

Quarterly Statement

Q3 2021



Zalando at a glance

Key figures

	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020
Group key performance indicators				
Site visits* (in millions)	1,703.3	1,268.5	5,100.2	3,702.2
Mobile visit share* (as a %)	91.0	87.2	88.7	85.9
Active customers (in millions)	46.3	35.6	46.3	35.6
Number of orders (in millions)	55.8	44.0	177.3	127.5
Average orders per active customer (LTM**)	5.1	4.8	5.1	4.8
Average basket size (LTM**) (in EUR)	57.5	57.2	57.5	57.2
Results of operations				
Gross merchandise volume (GMV***) (in EUR m)	3,082.7	2,460.9	10,020.0	7,194.1
Revenue (in EUR m)	2,283.4	1,849.8	7,254.3	5,408.7
EBIT (in EUR m)	-4.6	105.1	260.4	190.4
EBIT (as % of revenue)	-0.2	5.7	3.6	3.5
Adjusted EBIT (in EUR m)	9.8	118.2	287.2	231.5
Adjusted EBIT (as % of revenue)	0.4	6.4	4.0	4.3
EBITDA (in EUR m)	53.9	156.9	429.4	345.1
EBITDA (as % of revenue)	2.4	8.5	5.9	6.4
Adjusted EBITDA (in EUR m)	68.3	170.1	456.2	386.2
Adjusted EBITDA (as % of revenue)	3.0	9.2	6.3	7.1
Financial position				
Net working capital (in EUR m)	118.1	-87.4****	118.1	-87.4****
Equity ratio (as % of total assets)	32.2	33.1****	32.2	33.1****
Cash flow from operating activities (in EUR m)	-187.3	212.5	71.7	337.4
Cash flow from investing activities (in EUR m)	-60.5	0.8	-152.1	-84.2
Free cash flow (in EUR m)	-245.0	213.3	-77.4	253.2
Capex (in EUR m)	-57.7	-31.9	-149.1	-123.0
Cash and cash equivalents (in EUR m)	1,949.1	2,596.1	1,949.1	2,596.1
Other				
Employees (as of the reporting date)	16,619	14,194****	16,619	14,194****
Basic earnings per share (in EUR)	-0.03	0.23	0.57	0.38
Diluted earnings per share (in EUR)	-0.03	0.22	0.55	0.36

For an explanation of the performance indicators, please refer to the glossary to the annual report 2020 (section 4.3).

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

* Due to a change in consent management following the GDPR introduction, some of the data is estimated using a statistical method.

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

*** 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.

**** As of Dec 31, 2020

1.1 Financial performance of the group

In the third quarter of 2021, overall business performance remained strong as vaccination efforts progress, pandemic-induced restrictions are gradually being lifted and societies and economies are returning to normal throughout Europe. GMV and revenue grew by 25.3% and 23.4%, respectively, on the back of continued strong new customer acquisitions. In addition, Zalando recorded a strong growth in the platform and Offprice business. While Zalando had realized extraordinarily strong profitability in Q3 2020 driven by the release of inventory allowances of EUR 35.0m and lower discount levels, the company reported an adjusted EBIT of EUR 9.8m (EBIT of EUR -4.6m) in Q3 2021, mainly due to higher cost of sales and higher marketing costs.

Third quarter consolidated income statement

IN EUR M	Jul 1 – Sep 30, 2021	As % of revenue	Jul 1 – Sep 30, 2020	As % of revenue	Change
Revenue	2,283.4	100.0%	1,849.8	100.0%	0.0pp
Cost of sales	-1,397.9	-61.2%	-1,029.2	-55.6%	-5.6pp
Gross profit	885.5	38.8%	820.7	44.4%	-5.6pp
Fulfillment costs	-604.4	-26.5%	-493.0	-26.7%	0.2pp
Marketing costs	-197.5	-8.6%	-145.4	-7.9%	-0.8pp
Administrative expenses	-91.1	-4.0%	-80.1	-4.3%	0.3pp
Other operating income	5.7	0.3%	3.7	0.2%	0.0pp
Other operating expenses	-2.9	-0.1%	-0.9	0.0%	-0.1pp
Earnings before interest and taxes (EBIT)	-4.6	-0.2%	105.1	5.7%	-5.9pp

Nine months consolidated income statement

IN EUR M	Jan 1 – Sep 30, 2021	As % of revenue	Jan 1 – Sep 30, 2020	As % of revenue	Change
Revenue	7,254.3	100.0%	5,408.7	100.0%	0.0pp
Cost of sales	-4,246.8	-58.5%	-3,146.7	-58.2%	-0.4pp
Gross profit	3,007.5	41.5%	2,262.0	41.8%	-0.4pp
Fulfillment costs	-1,837.2	-25.3%	-1,466.3	-27.1%	1.8pp
Marketing costs	-638.2	-8.8%	-374.2	-6.9%	-1.9pp
Administrative expenses	-291.0	-4.0%	-245.9	-4.5%	0.5pp
Other operating income	25.6	0.4%	19.3	0.4%	0.0pp
Other operating expenses	-6.3	-0.1%	-4.5	-0.1%	0.0pp
Earnings before interest and taxes (EBIT)	260.4	3.6%	190.4	3.5%	0.1pp

Development of GMV and revenue

Since the start of the COVID-19 pandemic in March 2020, Zalando has experienced a dramatic change in its market environment. Following an initial negative demand shock in the early weeks of the pandemic, we have by now experienced five consecutive quarters of exceptional growth and profitability. Now, with most of the lockdown measures being eased across Europe, stationary stores reopening and consumer mobility steadily growing coupled with a delayed start to the fall/winter season 2021 due to unusually warm weather throughout most of Europe, GMV and revenue growth rates started to normalize during Q3. Although this development was expected compared to the elevated levels achieved during the first half of the year, group GMV growth nonetheless remained above our mid-term target growth corridor of 20-25%.

In Q3 2021, GMV increased by EUR 621.7m compared to the prior-year period to EUR 3,082.7m. This corresponds to year-on-year GMV growth of 25.3%. The major drivers of GMV growth were strong customer acquisition and the continued positive development of existing customers. Zalando grew its active customer base by 30.1% year-on-year to 46.3 million by the end of the third quarter 2021 (compared to 35.6 million active customers as of September 30, 2020). In line with the strong growth in active customers, the company recognized a strong growth in the number of orders of 26.8% over the same time period. Throughout the quarter, Zalando's platform business developed strongly and grew faster than overall GMV growth.

In Q3 2021, revenue increased by EUR 433.5m from EUR 1,849.8m to EUR 2,283.4m compared to the prior-year period. This corresponds to year-on-year revenue growth of 23.4%. The comparatively larger increase in GMV was due to the strong growth of the platform business as this is fully reflected in the GMV metric. Revenue, on the other hand, only takes into account commission income and service fees from partners.

In the first nine months of 2021, GMV and revenue grew by 39.3% and 34.1%, respectively, compared to the prior-year period, fueled by the strong intake of new customers and number of orders. In addition, Zalando recorded a strong scaling of its platform business. The outstanding topline development and the strong operational progress of our platform transition coincides with a strong development across key performance indicators. Thus, customer orders increased, the average orders per active customer were higher, and the average basket size rose slightly.

Development of EBIT

The group realized a more normal level of profitability in the third quarter of 2021 below the figure recorded in the third quarter of 2020. That exceptional result had been largely driven by pandemic-induced tailwind and favorable one-off effects. The result of the third quarter of 2021 was, however, very close to that of the third quarter of 2019, which was the last third quarter recorded before the pandemic hit. In Q3 2021, Zalando recorded EBIT of EUR -4.6m (prior-year period: EUR 105.1m) and a corresponding EBIT margin of -0.2% (prior-year period: 5.7%). The deterioration in the EBIT margin of 5.9 percentage points was predominantly caused by the increased cost of sales (up 5.6 percentage points year-on-year) and marketing costs (up 0.8 percentage points year-on-year), in proportion to revenue.

In Q3 2021, cost of sales rose from EUR 1,029.2m to EUR 1,397.9m, leading to a gross margin decline of 5.6 percentage points compared to the prior-year period. The development can largely be explained by a lower demand for undiscounted fall/winter items and a higher demand for heavily discounted spring/summer items, as the fall/winter season start was delayed due to unusually warm weather. In addition, the gross margin decreased due to deliberate price investments to ensure an attractive consumer offering in light of a fierce promotional environment observed in many European markets following the reopening of stationary stores. Furthermore, Zalando had released inventory allowances of EUR 35.0m in Q3 2020. Of this, an amount of EUR 28.9m related to the exceptional inventory write-down of EUR 40.2m that Zalando had recognized in Q1 2020 due to revised sales expectations at the beginning of the coronavirus crisis.

The marketing cost ratio increased by 0.8 percentage points to 8.6% in Q3 2021 compared to the prior-year period, mainly due to increased investments in customer acquisition and brand building also relating to the recent launch of six new markets in Central and Eastern Europe.

In the first nine months of 2021 the group achieved a strong profitability level, recording EBIT of EUR 260.4m (prior-year period: EUR 190.4m). The gross margin decreased by 0.4 percentage points to 41.5% as the costs of sales increased slightly.

The improvement of the EBIT margin of 0.1 percentage points to 3.6% was predominantly driven by improvements in the fulfillment cost ratio and administrative cost ratio, almost offset by the increase in the marketing cost ratio.

Fulfillment costs in proportion to revenue improved in the first nine months of 2021 (down 1.8 percentage points). The fulfillment cost ratio benefited from higher utilization, driven by the strong business growth as well as lower average return volumes resulting in a favorable return rate development.

The marketing cost ratio increased by 1.9 percentage points to 8.8% in the first nine months of 2021 compared to the prior-year period. This development results from our decisive initial coronavirus response efforts in the prior year involving a reduced marketing spend to account for the uncertainty surrounding the further evolution of the pandemic.

Administrative expenses increased from EUR 245.9m in the prior-year period to EUR 291.0m in the first nine months of 2021, representing a decrease of 0.5 percentage points in proportion to revenue. The administration cost ratio improved mainly due to a continued focus on overhead cost efficiency.

Development of 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 Q3 2021, Zalando generated an adjusted EBIT of EUR 9.8m (prior year: EUR 118.2m), presenting an adjusted EBIT margin of 0.4% (prior year: 6.4%). The adjusted EBIT for the first nine months amounted to EUR 287.2m (prior-year period: EUR 231.5m). The development of adjusted EBIT and the adjusted EBIT margin mainly stems from the aforementioned drivers of unadjusted EBIT.

Adjusted EBIT does not include the following expenses from equity-settled share-based payments. More information can be found in the notes to the annual financial statements 2020 (section 3.5.7 (21.)).

Share-based compensation expenses per functional area

IN EUR M	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Change	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020	Change
Expenses for equity-settled share-based payments	14.3	13.2	1.1	40.4	41.1	-0.7
Cost of sales	1.0	0.8	0.2	2.7	2.7	0.0
Selling and distribution costs	2.8	2.1	0.7	7.8	7.4	0.4
thereof marketing costs	0.4	0.4	0.0	1.0	1.4	-0.4
thereof fulfillment costs	2.4	1.7	0.7	6.8	6.0	0.8
Administrative expenses	10.6	10.3	0.3	29.8	31.0	-1.2

In April 2021, other income of EUR 13.6m realized due to the commencement of a sublease for office space has been eliminated from EBIT as a non-recurring item. In the prior-year period, no restructuring costs or other one-time effects were recognized.

1.2 Results by segment

The condensed segment results for the third quarter of 2021 highlight in particular the outstanding performance of the Offprice segment and steady growth in the Fashion Store segment.

Segment development

Segment results of the group Q3 2021

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
Revenue	2,058.4	360.6	73.2	2,492.2	-208.8	2,283.4
thereof intersegment revenue	194.0	2.6	12.2	208.8	-208.8	0.0
Earnings before interest and taxes (EBIT)	-0.4	-5.0	1.3	-4.1	-0.5	-4.6
Adjusted EBIT	10.9	-3.0	2.4	10.2	-0.5	9.8

Segment results of the group Q3 2020

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
Revenue	1,664.3	260.5	43.2	1,968.0	-118.2	1,849.8
thereof intersegment revenue	108.0	0.0	10.2	118.2	-118.2	0.0
Earnings before interest and taxes (EBIT)	78.0	27.0	-4.7	100.3	4.8	105.1
Adjusted EBIT	89.0	28.3	-3.9	113.4	4.8	118.2

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

Fashion Store by region Q3 2021

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	917.0	1,141.4	2,058.4
thereof intersegment revenue	78.1	116.0	194.0
Earnings before interest and taxes (EBIT)	47.8	-48.2	-0.4
Adjusted EBIT	52.5	-41.6	10.9

Fashion Store by region Q3 2020

IN EUR M	DACH	Rest of Europe	Fashion Store
Revenue	764.5	899.8	1,664.3
thereof intersegment revenue	57.5	50.6	108.0
Earnings before interest and taxes (EBIT)	64.0	14.0	78.0
Adjusted EBIT	68.7	20.2	89.0

Segment development for the first nine months

Segment results of the group for the first nine months 2021

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
Revenue	6,558.4	1,039.0	198.7	7,796.0	-541.7	7,254.3
thereof intersegment revenue	501.7	3.3	36.7	541.7	-541.7	0.0
Earnings before interest and taxes (EBIT)	212.3	45.0	0.4	257.7	2.7	260.4
Adjusted EBIT	232.0	49.9	2.5	284.5	2.7	287.2

Segment results of the group for the first nine months 2020

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
Revenue	4,926.2	697.5	120.7	5,744.3	-335.6	5,408.7
thereof intersegment revenue	307.8	0.0	27.9	335.6	-335.6	0.0
Earnings before interest and taxes (EBIT)	153.3	47.6	-14.5	186.4	4.1	190.5
Adjusted EBIT	187.5	51.9	-12.0	227.4	4.1	231.5

In Q3 2021, revenue in the Fashion Store segment grew by 23.7% compared to the prior-year period. The strong revenue increase can be linked to strong new customer acquisitions coupled with a slight improvement in the value of the average orders per active customer. Additionally, Zalando's platform business continued its strong scaling. Breaking down the Fashion Store revenues into regions, both DACH and Rest of Europe recorded a strong increase. Increasing cost of sales due to deliberate price investments in light of a delayed start to the fall/winter season and higher marketing investments to drive customer acquisition and build our brand resulted in slightly negative EBIT of EUR -0.4m in the Fashion Store segment. This is equivalent to a decrease of 4.7 percentage points compared to the prior-year period. While the Fashion Store DACH region recorded EBIT of EUR 47.8m, the Rest of Europe EBIT decreased to EUR -48.2m in Q3 2021, again driven by the recent launch of six new markets in Central and Eastern Europe.

In the Fashion Store segment, revenue rose by 33.1% in the first nine months of 2021 compared to the corresponding prior-year period. This development reflects the continuous increase in customer demand fueled by the ongoing offline to online shift. The EBIT margin in the Fashion Store segment increased by 0.1 percentage points from 3.1% in the first nine months of 2020 to 3.2% in the first nine months of 2021. The EBIT margin in the Fashion Store segment showed a relatively small improvement as returning to normal after the exceptional prior year. Key drivers were improvements in the fulfillment cost ratio and administrative cost ratio, almost offset by the increase in the marketing cost ratio. This is a result of a fast growing platform business offering customers an even more attractive assortment.

Zalando's Offprice segment continued on its strong growth trajectory, as reflected in the revenue increase of 38.4% in Q3 2021 compared to the prior-year period. The main driver behind the performance in the Offprice business is Zalando Lounge, which offers our customers fashion products at a discount in daily sales campaigns. At the same time, the stationary Outlet stores experienced a faster than expected ramp-up after lockdown restrictions were lifted. In total, the Offprice segment recorded EBIT of EUR -5.0m with the EBIT margin decreasing from 10.4% in the prior-year period to -1.4% in Q3 2021. This decrease resulted largely from a deterioration in gross profit margin driven by higher discount levels, especially at Zalando Lounge.

In the Offprice segment, revenue grew by 49.0% in the first nine months of 2021 compared to the corresponding prior-year period. The Offprice segment recorded an EBIT margin of 4.3%, a decrease of 2.5 percentage points compared to the prior-year period.

In all other segments total revenue recorded a significant increase of 64.6% during the first nine months of the year compared to the prior-year period, mainly due to the excellent results of Zalando Marketing Services. The EBIT margin in all other segments increased by 12.2 percentage points to 0.2% in the first nine months of 2021 in comparison to the first nine months of 2020, benefiting largely from the strong top-line performance.

Adjusted EBIT

Our adjusted EBIT does not comprise the following expenses from equity-settled share-based payments:

Share-based compensation expenses per segment

IN EUR M	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Change	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020	Change
Expenses for equity-settled share-based payments	14.3	13.2	1.2	40.4	41.1	-0.7
Fashion Store	11.3	11.0	0.3	32.3	34.2	-1.9
Offprice	2.0	1.3	0.7	5.4	4.3	1.1
All other segments	1.0	0.8	0.2	2.7	2.5	0.2

Furthermore, the one-time effect for income generated from the commencement of a sublease amounting to EUR 13.6m is predominantly allocated to the Fashion Store segment. More information can be found in the description of the development of adjusted EBIT in the section financial performance of the group.

1.3 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	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020
Cash flow from operating activities	-187.3	212.5	71.7	337.4
Cash flow from investing activities	-60.5	0.8	-152.1	-84.2
Cash flow from financing activities	-111.5	1,004.2	-615.4	1,366.0
Change in cash and cash equivalents	-359.3	1,217.5	-695.8	1,619.2
Exchange-rate related and other changes in cash and cash equivalents	9.7	1.1	0.9	0.3
Cash and cash equivalents at the beginning of the period	2,298.7	1,377.5	2,644.0	976.5
Cash and cash equivalents as of September 30	1,949.1	2,596.1	1,949.1	2,596.1

In the third quarter of 2021, Zalando generated a negative cash flow from operating activities of EUR -187.3m (prior-year period: EUR 212.5m). The decrease compared to the prior-year period of EUR 399.8m was mainly driven by the net working capital development, primarily resulting from the increase in inventories. The growth in inventory reflects our inbound preparations for peak-season trading in November and December. This puts us in a good position to cater to customer demand during the festive season. The rise in inventory is partly offset by the increase in trade payables and similar liabilities.

In the first nine months of 2021, the operating cash flow decreased from EUR 337.4m to EUR 71.7m mainly resulting from the inventory effect described above, offset by the increase in net income to EUR 146.5m in the first nine months of 2021.

The cash flow from investing activities is largely determined by capital expenditures (capex). Capex is the sum of the payments for investments in property, plant and equipment and intangible assets excluding payments for acquisitions and amounted to EUR 57.7m (prior-year period: EUR 31.9m) in Q3 2021. It mainly included investments in the logistics infrastructure, relating primarily to the fulfillment centers in Rotterdam (Bleiswijk), Netherlands, and Szczecin (Gardno), Poland, as well as investments in internally developed software. In 2020, the cash flow from investing activities contained an inflow of cash in the form of payments received for the sale of undeveloped land on the Zalando Campus and from the sale of warehouse

equipment (Brieselang, Germany) totaling EUR 26.7m. The development is in line with the nine-month decrease from EUR -84.2m to EUR -152.1m in 2021.

Cash flow from financing activities in the third quarter of 2021 primarily reflects the purchase of treasury shares in the amount of EUR 94.3m (prior-year period: EUR 0.0m). In Q3 2020, Zalando placed two tranches of unsubordinated, unsecured convertible bonds with an aggregate principal amount of EUR 1,000.0m, which resulted in cash inflows from financing activities of EUR 999.2m. In the first nine months of 2021, cash flow from financing activities was additionally impacted by the repayment of the revolving credit facility (RCF), resulting in cash outflows of EUR 375.0m, which was originally drawn in Q1 2020.

Aggregate cash and cash equivalents decreased by EUR 349.6m in the third quarter of 2021, resulting in Zalando carrying cash and cash equivalents of EUR 1,949.1m as of September 30, 2021.

1.4 Financial position

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

Assets

IN EUR M	Sep 30, 2021		Dec 31, 2020		Change	
Non-current assets	1,791.3	26.5%	1,560.0	24.0%	231.3	14.8%
Current assets	4,978.4	73.5%	4,934.8	76.0%	43.6	0.9%
Total assets	6,769.7	100.0%	6,494.8	100.0%	274.9	4.2%

Equity and liabilities

IN EUR M	Sep 30, 2021		Dec 31, 2020		Change	
Equity	2,178.4	32.2%	2,151.1	33.1%	27.3	1.3%
Non-current liabilities	1,560.4	23.0%	1,404.2	21.6%	156.2	11.1%
Current liabilities	3,030.9	44.8%	2,939.5	45.3%	91.4	3.1%
Total equity and liabilities	6,769.7	100.0%	6,494.8	100.0%	274.9	4.2%

Compared to December 31, 2020, Zalando's total assets increased by 4.2% to EUR 6,769.7m. The statement of financial position is dominated by working capital, cash and cash equivalents as well as equity.

In the first nine months of 2021, additions to property, plant and equipment totaled EUR 74.9m (prior year: EUR 109.1m), mainly relating to the fulfillment centers in Rotterdam (Bleiswijk), Netherlands, and Szczecin (Gardno), Poland.

Right-of-use assets increased by EUR 112.3m to EUR 592.2m as of September 30, 2021 resulting from new lease contracts in Q1 2021. The steep increase was partly offset by the commencement of a sublease agreement for office space in Q2 2021 resulting in a receivable from the sublease of EUR 65.8m recognized under financial assets and a decrease in right-of-use assets by EUR 52.2m.

Inventories mainly comprise goods required for Zalando's wholesale business. The 41.1% increase in inventories to EUR 1,920.8m predominantly resulted from higher business volume combined with rising stock inbound levels.

In the first nine months of 2021, equity rose from EUR 2,151.1m to EUR 2,178.4m. The EUR 27.3m increase primarily stems from the positive net income of the period, from share-based compensation and from strike price payments received for employee stock option exercises, partly offset by repurchases of treasury shares as part of the share buy-back program in May, June and July 2021. The equity ratio decreased slightly from 33.1% at the beginning of the year to 32.2% as of September 30, 2021.

Lease liabilities had a carrying amount of EUR 686.4m as of September 30, 2021, thereof EUR 585.8m non-current and EUR 100.5m current. The increase compared to December 31, 2020, resulted from new lease contracts in Q1 2021.

Current borrowings dropped by EUR 377.1m in the reporting period following the EUR 375.0m repayment of Zalando's revolving credit facility (RCF) in Q1 2021, which was originally drawn in Q1 2020.

Trade payables and similar liabilities increased by EUR 397.8m in the first nine months of 2021, primarily due to deliveries of merchandise because of the higher business volume. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 524.4m as of September 30, 2021 were transferred to various factoring providers (December 31, 2020: EUR 449.8m). These liabilities were recognized under trade payables and similar liabilities.

Net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, rose from EUR -86.8m as of December 31, 2020 to EUR 118.1m as of September 30, 2021. The increase mainly results from the increase in inventories, partly offset by the increase in trade payables and similar liabilities.

1.5 Outlook

Zalando continues to anticipate GMV growth between 31% and 36% and revenue growth between 26% and 31% for 2021. Based on an outstanding topline performance and continued return rate benefits in the first half of this year, the company expects adjusted EBIT in the upper half of our guided range of EUR 400.0m to EUR 475.0m.

The company will continue to invest into its logistics and technology platform. In terms of capital expenditure, Zalando now expects that capital expenditures for 2021 will be around EUR 350.0m (initial guidance of EUR 350.0m to EUR 400.0m). All major logistics infrastructure projects to enable continued strong growth remain on track, yet some capital expenditure will be shifted into 2022. Furthermore, the group continues to expect negative net working capital for the fiscal year 2021.

Berlin, November 2, 2021

The Management Board

Robert Gentz David Schneider James M. Freeman, II David Schröder Dr. Astrid Arndt

2.1 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

IN EUR M	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020
Revenue	2,283.4	1,849.8	7,254.3	5,408.7
Cost of sales	-1,397.9	-1,029.2	-4,246.8	-3,146.7
Gross profit	885.5	820.7	3,007.5	2,262.0
Fulfillment costs	-604.4	-493.0	-1,837.2	-1,466.3
Marketing costs	-197.5	-145.4	-638.2	-374.2
Administrative expenses	-91.1	-80.1	-291.0	-245.9
Other operating income	5.7	3.7	25.6	19.3
Other operating expenses	-2.9	-0.9	-6.3	-4.5
Earnings before interest and taxes (EBIT)	-4.6	105.1	260.4	190.4
Interest and similar income	0.9	1.9	2.8	5.6
Interest and similar expenses	-14.6	-15.6	-44.0	-32.6
Other financial result	-7.0	-0.7	-18.9	-8.7
Financial result	-20.7	-14.3	-60.1	-35.7
Earnings before taxes (EBT)	-25.3	90.8	200.2	154.7
Income taxes	16.9	-32.3	-53.7	-60.1
Net income for the period	-8.4	58.5	146.5	94.7
thereof net income attributable to the shareholders of ZALANDO SE	-8.4	58.5	146.5	94.7
thereof net income attributable to non-controlling interest	0.0	0.0	0.0	0.0

2.2 Consolidated statement of financial position

Consolidated statement of financial position – assets

IN EUR M	Sep 30, 2021	Dec 31, 2020
Non-current assets		
Intangible assets	255.1	236.0
Property, plant and equipment	817.9	810.1
Financial assets	82.2	11.9
Right-of-use assets	592.2	479.8
Deferred tax assets	37.7	15.4
Non-financial assets	4.5	5.1
Investments accounted for using the equity method	1.7	1.7
	1,791.3	1,560.0
Current assets		
Inventories	1,920.8	1,361.2
Trade and other receivables	645.6	602.5
Other financial assets	35.2	32.0
Other non-financial assets	427.7	295.1
Cash and cash equivalents	1,949.1	2,644.0
	4,978.4	4,934.8
Total assets	6,769.7	6,494.8

Consolidated statement of financial position – equity and liabilities

IN EUR M	Sep 30, 2021	Dec 31, 2020
Equity		
Issued capital	258.6	253.1
Capital reserves	1,299.2	1,428.9
Other reserves	-2.5	-7.3
Retained earnings	623.3	476.6
Equity of shareholders of ZALANDO SE	2,178.6	2,151.3
Non-controlling interest	-0.2	-0.2
	2,178.4	2,151.1
Non-current liabilities		
Provisions	46.7	47.7
Lease liabilities	585.8	443.0
Borrowings	0.0	0.0
Convertible bonds	889.6	873.7
Other financial liabilities	12.2	15.6
Other non-financial liabilities	4.7	5.1
Deferred tax liabilities	21.3	19.1
	1,560.4	1,404.2
Current liabilities		
Provisions	0.1	0.5
Lease liabilities	100.5	73.7
Borrowings	0.6	377.7
Trade payables and similar liabilities	2,448.3	2,050.5
Prepayments received	62.3	47.1
Income tax liabilities	21.3	9.6
Other financial liabilities	139.0	145.6
Other non-financial liabilities	258.7	234.8
	3,030.9	2,939.5
Total equity and liabilities	6,769.7	6,494.8

2.3 Consolidated statement of cash flows

Consolidated statement of cash flows

IN EUR M	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020
1. Net income for the period	-8.4	58.5	146.5	94.7
2. + Non-cash expenses from share-based payments	14.3	13.2	40.4	41.1
3. + Depreciation of property, plant and equipment, and right-of-use assets and amortization of intangible assets	58.5	51.8	169.0	154.7
4. + Income taxes	-16.9	32.3	53.7	60.2
5. - Income taxes paid, less refunds	-28.2	-3.1	-78.7	-34.9
6. +/- Increase/decrease in provisions	0.1	-3.6	-0.4	-6.3
7. -/+ Other non-cash income/expenses	-6.3	2.3	1.1	4.8
8. +/- Decrease/increase in inventories	-370.2	-458.5	-559.7	-377.9
9. +/- Decrease/increase in trade and other receivables	60.5	6.8	-43.7	-6.8
10. +/- Increase/decrease in trade payables and similar liabilities	206.8	606.4	404.2	431.0
11. -/+ Increase/decrease in other assets/liabilities	-97.6	-93.6	-60.8	-23.1
12. = Cash flow from operating activities	-187.3	212.5	71.7	337.4
13. + Proceeds from disposal of property, plant and equipment, intangible assets and financial assets	0.0	26.7	0.0	32.7
14. + Payments received from the sale of shares in associated and other companies	0.0	6.0	0.0	6.0
15. - Cash paid for investments in property, plant and equipment	-34.0	-15.3	-81.2	-69.3
16. - Cash paid for investments in intangible assets	-23.6	-16.6	-67.9	-53.6
17. +/- Cash received from/paid for investments in term deposits	-3.0	0.0	-3.0	0.0
18. +/- Change in restricted cash	0.2	0.0	0.0	0.0
19. = Cash flow from investing activities	-60.5	0.8	-152.1	-84.2

Consolidated statement of cash flows

IN EUR M	Jul 1 – Sep 30, 2021	Jul 1 – Sep 30, 2020	Jan 1 – Sep 30, 2021	Jan 1 – Sep 30, 2020
20. + Cash received from capital increases by the shareholders and stock option exercises less transaction costs	2.7	23.0	22.1	44.1
21. - Repurchase of treasury shares	-94.3	0.0	-200.0	0.0
22. +/- Cash received from loans/cash repayments of loans	-0.7	-0.7	-377.1	372.9
23. - Cash payments for the principal portion of lease liabilities	-19.1	-17.3	-60.4	-50.1
24. + Cash received from the issue of convertible bonds less transaction costs	0.0	999.2	0.0	999.2
25. = Cash flow from financing activities	-111.5	1,004.2	-615.4	1,366.0
26. = Net change in cash and cash equivalents from cash-relevant transactions	-359.3	1,217.5	-695.8	1,619.2
27. +/- Change in cash and cash equivalents due to exchange rate movements	9.7	1.1	0.9	0.3
28. + Cash and cash equivalents at the beginning of the period	2,298.7	1,377.5	2,644.0	976.5
29. = Cash and cash equivalents as of September 30	1,949.1	2,596.1	1,949.1	2,596.1
Free cash flow	-245.0	213.3	-77.4	253.2

3.1 Financial calendar 2022

Financial calendar 2022

Date	Event
Tuesday, March 1	Publication of the Annual Report 2021
Thursday, May 5	Publication of the first quarter results 2022
Wednesday, May 18	Annual General Meeting 2022
Thursday, August 4	Publication of the second quarter results 2022
Thursday, November 3	Publication of the third quarter results 2022

3.2 Imprint

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Statement Relating to the Future

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

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

