58.4	56.9	58.4
Results of operations				
Gross merchandise volume (GMV) (in EUR m)	2,036.0	1,646.3	3,788.8	3,073.2
Revenue (in EUR m)	1,597.3	1,330.0	2,975.5	2,526.0
EBIT (in EUR m)	92.0	87.3	73.6	72.1
EBIT (as % of revenue)	5.8	6.6	2.5	2.9
Adjusted EBIT (in EUR m)	101.7	94.0	108.1	94.4
Adjusted EBIT (as % of revenue)	6.4	7.1	3.6	3.7
EBITDA (in EUR m)	143.3	106.9	167.7	109.6
EBITDA (as % of revenue)	9.0	8.0	5.6	4.3
Adjusted EBITDA (in EUR m)	153.1	113.6	202.3	131.9
Adjusted EBITDA (as % of revenue)	9.6	8.5	6.8	5.2
Financial position				
Net working capital (in EUR m)	-78.6	-84.3***	-78.6	-84.3***
Equity ratio (as % of balance sheet total)	41.5	47.9***	41.5	47.9***
Cash flow from operating activities (in EUR m)	143.2	80.7	84.6	4.7
Cash flow from investing activities (in EUR m)	-56.8	-67.0	-81.1	-93.3
Free cash flow (in EUR m)	86.5	13.7	8.1	-108.5
Capex (in EUR m)	-55.1	-67.0	-97.4	-108.8
Cash and cash equivalents (in EUR m)	954.4	874.7	954.4	874.7
Other				
Employees (as of the reporting date)	13,965	15,619***	13,965	15,619***
Basic earnings per share (in EUR)	0.18	0.21	0.11	0.15
Diluted earnings per share (in EUR)	0.18	0.20	0.11	0.14

pp = percentage points

For an explanation of the performance indicators, please refer to the glossary.

Rounding differences may arise in the percentages and numbers shown in this interim statement.

*) Calculated based on the last twelve months (LTM)

**) The calculation and definition of the average basket size was changed in 2019. It now consists of the GMV divided by the number of orders. In the prior-year period, it was calculated as transactional revenue divided by the number of orders. In the table above, the new definition and calculation method was applied for both the current and prior-year periods. Average basket size as per the prior-year definition is EUR 58.6 per Q2 2019 (Q2 2018: EUR 60.4) and EUR 58.4 per HY1 2019 (HY1 2018: EUR 60.3).

***) As of Dec 31, 2018

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Interim Group Management Report



1.1 Background to the Group

The statements made in the annual report 2018 on the business model, the group structure, the strategy and objectives of the group, the management system, and on research and development and sustainability in the Zalando group still apply at the time this interim report was issued for publication.

1.2 Report on Economic Position

1.2.1 Macroeconomic and Sector-Specific Environment

The internet retail sector is expected to continue to grow faster than the overall retail sector in Europe. In 2018, the internet retail sector grew by 12.8%, notably outperforming the overall retail sector (growth of 2.8%).¹ The fashion space also benefits from this transition to online shopping. European online fashion grew by 11.9% to a total trading volume of EUR 66.7bn in 2018, while the overall fashion retail sector grew by 2.6% to EUR 428.2bn.²

Similar to the European landscape, the German online fashion sector is outperforming overall fashion. According to Textilwirtschaft journal, German fashion trade continued to shrink in the first half of 2019, with sales decreasing 1% compared to the corresponding prior-year period. Unfavorable weather conditions were mentioned as the main reason for the weak trade performance of German fashion in the first half of 2019.³

Nevertheless, online retail keeps its growth momentum. According to the German e-commerce trade association, compared to prior-year period, online retail sales in Germany saw a double-digit increase of 11.3% in the first half of 2019. Online fashion sales grew by 13.8% in this period.⁴

The current positive economic trend in online fashion will continue, and we believe our business model is in a favorable position.

— Technological developments play an important role in shaping the online channel as a favorable shopping channel for customers. The market penetration for internet fashion retail in Europe is forecast to continue to grow at the expense of traditional offline stores.

Online fashion penetration is expected to grow from 15.6% in 2018 to 21.8% in 2023.

Moreover, in Germany, Zalando's home market, the penetration is expected to grow from 19.9% to 24.9%.⁵

— The increased penetration of mobile devices and their extended range of applications has been a key driver for the strong growth in online retail trade, including online fashion. Mobile shopping is on the rise and forecasts for mobile commerce indicate that this trend is likely to continue, with an average annual growth rate of roughly 15.2% expected for the next five years.⁶

¹ Euromonitor, Europe excl. Russia

² Euromonitor, Europe excl. Russia

³ Textilwirtschaft, 2019

⁴ Bevh, 2019

⁵ Euromonitor, Europe excl. Russia

⁶ Euromonitor, Europe excl. Russia

1.2.2 Financial Performance of the Group

In the reporting period, the condensed consolidated income statement for the second quarter of 2019 shows continued strong GMV and revenue growth. We achieved solid profitability, while we continued to push forward our investments in customer experience, brand partner proposition, technology and operations infrastructure.

Condensed Consolidated Income Statement

IN EUR M	Jan 1 – Jun 30, 2019	As % of revenue	Jan 1 – Jun 30, 2018	As % of revenue	Change
Revenue	2,975.5	100.0%	2,526.0	100.0%	0.0pp
Cost of sales	-1,695.7	-57.0%	-1,443.6	-57.1%	0.2pp
Gross profit	1,279.8	43.0%	1,082.4	42.9%	0.2pp
Selling and distribution costs	-1,060.1	-35.6%	-892.1	-35.3%	-0.3pp
Administrative expenses	-148.1	-5.0%	-125.4	-5.0%	0.0pp
Other operating income	9.0	0.3%	9.4	0.4%	-0.1pp
Other operating expenses	-7.1	-0.2%	-2.2	-0.1%	-0.2pp
Earnings before interest and taxes (EBIT)	73.6	2.5%	72.1	2.9%	-0.4pp

Half-Year Other Consolidated Financial Information

IN EUR M	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018	Change
EBIT margin (as % of revenue)	2.5%	2.9%	-0.4pp
Adjusted EBIT	108.1	94.4	13.8
Adjusted EBIT margin (as % of revenue)	3.6%	3.7%	-0.1pp
EBITDA	167.7	109.6	58.1
Adjusted EBITDA	202.3	131.9	70.4

Condensed Second Quarter Consolidated Income Statement

IN EUR M	Apr 1 – Jun 30, 2019	As % of revenue	Apr 1 – Jun 30, 2018	As % of revenue	Change
Revenue	1,597.3	100.0%	1,330.0	100.0%	0.0pp
Cost of sales	-866.9	-54.3%	-721.7	-54.3%	0.0pp
Gross profit	730.4	45.7%	608.4	45.7%	0.0pp
Selling and distribution costs	-567.2	-35.5%	-462.4	-34.8%	-0.7pp
Administrative expenses	-70.3	-4.4%	-64.4	-4.8%	0.4pp
Other operating income	3.8	0.2%	6.7	0.5%	-0.3pp
Other operating expenses	-4.6	-0.3%	-1.0	-0.1%	-0.2pp
Earnings before interest and taxes (EBIT)	92.0	5.8%	87.3	6.6%	-0.8pp

Second Quarter Other Consolidated Financial Information

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Change
EBIT margin (as % of revenue)	5.8%	6.6%	-0.8pp
Adjusted EBIT	101.7	94.0	7.8
Adjusted EBIT margin (as % of revenue)	6.4%	7.1%	-0.7pp
EBITDA	143.3	106.9	36.4
Adjusted EBITDA	153.1	113.6	39.5

1.2 REPORT ON ECONOMIC POSITION

Key Performance Indicators

KEY PERFORMANCE INDICATORS	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Change	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018	Change
Site visits (in millions)	986.4	734.3	34.3%	1,910.3	1,447.8	31.9%
Mobile visit share (as % of site visits)	83.5	78.4	5.2pp	83.0	77.5	5.5pp
Active customers (in millions)	28.3	24.6	15.2%	28.3	24.6	15.2%
Number of orders (in millions)	36.1	29.0	24.7%	67.6	54.4	24.2%
Average orders per active customer (LTM*)	4.6	4.2	9.2%	4.6	4.2	9.2%
Average basket size** (LTM, in EUR)	56.9	58.4	-2.6%	56.9	58.4	-2.6%
Gross merchandise volume (GMV) (in EUR m)	2,036.0	1,646.3	23.7%	3,788.8	3,073.2	23.3%
Revenue (in EUR m)	1,597.3	1,330.0	20.1%	2,975.5	2,526.0	17.8%
EBIT (in EUR m)	92.0	87.3	5.4%	73.6	72.1	2.1%
EBIT margin (as % of revenue)	5.8	6.6	-0.8pp	2.5	2.9	-0.4pp
Adjusted EBIT (in EUR m)	101.7	94.0	8.3%	108.1	94.4	14.6%
Adjusted EBIT (as % of revenue)	6.4	7.1	-0.7pp	3.6	3.7	-0.1pp
EBITDA (in EUR m)	143.3	106.9	34.1%	167.7	109.6	53.0%
Adjusted EBITDA (in EUR m)	153.1	113.6	34.8%	202.3	131.9	53.3%
Net working capital (in EUR m)	-78.6	-84.3***	5.7	-78.6	-84.3***	5.7
Operating cash flow (in EUR m)	143.2	80.7	77.5%	84.6	4.7	>100.0%
Capex (in EUR m)	-55.1	-67.0	-17.7%	-97.4	-108.8	-10.4%
Free cash flow (in EUR m)	86.5	13.7	>100.0%	8.1	-108.5	<-100.0%

pp = percentage points

For an explanation of the performance indicators, please refer to the glossary.

Rounding differences may arise in the percentages and numbers shown in this interim statement.

*) Calculated based on the last twelve months (LTM)

**) The calculation and definition of the average basket size was changed in 2019. It now consists of the GMV divided by the number of orders. In the prior-year period, it was calculated as transactional revenue divided by the number of orders. In the table above, the new definition and calculation method was applied for both the current and prior-year periods. Average basket size as per the prior-year definition is EUR 58.6 per Q2 2019 (Q2 2018: EUR 60.4) and EUR 58.4 per HY1 2019 (HY1 2018: EUR 60.3).

***) As of Dec 31, 2018

Zalando's most important key performance indicators are revenue, EBIT, adjusted EBIT, capex, the number of active customers and the average number of orders per active customer. Since 2019, GMV is also part of the most important key performance indicators, due to its increased relevance for the steering of the business.

Development of GMV and Revenue

In Q2 2019, GMV increased by EUR 389.7m compared to the prior-year period to EUR 2,036.0m.

This corresponds to year-on-year GMV growth of 23.7 %. The increase in GMV is driven by a larger customer base as well as an increase in average orders per active customer. As of June 30, 2019, the group had 28.3 million active customers compared to 24.6 million active customers as of June 30, 2018.

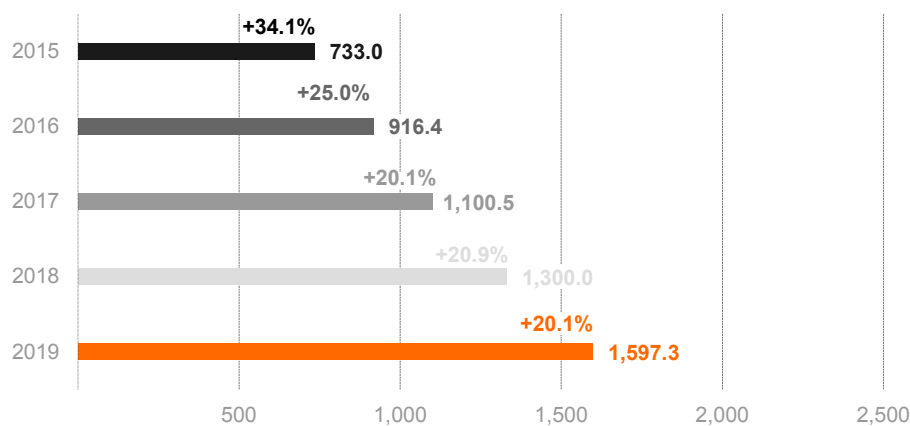
This corresponds to an increase of 15.2 %. The larger customer base ordered more frequently than in the corresponding prior-year period with the average number of orders per active customer rising by 9.2%, triggered also by an increasing use of mobile devices. The strong growth of our Partner Program and as such more attractive assortment, led to an increased Partner Program share in GMV and also contributed to the increase in GMV.

Revenue increased by EUR 267.3m from EUR 1,330.0m to EUR 1,597.3m compared to the prior-year period. This corresponds to year-on-year revenue growth of 20.1%.

The increase in GMV was higher than the increase in revenue. This is the result of the strong growth of the Partner Program, as this is fully reflected in the GMV metric while revenue only includes the commission income and service fees from partners.

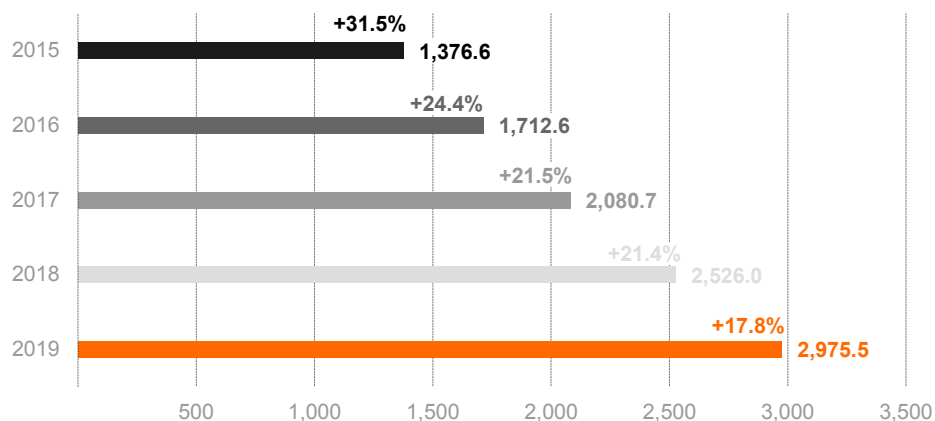
Second Quarter Revenue 2015 – 2019

IN EUR M



Half-Year Revenue 2015 – 2019

IN EUR M



In the first six months of 2019, revenue rose by 17.8% to EUR 2,975.5m (prior year: EUR 2,526.0m) compared to the corresponding prior-year period, while GMV increased by 23.3 % to EUR 3,788.8m (prior year: EUR 3,073.2m), driven by the aforementioned factors.

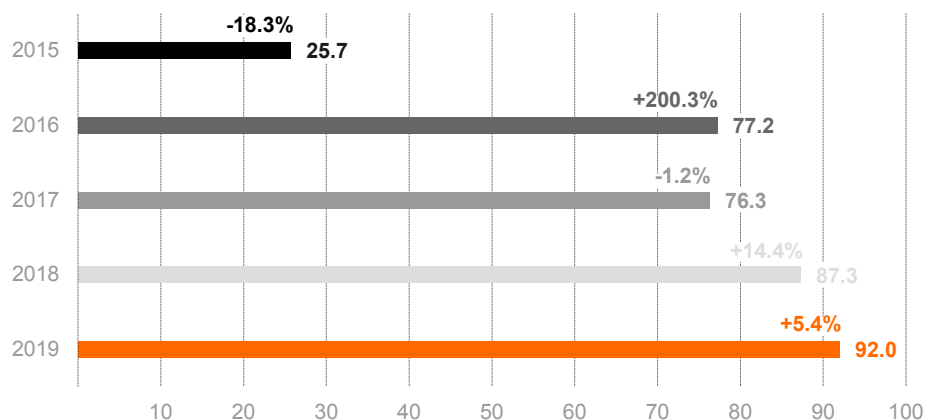
Development of EBIT

The group recorded EBIT of EUR 92.0m in the second quarter of 2019 (prior year: EUR 87.3m).

The decrease in the EBIT margin of 0.8 percentage points to 5.8% (prior year: 6.6%) was mainly driven by selling and distribution costs. Selling and distribution costs consist of fulfillment and marketing costs. A higher marketing cost ratio (increased by 1.7 percentage points) was partially offset by an improved fulfillment cost ratio which decreased by 1.0 percentage points.

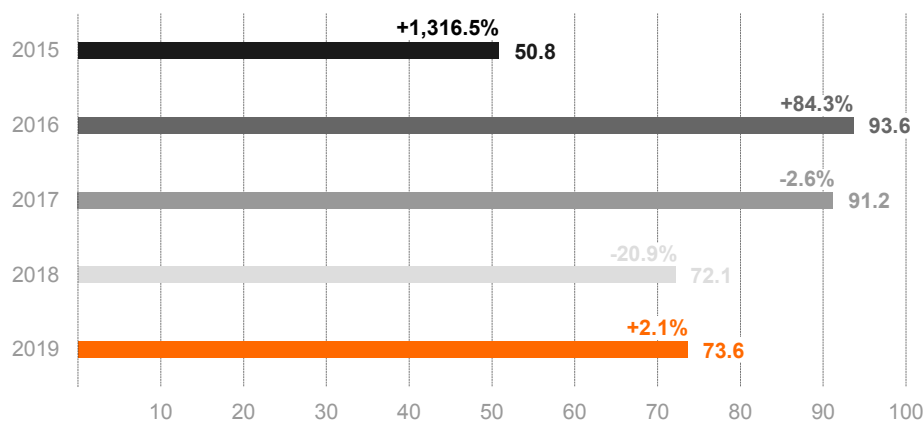
Second Quarter EBIT 2015 – 2019

IN EUR M



Half-Year EBIT 2015 – 2019

IN EUR M



In Q2 2019, cost of sales rose by 20.1% from EUR 721.7m to EUR 866.9m resulting in an unchanged gross margin of 45.7% (prior year: 45.7%).

Selling and distribution costs rose by 22.7% from EUR 462.4m to EUR 567.2m. This corresponds to an increase in proportion to revenue of 0.7 percentage points from 34.8% to 35.5%. Selling and distribution costs consist of fulfillment and marketing costs.

The fulfillment costs as in proportion to revenue decreased in the second quarter of 2019 by 1.0 percentage points in comparison to the prior-year period. The decrease in the fulfillment cost ratio is primarily attributable to lower logistic costs, driven by both favourable assortment mix and overall higher warehouse efficiency in Q2 2019.

The marketing cost ratio increased by 1.7 percentage points to 8.2% compared to the prior-year period resulting primarily from a higher spend for personalized and brand marketing. Overall, Zalando shifted savings in fulfillment costs to marketing spending in Q2 2019 and thus increased its investment in new customer acquisition.

Compared to the prior-year period, administrative expenses increased by EUR 6.0m from EUR 64.4m to EUR 70.3m in Q2 2019, implying a decrease of 0.4 percentage points in proportion to revenue. The decrease in the administrative cost ratio is driven by a lower increase in personnel costs in proportion to the increase in revenue.

The development in the first six months of 2019 can be summarized as follows: the EBIT margin as a percentage of revenue decreased by 0.4 percentage points from 2.9% in the first half of 2018 to 2.5% in the first half of 2019. The gross margin increased slightly by 0.2 percentage points to 43.0%. As a percentage of revenue, the selling and distribution costs increased by 0.3 percentage points from 35.3% in the first half of 2018 to 35.6% in the first half of 2019. This development is mainly driven by marketing and fulfillment costs. The marketing cost ratio increased by 0.6 percentage points to 7.6% in the first half of 2019 resulting primarily from a bigger spend on personalized and brand marketing while

fulfillment costs as a percentage of revenue decreased (down 0.3 percentage points) due to both favourable assortment mix and overall higher warehouse efficiency. At the same time Zalando continues to build its European logistics network and to invest in the customer and brand proposition.

Adjusted EBIT

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, restructuring costs and non-operating one-time effects.

In the second quarter of 2019, Zalando generated an adjusted EBIT of EUR 101.7m (prior year: EUR 94.0m), which translates into an adjusted EBIT margin of 6.4% (prior year: 7.1%). The development of adjusted EBIT and the adjusted EBIT margin stems from the aforementioned drivers of unadjusted EBIT as well as increased expenses from equity-settled share-based payments, mainly resulting from the grant of options under the new Management Board programs LTI 2018 and LTI 2019.

EBIT includes the following expenses from equity-settled share-based payments. More information can be found in the notes to the annual financial statements 2018 (section 3.5.7 (20.)) and in section 2.5.3 (6.) of this report.

Share-Based Compensation Expenses per Functional Area

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Change	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018	Change
Expenses for equity-settled share-based payments	9.7	6.7	3.1	21.5	11.4	10.1
Cost of sales	0.7	0.9	-0.3	1.5	1.6	-0.1
Selling and distribution costs	1.8	2.4	-0.6	3.8	3.7	0.1
thereof marketing costs	0.4	0.4	0.1	0.9	0.6	0.3
thereof fulfillment costs	1.4	2.0	-0.6	2.9	3.1	-0.2
Administrative expenses	7.3	3.4	3.9	16.2	6.1	10.1

In the first six months of 2019, EBIT included restructuring costs of EUR 13.1m incurred in connection with the reorganization of the private label business in Q1 2019 (thereof EUR 10.3m in cost of sales, EUR 2.4m in administrative expenses, and EUR 0.4m in marketing costs). These costs are also adjusted for in the calculation of adjusted EBIT. In the first six months of 2018, EBIT contained restructuring costs of EUR 10.9m that were incurred mainly in connection with the implementation of a new setup for the Marketing department.

1.2.3 Results by Segment

The condensed segment results for the second quarter of 2019 show a strong improvement in revenue for the Fashion Store and Offprice segments and a significant decrease in revenue in all other segments. While EBIT increased in the Fashion Store segment, it decreased in the Offprice and all other segments compared to the prior-year period.

Segment Development for the Quarter

Segment Results of the Group Q2 2019

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	1,478.1	155.7	45.2	1,679.0	-81.7	1,597.3
thereof intersegment revenue	67.7	0.0	14.0	81.7	-81.7	0.0
Earnings before interest and taxes (EBIT)	95.3	5.9	-9.4	91.9	0.1	92.0
Adjusted EBIT	103.6	6.9	-8.9	101.6	0.1	101.7

Segment Results of the Group Q2 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	1,233.4	114.6	100.8	1,448.7	-118.7	1,330.0
thereof intersegment revenue	40.4	0.0	78.3	118.7	-118.7	0.0
Earnings before interest and taxes (EBIT)	86.6	7.1	-8.1	85.6	1.7	87.3
Adjusted EBIT	92.2	7.5	-7.5	92.2	1.7	94.0

Financial information for the Fashion Store segment, including intersegment transactions, breaks down into the regions DACH and Rest of Europe as follows:

Fashion Store Results by Region Q2 2019

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	732.0	746.1	1,478.1
thereof intersegment revenue	34.5	33.2	67.7
Earnings before interest and taxes (EBIT)	63.4	32.0	95.3
Adjusted EBIT	67.5	36.1	103.6

Fashion Store Results by Region Q2 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	625.8	607.6	1,233.4
thereof intersegment revenue	21.3	19.1	40.4
Earnings before interest and taxes (EBIT)	57.0	29.5	86.6
Adjusted EBIT	60.0	32.2	92.2

In Q2 2019, revenue in the Fashion Store segment grew by 19.8%, in the Offprice segment by 35.9% and decreased by 55.2% in all other segments, compared to the prior-year period. The Fashion Store segment continued to generate the highest absolute level of revenue, although the Offprice segment shows the highest percentage increase in revenue. The revenue increase in the Fashion Store is mainly due to a strong growth in active customers and average orders per active customer. The revenue increase in the Offprice segment is mainly due to Zalando Lounge's good performance in Germany and the growth in its younger markets Poland and Spain. The decrease in revenue in all other segments is caused by the reorganization of the private label business in Q1 2019. The private label business was restructured and under a new setup integrated into the Fashion Store segment from Q2 2019 onwards.

The Fashion Store segment showed good profitability with an EBIT margin of 6.5% in Q2 2019, that is a slight decrease of 0.6 percentage points compared to the prior-year period. The Offprice segment recorded EBIT of EUR 5.9m with the EBIT margin decreasing from a high 6.2% in the prior-year period to 3.8% in Q2 2019, mainly caused by higher fulfillment costs and administrative expenses. All other segments recorded a total decrease of 12.8 percentage points, resulting in an EBIT margin of -20.9% in the second quarter of 2019, mainly caused by the shift of the private label business to the Fashion Store segment, partly compensated by savings in our emerging businesses. In Q1 2019 restructuring cost incurred in connection with the reorganization of the private label business of EUR 13.1m were recorded in all other segments.

Segment Development for the First Six Months

Segment Results of the Group Half-Year 2019

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	2,746.6	292.5	147.8	3,186.9	-211.4	2,975.5
thereof intersegment revenue	124.2	0.0	87.2	211.4	-211.4	0.0
Earnings before interest and taxes (EBIT)	94.4	8.6	-30.0	73.1	0.6	73.6
Adjusted EBIT	112.0	10.7	-15.1	107.6	0.6	108.1

Segment Results of the Group Half-Year 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	2,327.3	235.0	200.6	2,762.9	-236.8	2,526.0
thereof intersegment revenue	80.8	0.0	156.0	236.8	-236.8	0.0
Earnings before interest and taxes (EBIT)	72.5	15.2	-17.6	70.0	2.1	72.1
Adjusted EBIT	92.0	16.0	-15.8	92.3	2.1	94.4

Fashion Store Results by Region Half-Year 2019

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,353.7	1,392.9	2,746.6
thereof intersegment revenue	62.8	61.4	124.2
Earnings before interest and taxes (EBIT)	85.0	9.4	94.4
Adjusted EBIT	93.8	18.2	112.0

Fashion Store Results by Region Half-Year 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,177.8	1,149.5	2,327.3
thereof intersegment revenue	42.2	38.6	80.8
Earnings before interest and taxes (EBIT)	67.1	5.3	72.5
Adjusted EBIT	76.7	15.4	92.0

In the Fashion Store segment, revenue rose by 18.0% in the first six months of 2019 compared to the corresponding prior-year period, and as such the Fashion Store continues to be the strongest segment in terms of absolute revenue. In the Offprice segment, revenue grew by 24.5% while in all other segments total revenue growth declined by 26.3% for the aforementioned reasons.

The EBIT margin in the Fashion Store segment increased slightly by 0.3 percentage points from 3.1% in the first six months of 2018 to 3.4% in the first six months of 2019. This improvement mainly resulted from a higher gross margin, partly compensated by a higher marketing cost ratio. The Offprice segment recorded an EBIT margin of 3.0%. The decrease from a high level of 6.5% in the prior-year period is mainly attributable to higher fulfillment costs caused by entry into new markets and the ramp-up of a new fulfillment center. The EBIT margin in all other segments decreased by 11.5 percentage points to -20.3% in the first six months of 2019 in comparison to the first six months of 2018 mainly driven by the shift of the private label business to the Fashion Store segment, and partly compensated by savings in our emerging businesses.

Adjusted EBIT

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

Share-Based Compensation Expenses per Segment

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Change	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018	Change
Expenses for equity-settled share-based payment	9.7	6.7	3.1	21.5	11.4	10.1
Fashion Store	8.3	5.7	2.6	17.6	9.6	8.0
Offprice	1.0	0.4	0.5	2.1	0.7	1.4
All other segments	0.5	0.6	-0.1	1.8	1.1	0.7

EBIT furthermore includes the above-mentioned restructuring incurred in connection with the reorganization of the private label business in Q1 2019 with EUR 13.1m in all other segments. In the prior-year period, EBIT contained restructuring costs of EUR 10.0m in the Fashion Store segment, EUR 0.1m in the Offprice segment and EUR 0.8m in all other segments.

The Fashion Store segment generated an adjusted EBIT margin of 7.0% in the second quarter of 2019, which translates into a decrease of 0.5 percentage points when compared to the prior-year period. The Offprice segment recorded an adjusted EBIT margin of 4.4%, a decline of 2.1 percentage points in the adjusted EBIT margin compared to the prior-year period. All other segments generated an adjusted EBIT margin of -19.7% in the second quarter of 2019, representing a decrease of 12.3 percentage points. The development in adjusted EBIT and adjusted EBIT margin resulted almost exclusively from the drivers described for unadjusted EBIT above.

1.2.4 Cash Flows

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	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Cash flow from operating activities	143.2	80.7	84.6	4.7
Cash flow from investing activities	-56.8	-67.0	-81.1	-93.3
Cash flow from financing activities	-3.5	-64.7	-46.1	-98.3
Change in cash and cash equivalents	82.9	-51.0	-42.6	-186.9
Exchange-rate related and other changes in cash and cash equivalents	1.6	-1.9	2.0	-3.1
Cash and cash equivalents at the beginning of the period	869.8	927.7	995.0	1,064.7
Cash and cash equivalents as of June 30	954.4	874.7	954.4	874.7

In the second quarter of 2019, Zalando generated a positive cash flow from operating activities of EUR 143.2m (prior-year period: EUR 80.7m). The increase compared to the prior-year period of EUR 62.6m was mainly due to the development in working capital, which decreased in Q2 2019, but increased in the prior-year period. This was partly offset by the opposite development of VAT balances. The cash flow from operating activities furthermore includes the effect from the partial reclassification of lease payments. According to the new accounting standard on leases (IFRS 16), cash payments for lease contracts are included in the cash flow from financing activities with the amount used for the repayment of the principal portion of lease liabilities (Q2 2019: EUR 12.8m) and in the cash flow from operating activities with the interest portion on lease liabilities (Q2 2019: EUR 2.9m). In prior periods, lease payments were entirely included in the cash flow from operating activities.

The cash flow from investing activities is mainly impacted by capex, being the sum of the payments for investments in fixed and intangible assets excluding payments for acquisitions, amounting to EUR 55.1m (prior-year period: EUR 67.0m). Capex mainly included investments in the logistics infrastructure of EUR 36.2m, relating primarily to the fulfillment centers in Verona (Nogarole Rocca), Lodz (Gluchow), and Olsztyniek as well as investments in internally developed software of EUR 14.6m.

As a result, free cash flow increased by EUR 72.8m from EUR 13.7m in the prior-year period to EUR 86.5m in the second quarter of 2019.

Cash flow from financing activities includes payments received from capital increases amounting to EUR 9.9m (prior-year period: EUR 2.9m). Furthermore, it includes cash outflows for the repayment of the principal portion of lease liabilities (EUR 12.8m). In the prior-year period, all lease payments were included in the cash flow from operating activities (see above). There were no repurchases of treasury shares in Q2 2019, whereas Q2 2018 contained such repurchases of EUR 66.9m.

Aggregate cash and cash equivalents increased by EUR 84.5m in the second quarter, resulting in Zalando carrying cash and cash equivalents of EUR 954.4m as of June 30, 2019.

1.2.5 Financial Position

The group's financial position is shown in the following condensed statement of financial position.

Assets

IN EUR M	Jun 30, 2019		Dec 31, 2018		Change	
Non-current assets	1,289.6	34.1%	760.2	23.5%	529.4	69.6%
Current assets	2,497.5	65.9%	2,473.5	76.5%	24.0	1.0%
Total assets	3,787.2	100.0%	3,233.7	100.0%	553.4	17.1%

Equity and Liabilities

IN EUR M	Jun 30, 2019		Dec 31, 2018		Change	
Equity	1,570.3	41.5%	1,549.1	47.9%	21.2	1.4%
Non-current liabilities	498.6	13.2%	70.9	2.2%	427.7	603.0%
Current liabilities	1,718.3	45.4%	1,613.7	49.9%	104.6	6.5%
Total equity and liabilities	3,787.2	100.0%	3,233.7	100.0%	553.4	17.1%

Compared to December 31, 2018, Zalando's total assets increased by EUR 553.4m. The statement of financial position is dominated by non-current assets, working capital, cash and cash equivalents as well as equity. The accounting treatment for leases was changed in 2019 according to the new accounting standard for leases (IFRS 16). This had a major impact on the statement of financial position, resulting in a carrying amount of a right-of-use asset of EUR 477.5m and a total lease liability (current and non-current) of EUR 494.6m as of the end of Q2 2019. More information can be found in the condensed notes to the consolidated financial statements (section 2.5.1). Right-of-use assets mainly relate to lease contracts for fulfillment centers and office buildings.

In the first six months of 2019, additions to property, plant and equipment totaled EUR 50.3m (prior year: EUR 100.2m), mainly relating to the fulfillment centers in Verona (Nogarole Rocca), Olsztynek, and Lodz (Gluchow).

Inventories mainly comprise goods required for Zalando's wholesale business. The EUR 43.4m increase in inventories to EUR 862.9m reflects the overall increase in business volume, partly compensated by the strong sale of spring/summer 2019 collection items.

In the first half of 2019, equity increased from EUR 1,549.1m to EUR 1,570.3m. The EUR 21.2m increase primarily stems from the positive net income in the period, from exercise price payments received for employee stock options, partly offset by repurchases of treasury shares. In the reporting period, the equity ratio decreased from 47.9% at the beginning of the year to 41.5% as of June 30, 2019, due to an increase in the balance sheet totals mainly resulting from the first time application of IFRS 16.

Lease liabilities have a carrying amount of EUR 494.6m as of June 30, 2019, thereof EUR 433.0m non-current, and EUR 61.6m current. They represent the discounted financial obligations resulting from lease contracts as per IFRS 16.

Current liabilities increased by EUR 104.6m in the reporting period. Besides the effect from the initial recognition of current lease liabilities, this increase is mainly attributable to trade payables, which increased by EUR 44.4m, mainly due to the season switch. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 368.8m as of June 30, 2019 were transferred to various factoring providers (December 31, 2018: EUR 374.6m). These items were recognized in the statement of financial position under trade payables and similar liabilities.

Net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, slightly increased from EUR -84.3m as of December 31, 2018 to EUR -78.6m as of June 30, 2019 and is thus overall in-line with the comparative period.

Overall Assessment

The Management Board views the business development in the first two quarters of 2019 as positive. The Zalando group increased its GMV and revenue in line with management expectations and captured additional market share. As anticipated, EBIT margin decreased slightly, driven by the investments in customer proposition. Overall, Zalando can look back on a successful first half of 2019.

1.2.6 Employees

The headcount decreased by 1,654 to 13,965 employees as of June 30, 2019, compared to 15,619 employees as of December 31, 2018. The strong decrease was primarily driven by the falling headcount in the operations department due to outsourcing the operation of the fulfillment center in Brieselang.

1.3 Subsequent Events

No significant events occurred subsequent to the reporting date which could materially affect the presentation of the financial performance and position of the group.

1.4 Risk and Opportunity Report

There are no discernible risks that could jeopardize Zalando's ability to continue as a going concern. Compared to the risk and opportunity report contained in the 2018 annual report, the following significant changes within the top risk and significant risk area occurred.

Compared to the assessment in the 2018 annual report, one top risk "Limited Capacities at Logistic Service Providers" is no longer regarded as a top risk for Zalando, as the further diversification of last mile service providers, an increase in the number of shipping bags and improved logistics forecasting led to a reduced impact assessment over the one-year evaluation period.

1.5 Outlook

1.5.1 Future Macroeconomic and Industry-Specific Situation

According to the European Commission's forecast, GDP is expected to grow by 1.4% in the EU this year and 1.2% in the Euro Area. As global trade and growth are expected to remain weak, economic growth in Europe will rely entirely on domestic activity. Growth in employment, rising wages, muted inflation, favorable financing conditions and supportive fiscal measures in some Member States, are among the top factors expected to keep domestic demand high. Supported by easing global financial conditions and policy stimulus in some emerging economies, adverse domestic factors are expected to fade and economic activity outside the EU is expected to rebound in 2020.⁷ In Germany, the interim GDP growth forecast for 2019 has been revised down from 1.1% to 0.5%. However, assuming a gradual recovery in foreign trade later this year and considerable expansion in private consumption, helped by fiscal expansion and growing incomes, GDP is expected to strengthen to 1.5% in 2020.⁸

European online retail is expected to see continued growth with growth year-on-year of 10.4% expected in 2019, while the European retail industry is expected to achieve 1.6% growth. The picture in Germany is slightly higher in the retail industry, with a growth rate of roughly 2.2% in 2019, whereas online retail is expected to increase by 8.8%.⁹ Similarly, fashion sales in Europe are expected to stagnate (growth of 1.2% compared to the prior year) and fashion sales in Germany are expected to grow with 0.3%. In contrast, online fashion sales in Europe are expected to increase by approximately 9.8% in 2019, while predictions for Germany anticipate that the market will grow by 5.1% compared to prior-year.¹⁰

With the development of e-commerce models and the increasing openness of consumers to online shopping, Zalando expects the online fashion share to continue to grow strongly in 2019. Due to its wide brand awareness among European consumers, large customer base, strong supplier relationships, and infrastructure footprint, as well as its fashion and mobile technology capacity, Zalando is convinced that it is well-positioned to benefit from these favorable market conditions for online sales.

1.5.2 Guidance

There are changes compared to the guidance for 2019 contained in the 2018 annual report.

Following a strong first half of 2019, Zalando raises its profitability outlook to the upper half of the adjusted EBIT range of EUR 175-225m (previously: in the EUR 175-225m range) (to the upper half of the EBIT range of EUR 115-165m). The company confirms its full-year guidance of GMV growth of 20% to 25% and now expects revenue growth around the low end (previously: at the low end) of this range.

Zalando confirms its expected capital expenditure of around EUR 300m.

⁷ European Commission, European Economic Forecast Spring 2019

⁸ European Commission, European Economic Forecast Spring 2019, Germany

⁹ Euromonitor, Europe excl. Russia

¹⁰ Euromonitor, Europe excl. Russia

1.5.3 Overall Assessment by the Management Board of ZALANDO SE

Overall, the financial performance and position show that at the time of preparing the half-year report of the fiscal year 2019, the economic condition of the group remains good.

Berlin, July 30, 2019

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

James Freeman II

David Schröder

Interim Consolidated Financial Statements



2.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2.1 Consolidated Statement of Comprehensive Income

Consolidated Income Statement*

IN EUR M	Notes	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Revenue	(1.)	1,597.3	1,330.0	2,975.5	2,526.0
Cost of sales	(2.)	-866.9	-721.7	-1,695.7	-1,443.6
Gross profit		730.4	608.4	1,279.8	1,082.4
Selling and distribution costs		-567.2	-462.4	-1,060.1	-892.1
Administrative expenses		-70.3	-64.4	-148.1	-125.4
Other operating income		3.8	6.7	9.0	9.4
Other operating expenses		-4.6	-1.0	-7.1	-2.2
Earnings before interest and taxes (EBIT)		92.0	87.3	73.6	72.1
Interest and similar income		3.0	1.0	5.4	2.3
Interest and similar expenses		-6.8	-3.3	-13.0	-6.8
Result of investments accounted for using the equity method		-2.7	0.0	-3.4	0.0
Other financial result		0.9	1.7	2.4	0.4
Financial result		-5.7	-0.6	-8.5	-4.0
Earnings before taxes (EBT)		86.3	86.7	65.1	68.1
Income taxes	(3.)	-40.8	-34.9	-37.2	-31.4
Net income for the period		45.5	51.8	27.9	36.7
Thereof net income attributable to the shareholders of ZALANDO SE		45.5	51.9	27.9	36.9
Thereof net income attributable to non-controlling interests		0.0	-0.1	0.0	-0.2
Net income for the period as a percentage of revenue		2.8%	3.9%	0.9%	1.5%
Basic earnings per share (in EUR)	(4.)	0.18	0.21	0.11	0.15
Diluted earnings per share (in EUR)	(4.)	0.18	0.20	0.11	0.14

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

2.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Net income for the period	45.5	51.8	27.9	36.7
Items recycled to profit or loss in subsequent periods				
Effective portion of gains / losses from cash flow hedges, net of tax	5.5	-0.9	-7.7	0.6
Exchange differences on translation of foreign financial statements	2.1	-2.3	1.6	-3.1
Other comprehensive income	7.7	-3.2	-6.0	-2.5
Total comprehensive income	53.2	48.6	21.8	34.3
Thereof total comprehensive income attributable to the shareholders of ZALANDO SE	53.2	48.7	21.9	34.4
Thereof total comprehensive income attributable to non-controlling interests	0.0	-0.1	0.0	-0.2

2.2 Consolidated Statement of Financial Position

Consolidated Statement of Financial Position – Assets*

IN EUR M	Notes	Jun 30, 2019	Dec 31, 2018
Non-current assets			
Intangible assets		181.5	189.1
Property, plant and equipment		599.3	546.4
Financial assets		13.8	13.7
Right-of-use assets		477.5	n.a.
Deferred tax assets		2.9	2.3
Non-financial assets		13.0	3.8
Investments accounted for using the equity method		1.6	5.0
		1,289.6	760.2
Current assets			
Inventories		862.9	819.5
Prepayments		0.2	13.2
Trade and other receivables		401.8	395.1
Other financial assets		41.7	59.3
Other non-financial assets		236.4	191.4
Cash and cash equivalents		954.4	995.0
		2,497.5	2,473.5
Total assets		3,787.2	3,233.7

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

2.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position – Equity and Liabilities*

IN EUR M	Notes	Jun 30, 2019	Dec 31, 2018
Equity			
Issued capital		247.5	247.9
Capital reserves		1,155.3	1,155.6
Other reserves		-11.0	-4.9
Retained earnings		178.6	150.7
Equity of shareholders of ZALANDO SE		1,570.4	1,549.2
Non-controlling interest		-0.2	-0.1
	(5.)	1,570.3	1,549.1
Non-current liabilities			
Provisions		34.3	34.0
Lease liabilities		433.0	n.a.
Borrowings		4.1	5.6
Other financial liabilities		7.3	2.4
Other non-financial liabilities		1.2	5.5
Deferred tax liabilities		18.7	23.5
		498.6	70.9
Current liabilities			
Provisions		0.2	0.1
Lease liabilities		61.6	n.a.
Borrowings		3.1	2.8
Trade payables and similar liabilities	(7.)	1,343.4	1,298.9
Prepayments received	(7.)	36.7	36.1
Income tax liabilities		12.8	27.7
Other financial liabilities		119.8	104.6
Other non-financial liabilities		140.7	143.5
		1,718.3	1,613.7
Total equity and liabilities		3,787.2	3,233.7

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

2.3 Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity 2019

IN EUR M	Notes	Issued capital	Capital reserves
As of Jan 1, 2019		247.9	1,155.6
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	(5.)	1.0	15.5
Repurchase of treasury shares	(5.)	-1.4	-37.3
Share-based payments		0.0	21.5
Effects from acquisitions of subsidiaries with non-controlling interest		0.0	0.0
As of June 30, 2019		247.5	1,155.3

Consolidated Statement of Changes in Equity 2018

IN EUR M	Notes	Issued capital	Capital reserves
As of Jan 1, 2018		247.2	1,181.6
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	(5.)	1.1	5.1
Repurchase of treasury shares	(5.)	-2.2	-97.8
Share-based payments		0.0	11.4
Effects from acquisitions of subsidiaries with non-controlling interest		0.0	0.0
As of June 30, 2018		246.0	1,100.2

2.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Other reserves		Retained earnings	Shareholders of ZALANDO SE	Non-controlling interest	Total
Cash flow hedges	Currency translation				
-5.0	0.1	150.7	1,549.2	-0.2	1,549.1
0.0	0.0	27.9	27.9	0.0	27.9
-7.7	1.6	0.0	-6.0	0.0	-6.0
-7.7	1.6	27.9	21.9	0.0	21.8
0.0	0.0	0.0	16.6	0.0	16.6
0.0	0.0	0.0	-38.8	0.0	-38.8
0.0	0.0	0.0	21.5	0.0	21.5
0.0	0.0	0.0	0.0	0.0	0.0
-12.7	1.8	178.6	1,570.4	-0.2	1,570.3

Other reserves		Retained earnings	Shareholders of ZALANDO SE	Non-controlling interest	Total
Cash flow hedges	Currency translation				
7.6	1.2	100.7	1,538.2	-0.1	1,538.1
0.0	0.0	36.9	36.9	-0.2	36.7
0.6	-3.1	0.0	-2.4	0.0	-2.4
0.6	-3.1	36.9	34.4	-0.2	34.3
0.0	0.0	0.0	6.2	0.0	6.2
0.0	0.0	0.0	-100.1	0.0	-100.1
0.0	0.0	0.0	11.4	0.0	11.4
0.0	0.0	0.0	0.0	0.1	0.1
8.2	-1.9	137.6	1,490.1	-0.2	1,489.9

2.4 Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows*

IN EUR M	Notes	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
1.	Net income for the period	45.5	51.8	27.9	36.7
2. +	Non-cash expenses from share-based payments	9.7	6.7	21.5	11.4
3. +	Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	51.3	19.6	94.1	37.5
4. +	Income taxes	(3.) 40.8	34.9	37.2	31.4
5. -	Income taxes paid, less refunds	-40.5	-10.3	-53.8	-20.7
6. +/-	Increase/decrease in provisions	0.2	0.0	0.4	0.1
7. -/+	Other non-cash income/expenses	6.2	-0.4	6.5	0.6
8. +/-	Decrease/increase in inventories	122.5	77.8	-43.4	-34.4
9. +/-	Decrease/increase in trade and other receivables	-25.3	-16.1	-6.8	-32.1
10. +/-	Increase/decrease in trade payables and similar liabilities	(7.) -41.8	-117.8	33.1	-25.5
11. -/+	Increase/decrease in other assets/liabilities	-25.4	34.6	-32.1	-0.2
12. =	Cash flow from operating activities	(8.) 143.2	80.7	84.6	4.7
13. +	Proceeds from disposal of non-current assets	0.0	0.0	22.5	0.0
14. -	Cash paid for investments in property, plant and equipment	-38.3	-55.9	-66.9	-85.1
15. -	Cash paid for investments in intangible assets	-16.8	-11.1	-30.5	-23.6
16. -	Cash paid for acquisition of shares in associated companies and acquisition of companies and prepayments for such acquisitions	-1.7	0.0	-1.7	-4.5
17. +/-	Cash received from/paid for investments in term deposits	0.0	0.0	-5.0	20.0
18. +/-	Change in restricted cash	0.0	0.0	0.4	0.0
19. =	Cash flow from investing activities	(8.) -56.8	-67.0	-81.1	-93.3

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows*

IN EUR M	Notes	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
20. +	Cash received from capital increases by the shareholders less transaction costs	9.9	2.9	16.6	2.9
21. -	Repurchase of treasury shares	0.0	-66.9	-38.8	-100.1
22. -	Cash repayments of loans	-0.7	-0.7	-1.1	-1.1
23. -	Cash payments for the principal portion of lease liabilities	-12.8	n.a.	-22.8	n.a.
24. =	Cash flow from financing activities	(8.)	-64.7	-46.1	-98.3
25. =	Net change in cash and cash equivalents from cash-relevant transactions	82.9	-51.0	-42.6	-186.9
26. +/-	Change in cash and cash equivalents due to exchange rate movements	1.6	-1.9	2.0	-3.1
27. +	Cash and cash equivalents at the beginning of the period	869.8	927.7	995.0	1,064.7
28. =	Cash and cash equivalents as of June 30	954.4	874.7	954.4	874.7

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

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

Cash – Relevant Interests*

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Interest paid	-4.7	-3.5	-10.3	-6.9
Interest received	1.2	0.4	1.8	0.7
Total	-3.5	-3.1	-8.5	-6.1

*) 2019 numbers contain effects of the first time application of IFRS 16 (for details see section 2.5.1).

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

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

Free Cash Flow

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Cash flow from operating activities	143.2	80.7	84.6	4.7
Payments received from the sale of non-current assets	0.0	0.0	22.5	0.0
Cash paid for investments in property, plant and equipment	-38.3	-55.9	-66.9	-85.1
Cash paid for investments in intangible assets	-16.8	-11.1	-30.5	-23.6
Cash paid for acquisitions of shares in associated companies and acquisition of companies and prepayments for such acquisitions	-1.7	0.0	-1.7	-4.5
Free cash flow	86.5	13.7	8.1	-108.5

2.5 Condensed Notes to the Consolidated Financial Statements

2.5.1 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, 2019 of ZALANDO SE comply with International Financial Reporting Standards (IFRS) 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. 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, 2018.

Accounting and Measurement Principles

With the exception of IFRS 16 “Leases” the accounting policies and recognition and measurement methods applied in the consolidated financial statements as of December 31, 2018 have been applied without change.

As explained in the 2018 annual report, the first-time application of new accounting standards other than IFRS 16 in fiscal year 2019 did not have any material impact on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements are presented in euros.

Due to rounding, it is possible that figures may not add up exactly to the total stated, and the percentages presented may not precisely reflect the figures they correspond to.

Amendments Due to IFRS 16

IFRS 16 “Leases” sets out the principles for the recognition, measurement, presentation and disclosure of leases and supersedes former standard and interpretations of IAS 17, IFRIC 4, SIC-15 and SIC-27.

For the lessee, IFRS 16 introduces a single accounting model in contrast to IAS 17 which primarily affects the statement of financial position. The new model requires the lessee to recognize assets and liabilities from all leases in the balance sheet except for leases with a lease term of 12 months or less or leases of low-value assets (option). Zalando has elected to use these exemptions.

This also resulted in changes in the presentation within the consolidated income statement (under IAS 17, lease expenses have been presented according to their functions; under IFRS 16, lease expenses are replaced with depreciation on right-of-use assets – which are presented according to their function – and interest expenses on lease liabilities – which are presented together with other interest expenses) and

the consolidated cash flow statement (the majority of lease payments will no longer be included in cash flow from operating activities but rather in cash flow from financing activities).

Zalando has adopted IFRS 16 for the accounting period beginning on January 1, 2019. This change in accounting policy is made in accordance with the transitional provisions set out in IFRS 16.C. Zalando has applied the modified retrospective approach (i.e. recognized right-of-use assets and lease liabilities at the date of initial application, i.e. January 1, 2019) without any adjustment being made to the comparative figures presented. Furthermore, Zalando has elected to measure right-of-use asset with an amount equal to the lease liability, adjusted by the amount of accrued lease payments. Accordingly, the adoption of IFRS 16 did not have any impact on retained earnings as of January 1, 2019.

During transition, Zalando has elected to account for leases with a remaining lease term of 12 months or less at the date of initial application as short-term leases. Zalando also uses the practical expedient not to reassess whether a contract is or contains a lease at the date of initial application for all contracts already assessed in prior periods applying IAS 17 and IFRIC 4. Furthermore, Zalando separates non-lease and lease components except for leases relating to other equipment, furniture and fixtures, for which lease components and related non-lease components are treated as a single lease component.

At the date of initial application (January 1, 2019), Zalando recognized lease liabilities at an amount of EUR 469.4m. The corresponding right-of-use assets were recognized at an amount of EUR 462.2m comprising lease liabilities (EUR 469.4m) offset by accrued lease payments (EUR 7.2m) previously recognized in other liabilities (current and non-current). In the first six months of 2019 Zalando recognized additions to right-of-use assets and lease liabilities of EUR 49.2m, depreciation on right-of-use assets of EUR 33.1m and interest expense on lease liabilities of EUR 5.6m.

The weighted average incremental borrowing rate applied at January 1, 2019 was 2.3%. Applying this discount rate on operating lease commitments disclosed under IAS 17 in our 2018 annual report (EUR 533.8m), would have resulted in a net present value of EUR 474.9m. The difference to the amount of lease liabilities recognized at January 1, 2019 (EUR 469.4m) mainly relates to leases with a remaining lease term of less than 12 months which have not been recognized.

For lessors, IFRS 16 continues to distinguish between finance leases and operating leases for accounting purposes. Hence, this did not lead to any change in accounting policy. Furthermore, Zalando currently acts exclusively as a lessee and not as a lessor.

Basis of Consolidation

The number of subsidiaries included in the basis of consolidation increased from 44 as of December 31, 2018 to 46 as of June 30, 2019.

2.5.2 Selected Notes to the Consolidated Statement of Comprehensive Income

(1.) Revenue

Revenue

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Revenue from the sale of merchandise	1,531.8	1,287.7	2,854.5	2,449.6
Revenue from other services	65.5	42.4	121.0	76.5
Total	1,597.3	1,330.0	2,975.5	2,526.0

In Q2 2019, Zalando increased its revenue by EUR 267.3m from EUR 1,330.0m to EUR 1,597.3m compared to the prior-year period. This corresponds to year-on-year revenue growth of 20.1%.

The increase in revenue is driven by a larger customer base as well as an increase in average orders per active customer. As of June 30, 2019, the group had 28.3 million active customers compared to 24.6 million active customers as of June 30, 2018. This is an increase of 15.2%. The larger customer base ordered more frequently than in the corresponding prior-year period with the average number of orders per active customer rising by 9.2%, triggered also by an increasing use of mobile devices.

In the first six months of 2019, revenue rose by 17.8% to EUR 2,975.5m (prior year: EUR 2,526.0m) compared to the corresponding prior-year period, driven by the aforementioned factors.

(2.) Cost of Sales

Cost of Sales

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Non-personnel costs	837.3	692.7	1,623.0	1,383.6
Personnel costs	29.7	29.0	72.7	60.0
Total	866.9	721.7	1,695.7	1,443.6

Cost of sales mainly consists of cost of materials, personnel costs, write-downs on inventories, third-party services and infrastructure costs. Cost of sales rose from EUR 721.7m by EUR 145.3m to EUR 866.9m in the second quarter of 2019. The cost of sales as a percentage of revenue remained on the prior-year level of 54.3% (prior year: 54.3%).

The cost of materials in the group totaled EUR 778.0m (prior year: EUR 639.1m).

Zalando generated a gross profit of EUR 730.4m in the second quarter of 2019 (prior year: EUR 608.4m).

For the first six months the cost of sales rose from EUR 1,443.6m to EUR 1,695.7m which is essentially in line with the revenue increase.

(3.) Income Taxes

Income Taxes

IN EUR M	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Deferred taxes	2.6	7.2	-2.0	3.4
Current taxes	38.2	27.7	39.2	28.0
Total	40.8	34.9	37.2	31.4

The current tax expenses for the second quarter and first half year 2019 increased mainly driven by higher taxable income.

(4.) Earnings per Share

The basic earnings per share are determined by dividing the net income for the period attributable to the shareholders of ZALANDO SE by the basic weighted average number of shares.

Basic Earnings per Share (EPS)

	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Net income for the period attributable to the shareholders of ZALANDO SE (in EUR m)	45.5	51.9	27.9	36.9
Basic weighted average number of shares (in millions)	247.0	246.5	247.0	247.2
Total (in EUR)	0.18	0.21	0.11	0.15

The basic earnings per share developed in line with the decrease in net income attributable to the shareholders during the first six months of 2019 in comparison to the corresponding prior-year period.

The diluted earnings per share are determined by dividing the net income for the period attributable to the shareholders by the diluted weighted average number of shares.

Diluted Earnings per Share (EPS)

	Apr 1 – Jun 30, 2019	Apr 1 – Jun 30, 2018	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
Net income for the period attributable to the shareholders of ZALANDO SE (in EUR m)	45.5	51.9	27.9	36.9
Diluted weighted average number of shares (in millions)	253.8	258.4	255.0	259.4
Total (in EUR)	0.18	0.20	0.11	0.14

The dilutive effect stems solely from equity-settled share based payment awards granted to employees. All employee options were considered in the calculation of the diluted earnings per share, except for those equity-settled share-based payments, which include performance conditions that had not yet been met as of the reporting date. As a result, the options granted within the scope of LTI 2018, LTI 2019 and EIP in fiscal year 2018 as well as part of the options granted under the VSOP 2018 (prior year: options granted within the scope of VSOP 2017 and EIP granted in fiscal year 2017) were not taken into account in the calculation of diluted earnings. Furthermore, options that were out of the money were excluded from the calculation.

2.5.3 Selected Notes to the Consolidated Statement of Financial Position

(5.) Equity

In the first half of 2019, equity increased from EUR 1,549.1m to EUR 1,570.3m. The EUR 21.2m increase primarily stems from the positive net income in the period, from exercise price payments received for employee stock options, partly offset by repurchases of treasury shares. In the reporting period, the equity ratio decreased from 47.9% at the beginning of the year to 41.5% as of June 30, 2019, due to an increase in the balance sheet totals mainly resulting from the first time application of IFRS 16.

(6.) Share-Based Payments

With effect as of April 2019 Zalando expanded its Management Board by two new members. Each new member of the Management Board was granted options under a new long-term incentive plan (LTI 2019). The LTI 2019 is structured in a similar way to the long-term incentive plan for the Co-CEOs Robert Gentz, David Schneider and Rubin Ritter, the (LTI 2018). In total 784,000 options were granted.

(7.) Trade Payables and Similar Liabilities and Prepayments Received

Trade payables and similar liabilities increased by EUR 44.4m. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 368.8m as of June 30, 2019 were transferred to various factoring providers (December 31, 2018: EUR 374.6m). These items were recognized in the statement of financial position under trade payables and similar liabilities.

Prepayments received pertain to advance payments received from customers for orders.

(8.) Notes to the Statement of Cash Flows

In the second quarter of 2019, Zalando generated a positive cash flow from operating activities of EUR 143.2m (prior-year period: EUR 80.7m). The increase compared to the prior-year period of EUR 62.6m was mainly due to the development in working capital, which decreased in Q2 2019, but increased in the prior-year period. This was partly offset by the opposite development of VAT balances. The cash flow from operating activities furthermore includes the effect from the partial reclassification of lease payments. According to the new accounting standard on leases (IFRS 16), cash payments for lease contracts are disclosed in the cash flow from financing activities with the amount used for the repayment of the principal portion of lease liabilities (Q2 2019: EUR 12.8m) and in the cash flow from operating activities with the interest portion on lease liabilities (Q2 2019: EUR 2.9m). In prior periods, lease payments were entirely included in the cash flow from operating activities.

The cash flow from investing activities is mainly impacted by capex, being the sum of the payments for investments in fixed and intangible assets excluding payments for acquisitions, amounting to EUR 55.1m (prior-year period: EUR 67.0m). Capex mainly included investments in the logistics infrastructure of EUR 36.2m, relating primarily to the fulfillment centers in Verona (Nogarole Rocca), Lodz (Gluchow), and Olsztynek as well as investments in internally developed software of EUR 14.6m.

As a result, free cash flow increased by EUR 72.8m from EUR 13.7m in the prior-year period to EUR 86.5m in the second quarter of 2019.

Cash flow from financing activities includes payments received from capital increases amounting to EUR 9.9m (prior-year period: EUR 2.9m). Furthermore, it includes cash outflows for the repayment of the principal portion of lease liabilities (EUR 12.8m). In the prior-year period, all lease payments were included in the cash flow from operating activities (see above). There were no repurchases of treasury shares in Q2 2019, whereas Q2 2018 contained such repurchases of EUR 66.9m.

Aggregate cash and cash equivalents increased by EUR 84.5m in the second quarter, resulting in Zalando carrying cash and cash equivalents of EUR 954.4m as of June 30, 2019.

2.5.4 Other Selected Notes

(9.) Information about Related Parties

Zalando identified the related parties of ZALANDO SE in accordance with IAS 24.

Zalando had transactions with related parties in the reporting period in the ordinary course of business. The transactions were carried out in accordance with the arm's length principle.

These transactions resulting from purchase of goods and services gave rise to liabilities of EUR 116.1m as of the reporting date (as of December 31, 2018: EUR 86.7m). Of this amount, EUR 114.0m (as of December 31, 2018: EUR 82.1m) is due to a reverse factoring provider on account of reverse factoring agreements between Zalando and related parties. As a result, there were trade payables or similar liabilities due directly to related parties totaling EUR 4.0m (as of December 31, 2018: EUR 4.5m). Furthermore, trade receivables from related parties amount to EUR 0.2m (as of December 31, 2018: EUR 0.3m).

Merchandise of EUR 114.8m was ordered from related parties in the reporting period. The order volume totaled EUR 93.0m in the comparative period of the prior year. In addition, goods totalling EUR 1.4m were sold to related parties (prior year: EUR 2.1m). The cost of services received from related parties came to EUR 0.3m in the reporting period (prior year: EUR 2.0m).

(10.) Segment Reporting

The condensed segment results for the second quarter of 2019 show a strong improvement in revenue for the Fashion Store and Offprice segments and a significant decrease in revenue in all other segments. While EBIT increased in the Fashion Store segment, it decreased in the Offprice and in all other segments compared to the prior-year period.

Segment Development for the Quarter

Segment Results of the Group Q2 2019

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	1,478.1	155.7	45.2	1,679.0	-81.7	1,597.3
thereof intersegment revenue	67.7	0.0	14.0	81.7	-81.7	0.0
Earnings before interest and taxes (EBIT)	95.3	5.9	-9.4	91.9	0.1	92.0

Segment Results of the Group Q2 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	1,233.4	114.6	100.8	1,448.7	-118.7	1,330.0
thereof intersegment revenue	40.4	0.0	78.3	118.7	-118.7	0.0
Earnings before interest and taxes (EBIT)	86.6	7.1	-8.1	85.6	1.7	87.3

Financial information for the Fashion Store segment, including intersegment transactions, breaks down into the regions DACH and Rest of Europe as follows:

Fashion Store Results by Region Q2 2019

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	732.0	746.1	1,478.1
thereof intersegment revenue	34.5	33.2	67.7
Earnings before interest and taxes (EBIT)	63.4	32.0	95.3

Fashion Store Results by Region Q2 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	625.8	607.6	1,233.4
thereof intersegment revenue	21.3	19.1	40.4
Earnings before interest and taxes (EBIT)	57.0	29.5	86.6

In Q2 2019, revenue in the Fashion Store segment grew by 19.8%, in the Offprice segment by 35.9% and decreased by 55.2% in all other segments, compared to the prior-year period. The Fashion Store segment continued to generate the highest absolute level of revenue, although the Offprice segment shows the highest percentage increase in revenue. The revenue increase in the Fashion Store is mainly due to a strong growth in active customers and average orders per active customer. The revenue increase in the Offprice segment is mainly due to Zalando Lounge's good performance in Germany and the growth in its younger markets Poland and Spain. The decrease in revenue in all other segments is caused by the reorganization of the private label business in Q1 2019. The private label business was restructured and under a new setup integrated into the Fashion Store segment from Q2 2019 onwards.

The Fashion Store segment showed good profitability with an EBIT margin of 6.5% in Q2 2019, that is a slight decrease of 0.6 percentage points compared to the prior-year period. The Offprice segment recorded EBIT of EUR 5.9m with the EBIT margin decreasing from a high 6.2% in the prior-year period to 3.8% in Q2 2019, mainly caused by higher fulfillment costs and administrative expenses. All other segments recorded a total decrease of 12.8 percentage points, resulting in an EBIT margin of -20.9% in the second quarter of 2019, mainly caused by the shift of the private label business to the Fashion Store segment, partly compensated by savings in our emerging businesses. In Q1 2019 restructuring cost incurred in connection with the reorganization of the private label business of EUR 13.1m were recorded in all other segments.

Segment Development for the First Six Months

Segment Results of the Group Half-Year 2019

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	2,746.6	292.5	147.8	3,186.9	-211.4	2,975.5
thereof intersegment revenue	124.2	0.0	87.2	211.4	-211.4	0.0
Earnings before interest and taxes (EBIT)	94.4	8.6	-30.0	73.1	0.6	73.6

2.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment Results of the Group Half-Year 2018

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total Group
Revenue	2,327.3	235.0	200.6	2,762.9	-236.8	2,526.0
thereof intersegment revenue	80.8	0.0	156.0	236.8	-236.8	0.0
Earnings before interest and taxes (EBIT)	72.5	15.2	-17.6	70.0	2.1	72.1

Fashion Store Results by Region Half-Year 2019

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,353.7	1,392.9	2,746.6
thereof intersegment revenue	62.8	61.4	124.2
Earnings before interest and taxes (EBIT)	85.0	9.4	94.4

Fashion Store Results by Region Half-Year 2018

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	1,177.8	1,149.5	2,327.3
thereof intersegment revenue	42.2	38.6	80.8
Earnings before interest and taxes (EBIT)	67.1	5.3	72.5

In the Fashion Store segment, revenue rose by 18.0% in the first six months of 2019 compared to the corresponding prior-year period, and as such the Fashion Store continues to be the strongest segment in terms of absolute revenue. In the Offprice segment, revenue grew by 24.5% while in all other segments total revenue growth declined by 26.3% for the aforementioned reasons.

The EBIT margin in the Fashion Store segment increased slightly by 0.3 percentage points from 3.1% in the first six months of 2018 to 3.4% in the first six months of 2019. This improvement mainly resulted from a higher gross margin, partly compensated by a higher marketing cost ratio. The Offprice segment recorded an EBIT margin of 3.0%. The decrease from a high level of 6.5% in the prior-year period is mainly attributable to higher fulfillment costs caused by entry into new markets and the ramp-up of a new fulfillment center. The EBIT margin in all other segments decreased by 11.5 percentage points to -20.3% in the first six months of 2019 in comparison to the first six months of 2018 mainly driven by the shift of the private label business to the Fashion Store segment, and partly compensated by savings in our emerging businesses.

(11.) Subsequent Events

No significant events occurred after the reporting date which could materially affect the presentation of the financial performance and position of the group.

Berlin, July 30, 2019

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

James Freeman II

David Schröder

2.6 Responsibility Statement by the Management Board

We assure to the best of our knowledge and in accordance with the applicable reporting principles for half-yearly financial reporting, that the interim consolidated financial statements give a true and fair view of the assets, financial, and earnings position of the group, and that the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Berlin, July 30, 2019

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

James Freeman II

David Schröder

2.7 Review Report

To ZALANDO SE

We have reviewed the interim condensed 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 and selected explanatory notes, and the interim group management report of ZALANDO SE, Berlin, for the period from January 1 to June 30, 2019, which are part of the six-monthly financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed 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 interim condensed 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 is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Berlin, July 30, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Haas
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Service



3.1 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, restructuring costs and non-operating one-time effects.

Adjusted EBITDA

We define adjusted EBITDA as EBITDA before equity-settled share-based payment expense, restructuring costs and non-operating one-time effects.

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 and including VAT, divided by the number of orders in the last 12 months of 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 last twelve months.

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.

Capex

The sum of the payments for investments in fixed assets and intangible assets excluding payments for the acquisition of companies.

EBIT

EBIT is short for earnings before interest and taxes.

EBITDA

EBITDA is short 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 (excluding investments in time deposits and restricted cash).

GMV

GMV (gross merchandise volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order.

Mobile Commerce

We define mobile commerce as retail via mobile devices such as smartphones or tablet computers.

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.

Net Working Capital

We calculate net working capital as the sum of inventories and trade 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 cancellations 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 relevant period. The series is considered ended when a page view is not recorded for longer than 30 minutes.

3.2 Financial Calendar 2019

Financial Calendar

Date	Event
Thursday, October 31	Publication of the third quarter results 2019

3.3 Imprint

Contact

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Statement Relating to the Future

This interim 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 interim 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/investor-relations>.

