

HALF-YEAR REPORT 2017



ZALANDO AT A GLANCE

KEY FIGURES

| | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Group key performance indicators | | | | |
| Site visits (in millions) | 595.2 | 480.2 | 1,212.8 | 959.7 |
| Mobile visit share (in %) | 69.7 | 64.7 | 69.3 | 63.5 |
| Active customers (in millions) | 21.2 | 18.8 | 21.2 | 18.8 |
| Number of orders (in millions) | 22.2 | 17.5 | 42.1 | 33.2 |
| Average orders per active customer | 3.7 | 3.3 | 3.7 | 3.3 |
| Average basket size (in EUR) | 64.5 | 66.2 | 63.8 | 66.4 |
| Adjusted marketing cost ratio (in % of revenue) | 7.3 | 10.5 | 8.3 | 10.5 |
| Adjusted fulfillment cost ratio (in % of revenue) | 26.8 | 23.1 | 25.9 | 23.6 |
| Results of operations | | | | |
| Revenue (in EUR m) | 1,100.5 | 916.4 | 2,080.7 | 1,712.6 |
| EBIT (in EUR m) | 76.3 | 77.2 | 91.2 | 93.6 |
| EBIT (in % of revenue) | 6.9 | 8.4 | 4.4 | 5.5 |
| Adjusted EBIT (in EUR m) | 81.8 | 80.9 | 102.1 | 101.2 |
| Adjusted EBIT (in % of revenue) | 7.4 | 8.8 | 4.9 | 5.9 |
| Financial position | | | | |
| Net working capital (in EUR m) | -37.0 | -127.6* | -37.0 | -127.6* |
| Equity ratio (in % of balance sheet total) | 54.4 | 55.5* | 54.4 | 55.5* |
| Cash flow from operating activities (in EUR m) | 79.1 | 156.9 | 62.4 | 147.7 |
| Cash flow from investing activities (in EUR m) | -51.5 | -62.7 | -58.9 | -87.3 |
| Cash and cash equivalents (in EUR m) | 975.1 | 1,035.9 | 975.1 | 1,035.9 |
| Other | | | | |
| Employees (as of the reporting date) | 13,218 | 11,998* | 13,218 | 11,998* |
| Basic earnings per share (in EUR) | 0.19 | 0.21 | 0.21 | 0.22 |

*) As of Dec 31, 2016

21.2 m

active customers

1,212.8 m

site visits for the first half year
2017

91.2 m EUR

EBIT for the first half year
2017

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SERVICE

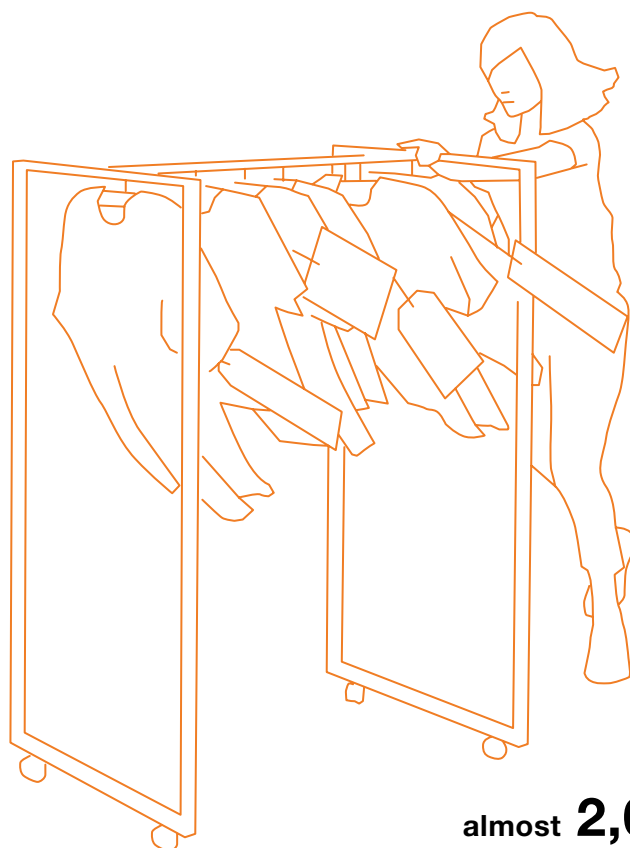
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01

INTERIM GROUP MANAGEMENT REPORT

more than **250,000**

product choices



almost **2,000**

brand partners

01.1 BACKGROUND TO THE GROUP

The statements made in the annual report 2016 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.

01.2 REPORT ON ECONOMIC POSITION

01.2.1 MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

The internet retail segment continues to grow at a faster pace compared to the overall retail sector. In Europe¹, the online retail sector rose by 13.6% in 2016, outperforming the general retail industry which grew by only 2.6%. The European fashion retail sector² closed the year with a trading volume of around EUR 423bn, up by 0.7% nominally, while the online fashion market rose by 9.0% to EUR 51bn, compared to the prior year.

Initial reactions from the German fashion sector concerning the development of the second quarter of 2017 suggest no major turnaround following the weak performance seen in the first quarter.

According to the Textilwirtschaft journal, the total fashion trade in the first half decreased by 3% compared with the corresponding prior-year period. The cold temperatures at the start of the second quarter and overall rainy weather later in June dampened the sale of summer fashion products.³

According to the current sales data from GfK for the German online fashion retail market, despite decreasing sales in April, online fashion sales were able to increase both in May and June against the drop of total fashion sales.⁴

We believe our business model will continue to benefit from the positive outlook for the European online fashion market.

- Technological advancements are the key drivers behind the second wave of e-commerce that will spur further growth of the online fashion business. The market share of internet fashion retail is expected to continue to grow at the expense of traditional brick-and-mortar retailers.
- Europe remains a very attractive fashion market with a high concentration of affluent customers. In our major markets in Western Europe, per capita spending on fashion amounted to EUR 788.9 in 2016, more than anywhere else in the world. Coupled with high population density, Western Europe leads with the highest spending per square kilometer on fashion, estimated at EUR 89.1k, compared to EUR 15.9k worldwide. Spending per square kilometer is an important indicator for online retailers, as it allows for faster delivery, at lower cost.
- Average gross margins for online fashion retailers range between 40% and 60%⁶, considerably more attractive than average margins in other online product categories, such as electronics.
- 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. Smartphones and tablets provide access anytime and nearly anywhere, and consumers increasingly use these devices to shop for fashion. Forecasts for mobile commerce illustrate that this trend is likely to continue, expecting an average annual growth rate of roughly 15.3% for the next five years.⁷

¹ Euromonitor, Europe excl. Russia

² Euromonitor, Europe excl. Russia

³ Textilwirtschaft

⁴ GfK

⁵ Euromonitor, Europe excl. Russia

⁶ Company information, average gross margins of selected publicly listed e-commerce companies including Asos, Yoox and Boohoo based on publicly available information

⁷ Euromonitor, Europe excl. Russia

01.2.2 FINANCIAL PERFORMANCE OF THE GROUP

In the reporting period, the condensed consolidated income statement for the second quarter of 2017 shows continued strong revenue growth at solid profitability, while we continued to invest into our consumer experience, brand partner proposition and infrastructure.

HALF-YEAR CONSOLIDATED INCOME STATEMENT

→ 01

| IN EUR M | JAN 1 – JUN 30, 2017 | As % of revenue | JAN 1 – JUN 30, 2016 | As % of revenue | Change |
|--|----------------------------|--------------------|----------------------------|--------------------|---------------|
| Revenue | 2,080.7 | 100.0% | 1,712.6 | 100.0% | 0.0pp |
| Cost of sales | -1,159.8 | -55.7% | -945.9 | -55.2% | -0.5pp |
| Gross profit | 920.9 | 44.3% | 766.7 | 44.8% | -0.5pp |
| Selling and distribution costs | -717.0 | -34.5% | -587.1 | -34.3% | -0.2pp |
| Administrative expenses | -113.2 | -5.4% | -89.5 | -5.2% | -0.2pp |
| Other operating income | 4.3 | 0.2% | 5.0 | 0.3% | -0.1pp |
| Other operating expenses | -3.8 | -0.2% | -1.4 | -0.1% | -0.1pp |
| Earnings before interest and taxes (EBIT) | 91.2 | 4.4% | 93.6 | 5.5% | -1.1pp |

HALF-YEAR OTHER CONSOLIDATED FINANCIAL INFORMATION

→ 02

| IN EUR M | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 | Change |
|---|----------------------|----------------------|--------|
| EBIT margin (as % of revenue) | 4.4% | 5.5% | -1.1pp |
| Adjusted EBIT (excl. equity-settled share-based payments and non-operating one-time effects) | 102.1 | 101.2 | 0.9 |
| Adjusted EBIT margin (as % of revenue) | 4.9% | 5.9% | -1.0pp |
| EBITDA | 117.3 | 112.8 | 4.5 |
| Adjusted EBITDA (excl. equity-settled share-based payments and non-operating one-time effects) | 128.2 | 120.4 | 7.8 |

SECOND QUARTER CONSOLIDATED INCOME STATEMENT

→ 03

| IN EUR M | APR 1 – JUN 30, 2017 | As % of revenue | APR 1 – JUN 30, 2016 | As % of revenue | Change |
|--|----------------------------|--------------------|----------------------------|--------------------|---------------|
| Revenue | 1,100.5 | 100.0% | 916.4 | 100.0% | 0.0pp |
| Cost of sales | –585.0 | –53.2% | –483.2 | –52.7% | –0.4pp |
| Gross profit | 515.5 | 46.8% | 433.3 | 47.3% | –0.4pp |
| Selling and distribution costs | –377.7 | –34.3% | –310.0 | –33.8% | –0.5pp |
| Administrative expenses | –60.4 | –5.5% | –48.9 | –5.3% | –0.1pp |
| Other operating income | 1.5 | 0.1% | 3.5 | 0.4% | –0.2pp |
| Other operating expenses | –2.7 | –0.2% | –0.7 | –0.1% | –0.2pp |
| Earnings before interest and taxes (EBIT) | 76.3 | 6.9% | 77.2 | 8.4% | –1.5pp |

SECOND QUARTER OTHER CONSOLIDATED FINANCIAL INFORMATION

→ 04

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | Change |
|--|----------------------|----------------------|--------|
| EBIT margin (as % of revenue) | 6.9% | 8.4% | –1.5pp |
| Adjusted EBIT (excl. equity-settled share-based pay- ments and other non-operating one- time effects) | 81.8 | 80.9 | 0.8 |
| Adjusted EBIT margin (as % of revenue) | 7.4% | 8.8% | –1.4pp |
| EBITDA | 89.8 | 87.3 | 2.6 |
| Adjusted EBITDA (excl. equity-settled share-based payments and other non-operating one-time effects) | 95.3 | 91.0 | 4.3 |

01.2 REPORT ON ECONOMIC POSITION

KEY PERFORMANCE INDICATORS

→ 05

| PERFORMANCE INDICATORS* | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | Change | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 | Change |
|---|----------------------|----------------------|--------|----------------------|----------------------|--------|
| Site visits (in millions) | 595.2 | 480.2 | 24.0% | 1,212.8 | 959.7 | 26.4% |
| Mobile visit share (as % of site visits) | 69.7 | 64.7 | 5.0pp | 69.3 | 63.5 | 5.8pp |
| Active customers (in millions) | 21.2 | 18.8 | 12.6% | 21.2 | 18.8 | 12.6% |
| Number of orders (in millions) | 22.2 | 17.5 | 26.8% | 42.1 | 33.2 | 27.0% |
| Average orders per active customer | 3.7 | 3.3 | 11.2% | 3.7 | 3.3 | 11.2% |
| Average basket size (in EUR) | 64.5 | 66.2 | -2.6% | 63.8 | 66.4 | -3.9% |
| Revenue (in EUR m) | 1,100.5 | 916.4 | 20.1% | 2,080.7 | 1,712.6 | 21.5% |
| Adjusted fulfillment cost ratio (as % of revenue) | 26.8 | 23.1 | 3.7pp | 25.9 | 23.6 | 2.3pp |
| Adjusted marketing cost ratio (as % of revenue) | 7.3 | 10.5 | -3.2pp | 8.3 | 10.5 | -2.2pp |
| Fulfillment cost ratio (as % of revenue) | 26.9 | 23.2 | 3.7pp | 26.1 | 23.7 | 2.4pp |
| Marketing cost ratio (as % of revenue) | 7.4 | 10.6 | -3.2pp | 8.4 | 10.6 | -2.2pp |
| EBIT (in EUR m) | 76.3 | 77.2 | -1.2% | 91.2 | 93.6 | -2.6% |
| EBIT margin (as % of revenue) | 6.9 | 8.4 | -1.5pp | 4.4 | 5.5 | -1.1pp |
| Adjusted EBIT (in EUR m) | 81.8 | 80.9 | 1.0% | 102.1 | 101.2 | 0.9% |
| Adjusted EBIT (as % of revenue) | 7.4 | 8.8 | -1.4pp | 4.9 | 5.9 | -1.0pp |
| EBITDA (in EUR m) | 89.8 | 87.3 | 2.9% | 117.3 | 112.8 | 4.0% |
| Adjusted EBITDA (in EUR m) | 95.3 | 91.0 | 4.8% | 128.2 | 120.4 | 6.5% |
| Net working capital (in EUR m) | -37.0 | -127.6** | 71.0% | -37.0 | -127.6** | 71.0% |
| Operating cash flow (in EUR m) | 79.1 | 156.9 | -49.6% | 62.4 | 147.7 | -57.8% |

*) For an explanation of the performance indicators please refer to the Glossary

**) As of Dec 31, 2016

Zalando's key performance indicators are revenue, EBIT, EBIT margin, average basket size as well as the number of orders.

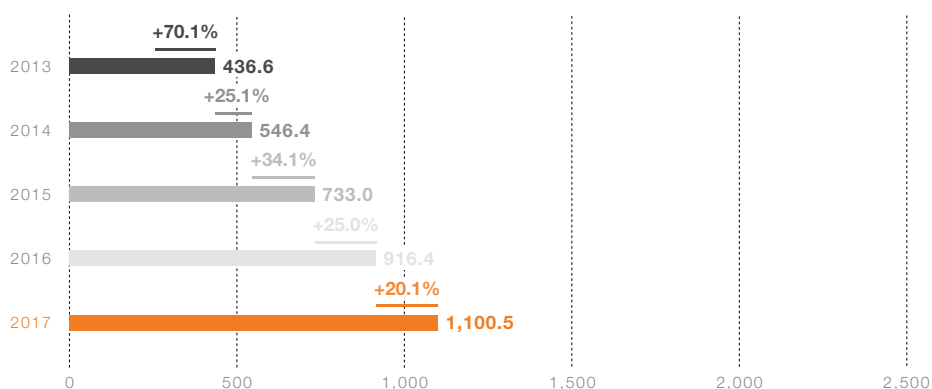
DEVELOPMENT OF REVENUE

In Q2 2017, Zalando increased its revenue by EUR 184.0m from EUR 916.4m to EUR 1,100.5m compared to the prior-year period. This corresponds to year-on-year revenue growth of 20.1%.

SECOND QUARTER REVENUE 2013–2017

→ 01

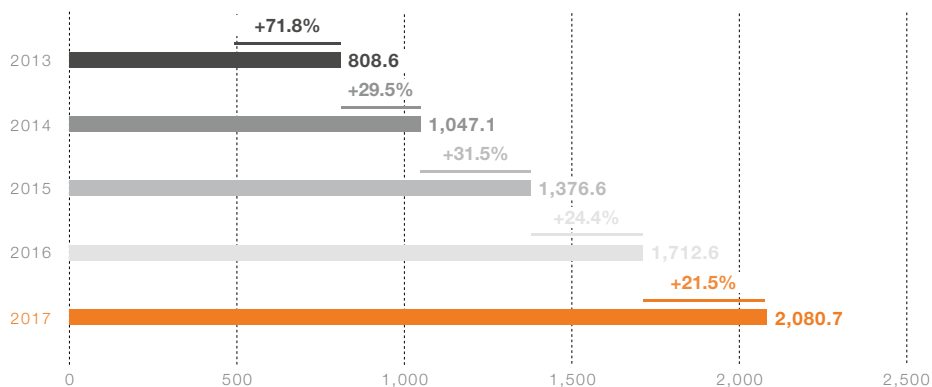
IN EUR M



HALF-YEAR REVENUE 2013–2017

→ 02

IN EUR M



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, 2017, the group had 21.2 million active customers compared to 18.8 million active customers as of June 30, 2016. This corresponds to an increase of 12.6%. The larger customer base ordered more frequently compared to the corresponding prior-year period. Specifically, the average number of orders per active customer increased by 11.2%. Sales growth was supported by our ongoing investments in convenience like same-day delivery and return on demand. The average basket size decreased slightly to EUR 64.5 (prior year: EUR 66.2).

In the first six months of 2017, revenue rose by 21.5% to EUR 2,080.7m (prior year: EUR 1,712.6m) compared to the corresponding prior-year period, driven by the aforementioned key performance indicators.

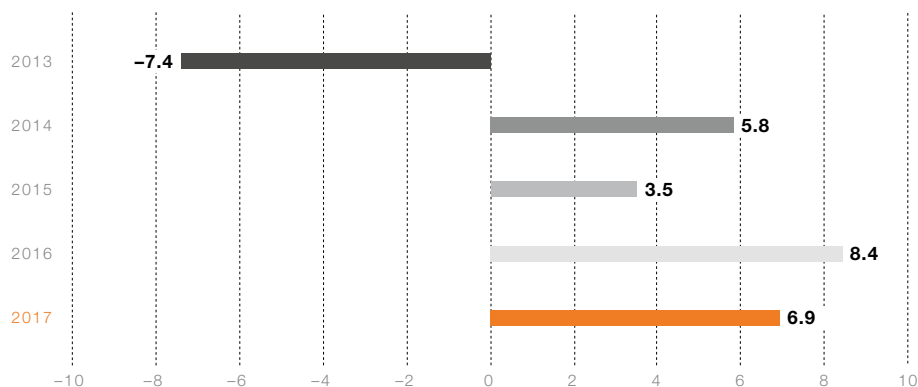
DEVELOPMENT OF EBIT

The group recorded an EBIT of EUR 76.3m in the second quarter of 2017 (prior year: EUR 77.2m). The decrease in the EBIT margin of 1.5 percentage points to 6.9% (prior year: 8.4%) was mainly driven by the gross margin which decreased by 0.4 percentage points, and by the fulfillment cost ratio which increased by 3.7 percentage points, and could not be offset by an improved marketing cost ratio.

SECOND QUARTER EBIT MARGIN 2013–2017

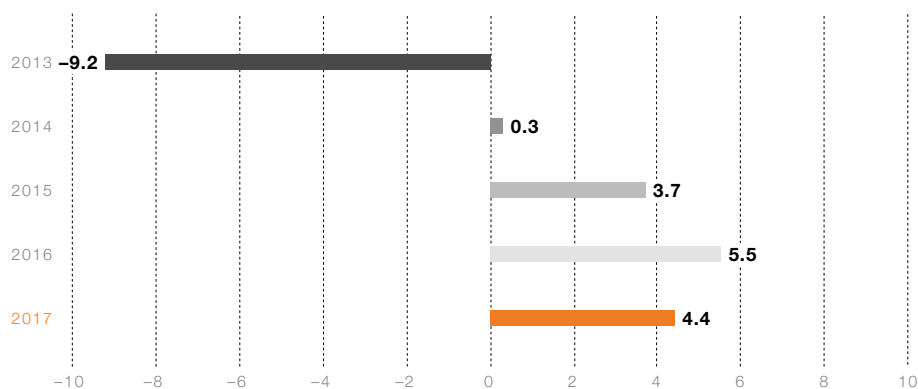
→ 03

IN %

**HALF-YEAR EBIT MARGIN 2013–2017**

→ 04

IN %



In Q2 2017, cost of sales rose by 21.1% from EUR 483.2m to EUR 585.0m resulting in a slight decrease in the gross margin of 0.4 percentage points from 47.3% to 46.8%, which is almost in line with the prior-year period. The group discount rate was slightly higher compared to the prior-year period.

Selling and distribution costs rose by 21.9% from EUR 310.0m to EUR 377.7m. This corresponds to an increase as a percentage of revenue of 0.5 percentage points from 33.8% to 34.3%. Selling and distribution costs consist of fulfillment and marketing costs.

The fulfillment cost ratio as a percentage of revenue increased in the second quarter of 2017 by 3.7 percentage points in comparison to the prior-year period. The increase in the fulfillment cost ratio is primarily attributable to higher logistic costs, as Zalando continued its investments into the customer and brand proposition as well as in infrastructure. Noteworthy are the ramp-up of new fulfillment centers in southern Germany, in France and Italy, and continued investments in convenience to enhance our customer experience like same-day delivery and return on demand.

The marketing cost ratio improved by 3.2 percentage points to 7.4% compared to the prior-year period due to reduced marketing spending, supplemented with cost savings from continued efficiency gains.

Compared to the prior-year period, administration costs increased by EUR 11.4m from EUR 48.9m to EUR 60.4m in Q2 2017, leaving the percentage of revenue approximately unchanged. The increased Euro amount results mainly from higher headcount and the associated office expenses.

The development in the first six months of 2017 can be summarized as follows: The EBIT margin as a percentage of revenue decreased by 1.1 percentage points from 5.5% in the first half of 2016 to 4.4% in the first half of 2017. This decline mainly resulted from a decrease in gross margin and a slightly higher selling and distribution cost ratio. Gross margin decreased by 0.5 percentage points to 44.3% mainly due to a slightly higher group discount rate. As a percentage of revenue, the selling and distribution costs increased by 0.2 percentage points from 34.3% in the first half of 2016 to 34.5% in the first half of 2017 mainly as a result of continued investments in our logistic infrastructure.

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 and non-operating one-time effects.

In the second quarter of 2017, Zalando generated adjusted EBIT of EUR 81.8m (prior year EUR 80.9m), which translates into an adjusted EBIT margin of 7.4% (prior year 8.8%). The higher adjusted EBIT stemmed from higher expenses from equity-settled share-based payments. EBIT neither contains any other non-operating one-time effects in the first half of 2017 nor in the prior-year period.

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

01.2 REPORT ON ECONOMIC POSITION

SHARE-BASED COMPENSATION EXPENSES PER FUNCTIONAL AREA

→ 06

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | Change | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 | Change |
|---|----------------------------|----------------------------|------------|----------------------------|----------------------------|------------|
| Expenses for equity-settled share-based payments | 5.5 | 3.7 | 1.8 | 10.9 | 7.5 | 3.3 |
| Cost of sales | 1.4 | 0.9 | 0.4 | 2.7 | 1.9 | 0.8 |
| Selling and distribution costs | 2.7 | 1.9 | 0.9 | 5.4 | 3.8 | 1.7 |
| thereof marketing costs | 1.4 | 0.9 | 0.4 | 2.7 | 1.9 | 0.8 |
| thereof fulfillment costs | 1.4 | 0.9 | 0.4 | 2.7 | 1.9 | 0.8 |
| Administrative expenses | 1.4 | 0.9 | 0.4 | 2.7 | 1.9 | 0.8 |

01.2.3 RESULTS BY SEGMENT

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

CONSOLIDATED SEGMENT RESULTS

→ 07

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | Change | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 | Change |
|--|----------------------------|----------------------------|--------|----------------------------|----------------------------|--------|
| Revenue | | | | | | |
| DACH | 542.9 | 471.4 | 71.5 | 1,017.9 | 877.3 | 140.6 |
| Rest of Europe | 469.8 | 383.2 | 86.6 | 898.1 | 717.7 | 180.4 |
| Other | 87.8 | 61.8 | 26.0 | 164.7 | 117.6 | 47.1 |
| Earnings before interest and taxes (EBIT) | | | | | | |
| DACH | 54.0 | 63.8 | –9.8 | 86.8 | 101.1 | –14.3 |
| Rest of Europe | 15.0 | 14.4 | 0.6 | –6.4 | –4.1 | –2.3 |
| Other | 7.3 | –1.0 | 8.3 | 10.7 | –3.4 | 14.1 |
| Other segment financial information | | | | | | |
| Adjusted EBIT DACH | 56.7 | 65.7 | –9.0 | 92.1 | 105.0 | –12.9 |
| Adjusted EBIT Rest of Europe | 17.3 | 15.9 | 1.5 | –1.8 | –1.1 | –0.7 |
| Adjusted EBIT Other | 7.8 | –0.6 | 8.4 | 11.7 | –2.7 | 14.4 |

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

SHARE-BASED COMPENSATION EXPENSES PER SEGMENT

→ 08

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | Change | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 | Change |
|--|----------------------------|----------------------------|------------|----------------------------|----------------------------|------------|
| Equity-settled share-based payment expenses | 5.5 | 3.7 | 1.8 | 10.9 | 7.5 | 3.3 |
| DACH | 2.7 | 1.9 | 0.8 | 5.3 | 3.8 | 1.5 |
| Rest of Europe | 2.3 | 1.5 | 0.9 | 4.6 | 3.0 | 1.7 |
| Other | 0.5 | 0.3 | 0.1 | 1.0 | 0.7 | 0.2 |

SEGMENT DEVELOPMENT FOR THE QUARTER

Zalando's increase in revenue was generated across all segments, thereby further expanding its market position across its segments.

In Q2 2017, revenue in the DACH segment grew by 15.2%, by 22.6% in the Rest of Europe segment and by 42.1% in the Other segment, compared to the prior-year period. The DACH segment continued to generate the highest absolute level of revenue, however, the Rest of Europe segment shows the highest increase of revenue in absolute terms. The revenue increase in the other segment is mainly due to Zalando Lounge, which significantly increased the number of campaigns and active customers and to the new outlet store in Cologne.

The DACH segment showed strong profitability with an EBIT margin of 9.9% in Q2 2017. The decrease of 3.6 percentage points compared to the prior-year period mainly resulted from higher fulfilment costs. The EBIT margin of the Rest of Europe segment decreased by 0.6 percentage points from 3.8% to 3.2% mainly also due to increased fulfilment costs. The Other segment recorded an increase of 9.9 percentage points, resulting in an EBIT margin of 8.3% in the second quarter of 2017. The positive development mainly resulted from a strong margin uplift due to profitable sourcing deals.

SEGMENT DEVELOPMENT FOR THE FIRST SIX MONTHS

In the first half of 2017, group revenue increased by 21.5% from EUR 1,712.6m in the corresponding prior-year period to EUR 2,080.7m.

In the DACH segment, revenue rose by 16.0% in the first six months of 2017 compared to the corresponding prior-year period, and as such DACH continues to be the strongest segment in terms of absolute revenue. In the Rest of Europe segment, revenue grew by 25.1%. Zalando's revenue growth in the Other segment was 40.1%. Apparel remained the largest product category in terms of revenue in the first six months of 2017.

01.2 REPORT ON ECONOMIC POSITION

The EBIT margin in the DACH segment decreased from 11.5% in the first six months of 2016 to 8.5% in the first six months of 2017. This decline mainly results from higher fulfillment costs. EBIT margin for the Rest of Europe segment declined also slightly by 0.1 percentage points to -0.7% for the six-month period ended June 30, 2017. The EBIT margin in the Other segment improved from -2.9% in the first six months of 2016 to 6.5% in the first six months of 2017 mainly from a margin uplift due to profitable sourcing deals.

ADJUSTED EBIT

The DACH segment generated an adjusted EBIT margin of 10.4% in the second quarter of 2017, which translates into a decrease of 3.5 percentage points when compared to the prior-year period. The Rest of Europe segment recorded an adjusted EBIT margin of 3.7%, a decline of 0.5 percentage points compared to 4.1% in the prior-year period. The Other segment generated an adjusted EBIT margin of 8.9% in the second quarter of 2017, representing an increase of 9.9 percentage points. The development in adjusted EBIT and adjusted EBIT margin resulted from increased expenses from equity-settled share-based payments.

01.2.4 FINANCIAL POSITION

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

CONDENSED STATEMENTS OF CASH FLOWS

→ 09

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|--|----------------------------|----------------------------|----------------------------|-------------------------|
| Cash flow from operating activities | 79.1 | 156.9 | 62.4 | 147.7 |
| Cash flow from investing activities | -51.5 | -62.7 | -58.9 | -87.3 |
| Cash flow from financing activities | -1.0 | -0.3 | -1.8 | -1.1 |
| Change in cash and cash equivalents | 26.7 | 93.9 | 1.8 | 59.2 |
| Exchange-rate-related and other changes in cash and cash equivalents | -1.5 | 0.8 | 0.7 | 0.4 |
| Cash and cash equivalents at the beginning of the period | 949.9 | 941.2 | 972.6 | 976.2 |
| Cash and cash equivalents as of JUN 30 | 975.1 | 1,035.9 | 975.1 | 1,035.9 |

Zalando generated a positive cash flow from operating activities of EUR 79.1m in the second quarter of 2017 (prior-year period: EUR 156.9m).

Compared to the prior-year period, net income slightly decreased (from EUR 50.9m in the prior-year period to EUR 47.4m in the second quarter of 2017). The lower operating cash flow was mainly driven by cash outflows from increasing net working capital.

The negative net working capital development compared to the second quarter of 2016 of EUR 122.5m was mainly due to inventories, which showed a lower decrease than in the prior-year period due to higher inbound for the fall/winter stock. Decrease in trade payables was stronger

in the second quarter of 2017 due to a stronger decrease in purchased goods than in the prior-year period.

The net working capital development was partly compensated by the decrease in other assets less other liabilities of EUR 48.1m, which was influenced especially by cash inflows from lower outstanding VAT receivables.

The cash flow from investing activities amounted to EUR 51.5m and mainly represents investments in the logistics infrastructure of EUR 34.7m, relating primarily to the fulfillment centers in Gryfino close to Szczecin, Poland and Lahr, Germany as well as investments in internally developed software of EUR 13.8m. An amount of EUR 26.7m was invested in corporate acquisitions. These transactions were closed in June 2017 and include Kickz Never Not Ballin' GmbH, Munich, Germany ("Kickz") and Anatwine Ltd, Cheltenham, United Kingdom ("Anatwine").

As a result, the free cash flow decreased by EUR 83.9m, from EUR 84.2m in the prior-year period to EUR 0.3m in the second quarter of 2017.

Aggregate cash and cash equivalents increased by EUR 25.2m in the second quarter, resulting in Zalando carrying cash and cash equivalents of EUR 975.1m as of June 30, 2017.

01.2.5 NET ASSETS

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

ASSETS

→ 10

| IN EUR M | JUN 30, 2017 | | DEC 31, 2016 | | Change | |
|---------------------|----------------|---------------|----------------|---------------|--------------|-------------|
| Non-current assets | 527.6 | 19.5% | 392.6 | 15.5% | 135.0 | 34.4% |
| Current assets | 2,182.9 | 80.5% | 2,145.6 | 84.5% | 37.3 | 1.7% |
| Total assets | 2,710.5 | 100.0% | 2,538.2 | 100.0% | 172.3 | 6.8% |

EQUITY AND LIABILITIES

→ 11

| IN EUR M | JUN 30, 2017 | | DEC 31, 2016 | | Change | |
|-------------------------------------|----------------|---------------|----------------|---------------|--------------|-------------|
| Equity | 1,473.6 | 54.4% | 1,407.5 | 55.5% | 66.2 | 4.7% |
| Non-current liabilities | 55.8 | 2.1% | 32.5 | 1.3% | 23.2 | 71.3% |
| Current liabilities | 1,181.1 | 43.6% | 1,098.2 | 43.3% | 82.9 | 7.6% |
| Total equity and liabilities | 2,710.5 | 100.0% | 2,538.2 | 100.0% | 172.3 | 6.8% |

Compared to December 31, 2016, Zalando's total assets increased by EUR 172.3m. The statement of financial position is dominated by working capital, cash and cash equivalents as well as equity.

In the first six months of 2017, additions to intangible assets amounted to EUR 82.2m (prior year: EUR 46.9m) and additions to property, plant and equipment totaled EUR 102.3m (prior year: EUR 50.0m), mainly relating to the fulfillment centers in Gryfino close to Szczecin, Poland and Lahr, Germany. Acquisitions and investments around Kickz and Anatwine impacted additions to intangible assets with EUR 52.5m, including goodwill of EUR 33.6m and trademarks and similar rights and assets of EUR 14.9m.

Inventories almost exclusively comprise merchandise for Zalando's fashion store business. The EUR 86.4m increase in inventories to EUR 663.4m reflects the overall increase in business volume.

Trade and other receivables as reported on June 30, 2017 are all current. The increase from EUR 216.0m to EUR 247.0m is primarily attributable to the higher sales volume.

Other financial assets decreased from EUR 245.8m to EUR 157.1m mainly due to the maturity of term deposits in the amount of EUR 90.0m with an original term of more than three months but less than twelve months.

In the first half of 2017, equity rose from EUR 1,407.5m to EUR 1,473.6m. The EUR 66.2m increase primarily stems from the net income for the period. As liabilities increased stronger than equity, the equity ratio slightly decreased from 55.5% at the beginning of the year to 54.4% as of June 30, 2017.

Current liabilities increased by EUR 82.9m in the reporting period. This increase is mainly attributable to other liabilities, which rose by EUR 49.2m, increasing from EUR 155.7m to EUR 205.0m and to trade payables, which increased by EUR 26.8m, mainly due to the delivery of goods. Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 321.7m as of June 30, 2017 were transferred to various factoring providers (December 31, 2016: EUR 282.3m). These items were recognized in the statement of financial position under trade payables and similar liabilities.

OVERALL ASSESSMENT

The Management Board views the business development in the first two quarters of 2017 as positive. The Zalando group increased its revenue in line with management expectations and gained additional market share. The EBIT margin decreased slightly as a result of ongoing growth investments into customer proposition and platform build out. Overall, Zalando can look back on a successful first half of 2017.

01.2.6 EMPLOYEES

The headcount increased by 1,220 to 13,218 employees as of June 30, 2017, compared to 11,998 employees as of December 31, 2016. The strong growth was primarily driven by increasing the headcount in operations.

01.3 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.

01.4 RISK AND OPPORTUNITY REPORT

There are no significant changes compared to the risk and opportunity report contained in the 2016 annual report. There are still no discernible risks that could jeopardize Zalando's ability to continue as a going concern.

01.5 OUTLOOK

01.5.1 FUTURE MACROECONOMIC AND INDUSTRY-SPECIFIC SITUATION

The European Commission projects 2017 Euro zone GDP growth of 1.7% and EU GDP growth of 1.9%. Private consumption is expected to be one of the main drivers of growth during the forecast period. Labor market gains across important European economies will also contribute to the increase of disposable income in real terms.⁸ In Germany, growth momentum is expected to reach 1.6% in 2017.⁹ The solid labor market, resilient exports and booming construction investments are expected to provide a boost to growth and drive private consumption.

European online retail is expected to see continued strong growth with 11.4% growth year-on-year in 2017, whereas the European retail industry¹⁰ is expected to achieve only 1.7% growth. The picture in Germany is similar: Retail is forecasted to grow roughly 2.2% in 2017, whereas internet trade is expected to increase by 13.8%. The Association of the German Internet Industry¹¹ also predicts that more than half (53%) of German GDP will be comprised of e-commerce-related activities by 2017, a 16% leap from 2012 e-commerce activity levels.

Similarly, fashion sales in Europe are expected to stagnate (growth of 0.3% to the prior year), while fashion sales in Germany are even expected to decline slightly (decline of 0.2%). In contrast, online fashion sales in Europe are expected to increase by approximately 9.6% in 2017, while predictions for Germany anticipate that the market will grow by 13.5% compared with the prior year.¹²

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 2017. 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. The high emotional factor that both brands and customers associate with fashion also provides independent and pure-play fashion e-commerce retailers like Zalando with a considerable edge compared to non-specialized e-commerce retailers.

01.5.2 GUIDANCE

Zalando specifies its guidance for 2017: For the full year, Zalando expects revenue growth in the upper half of its guided range of 20% to 25% and an adjusted EBIT margin in the lower half of the 5.0% to 6.0% range.

⁸ European Commission, Spring 2017 Economic Forecast

⁹ European Commission

¹⁰ Euromonitor, Europe excl. Russia

¹¹ Association of the German Internet Industry

¹² Euromonitor, Europe excl. Russia; Euromonitor Germany

01.5.3 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 2017, the economic condition of the group remained good.

Berlin, August 8, 2017

The Management Board

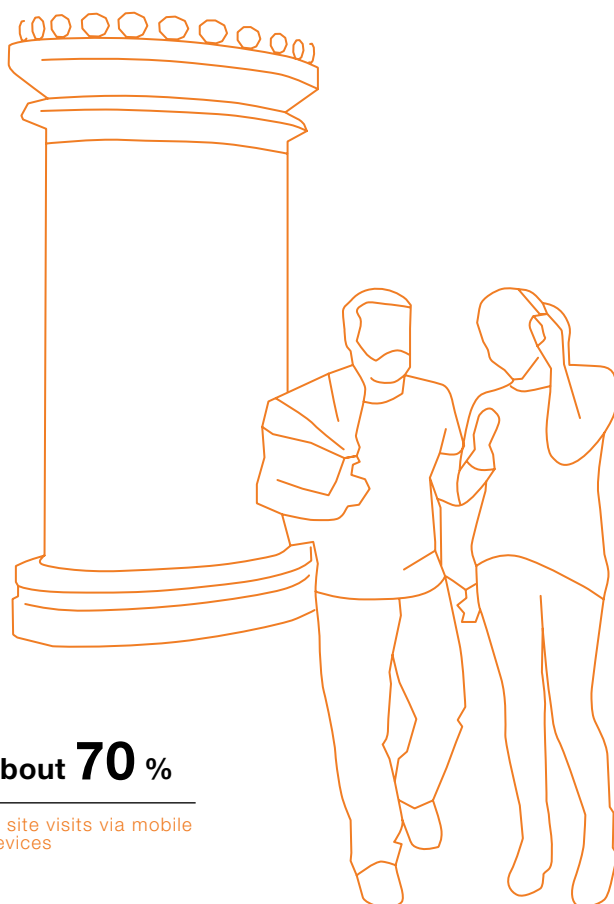
Robert Gentz

David Schneider

Rubin Ritter

02

INTERIM CONSOLIDATED FINANCIAL STATEMENTS



about **70 %**

of site visits via mobile
devices

more than **36 m**

app installs

02.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

02.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

→ 12

| IN EUR M | Notes | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue | (1.) | 1,100.5 | 916.4 | 2,080.7 | 1,712.6 |
| Cost of sales | (2.) | –585.0 | –483.2 | –1,159.8 | –945.9 |
| Gross profit | | 515.5 | 433.3 | 920.9 | 766.7 |
| Selling and distribution costs | | –377.7 | –310.0 | –717.0 | –587.1 |
| Administrative expenses | | –60.4 | –48.9 | –113.2 | –89.5 |
| Other operating income | | 1.5 | 3.5 | 4.3 | 5.0 |
| Other operating expenses | | –2.7 | –0.7 | –3.8 | –1.4 |
| Earnings before interest and taxes (EBIT) | | 76.3 | 77.2 | 91.2 | 93.6 |
| Interest and similar income | | 0.5 | 0.3 | 1.2 | 0.6 |
| Interest and similar expenses | | –3.2 | 1.3 | –6.5 | –4.0 |
| Result of investments accounted for using the equity method | | 2.0 | –0.8 | 0.3 | –1.4 |
| Other financial result | | –1.6 | 0.9 | –0.9 | 0.4 |
| Financial result | | –2.3 | 1.7 | –5.9 | –4.5 |
| Earnings before taxes (EBT) | | 74.0 | 78.9 | 85.3 | 89.1 |
| Income taxes | (3.) | –26.5 | –28.0 | –32.8 | –33.7 |
| Net income for the period | | 47.4 | 50.9 | 52.6 | 55.5 |
| Thereof net income attributable to the shareholders of ZALANDO SE | | 47.8 | 50.9 | 53.0 | 55.5 |
| Thereof net income attributable to non-controlling interests | | –0.4 | 0.0 | –0.4 | 0.0 |
| Net income for the period as percentage of revenue | | 4.3% | 5.6% | 2.5% | 3.2% |
| Basic earnings per share (in EUR) | (4.) | 0.19 | 0.21 | 0.21 | 0.22 |
| Diluted earnings per share (in EUR) | (4.) | 0.18 | 0.20 | 0.20 | 0.22 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

→ 13

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Net income for the period | 47.4 | 50.9 | 52.6 | 55.5 |
| Effective portion of gains/losses from cash flow hedges, net of tax | –4.7 | –0.6 | –0.5 | –1.9 |
| Exchange differences on translation of foreign financial statements | 1.7 | –0.2 | 2.3 | –0.4 |
| Other comprehensive income | –2.9 | –0.9 | 1.8 | –2.3 |
| Total comprehensive income | 44.5 | 50.0 | 54.4 | 53.2 |
| Thereof total comprehensive income attributable to the shareholders of ZALANDO SE | 44.9 | 50.0 | 54.8 | 53.2 |
| Thereof net income attributable to non-controlling interests | –0.4 | 0.0 | –0.4 | 0.0 |

02.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

→ 14

| IN EUR M | Notes | JUN 30, 2017 | DEC 31, 2016 |
|---|-------|----------------|----------------|
| Non-current assets | | | |
| Intangible assets | | 169.8 | 100.9 |
| Property, plant and equipment | | 331.8 | 243.0 |
| Financial assets | | 22.1 | 29.2 |
| Deferred tax assets | | 1.2 | 1.6 |
| Non-financial assets | | 2.6 | 3.0 |
| Investments accounted for using the equity method | | 0.0 | 14.8 |
| | | 527.6 | 392.6 |
| Current assets | | | |
| Inventories | | 663.4 | 576.9 |
| Prepayments | | 1.9 | 1.1 |
| Trade and other receivables | | 247.0 | 216.0 |
| Other financial assets | | 157.1 | 245.8 |
| Other non-financial assets | | 138.5 | 133.1 |
| Cash and cash equivalents | (6.) | 975.1 | 972.6 |
| | | 2,182.9 | 2,145.6 |
| Total assets | | 2,710.5 | 2,538.2 |

02.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

→ 15

| IN EUR M | Notes | JUN 30, 2017 | DEC 31, 2016 |
|--|-------|----------------|----------------|
| Equity | | | |
| Issued capital | | 247.3 | 247.2 |
| Capital reserves | | 1,171.7 | 1,161.0 |
| Other reserves | | -1.5 | -3.3 |
| Accumulated profit | | 55.5 | 2.5 |
| Non-controlling interest | | 0.6 | 0.0 |
| | | 1,473.6 | 1,407.5 |
| Non-current liabilities | | | |
| Provisions | | 15.0 | 12.6 |
| Government grants | | 0.3 | 0.0 |
| Borrowings | | 9.8 | 11.2 |
| Other financial liabilities | | 9.4 | 2.3 |
| Other non-financial liabilities | | 1.7 | 3.3 |
| Deferred tax liabilities | | 19.6 | 3.1 |
| | | 55.8 | 32.5 |
| Current liabilities | | | |
| Provisions | | 1.6 | 1.7 |
| Borrowings | | 3.0 | 3.2 |
| Trade payables and similar liabilities | (5.) | 947.3 | 920.5 |
| Prepayments received | (5.) | 17.3 | 8.1 |
| Income tax liabilities | | 6.9 | 8.9 |
| Other financial liabilities | | 87.7 | 69.0 |
| Other non-financial liabilities | | 117.3 | 86.7 |
| | | 1,181.1 | 1,098.2 |
| Total equity and liabilities | | 2,710.5 | 2,538.2 |

02.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2017

IN EUR M

| | Notes | Issued capital | Capital reserves |
|---|-------|----------------|------------------|
| As of JAN 1, 2017 | | 247.2 | 1,161.0 |
| Net income for the period | | 0.0 | 0.0 |
| Other comprehensive income | | 0.0 | 0.0 |
| Total comprehensive income | | 0.0 | 0.0 |
| Capital increase | | 0.1 | 0.5 |
| Repurchase of treasury shares | | 0.0 | -0.7 |
| Share-based payments | | 0.0 | 10.9 |
| Effects from acquisitions of subsidiaries with non-controlling interest | | 0.0 | 0.0 |
| As of JUN 30, 2017 | | 247.3 | 1,171.7 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2016

IN EUR M

| | Notes | Issued capital | Capital reserves |
|-----------------------------------|-------|----------------|------------------|
| As of JAN 1, 2016 | | 247.0 | 1,140.9 |
| Net income for the period | | 0.0 | 0.0 |
| Other comprehensive income | | 0.0 | 0.0 |
| Total comprehensive income | | 0.0 | 0.0 |
| Capital increase | | 0.1 | 0.4 |
| Share-based payments | | 0.0 | 7.5 |
| As of JUN 30, 2016 | | 247.1 | 1,148.9 |

02.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

→ 16

| Other reserves | | Accumulated profit | Shareholders of ZALANDO SE | Non-controlling interest | Total |
|------------------|----------------------|--------------------|-------------------------------|-----------------------------|---------|
| Cash flow hedges | Currency translation | | | | |
| -1.3 | -1.9 | 2.5 | 1,407.5 | 0.0 | 1,407.4 |
| 0.0 | 0.0 | 53.0 | 53.0 | -0.4 | 52.6 |
| -0.5 | 2.3 | 0.0 | 1.8 | 0.0 | 1.8 |
| -0.5 | 2.3 | 53.0 | 54.8 | -0.4 | 54.4 |
| 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.6 |
| 0.0 | 0.0 | 0.0 | -0.7 | 0.0 | -0.7 |
| 0.0 | 0.0 | 0.0 | 10.9 | 0.0 | 10.9 |
| 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 |
| -1.8 | 0.4 | 55.5 | 1,473.0 | 0.6 | 1,473.6 |

→ 17

| Other reserves | | Accumulated loss | Shareholders of ZALANDO SE | Non-controlling interest | Total |
|------------------|----------------------|------------------|-------------------------------|-----------------------------|---------|
| Cash flow hedges | Currency translation | | | | |
| 1.4 | 0.0 | -118.0 | 1,271.4 | 0.0 | 1,271.4 |
| 0.0 | 0.0 | 55.5 | 55.5 | 0.0 | 55.5 |
| -1.9 | -0.4 | 0.0 | -2.3 | 0.0 | -2.3 |
| -1.9 | -0.4 | 55.5 | 53.2 | 0.0 | 53.2 |
| 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 |
| 0.0 | 0.0 | 0.0 | 7.5 | 0.0 | 7.5 |
| -0.5 | -0.4 | -62.5 | 1,332.5 | 0.0 | 1,332.5 |

02.4 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

→ 18

| IN EUR M | Notes | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| 1. Net income for the period | | 47.4 | 50.9 | 52.6 | 55.5 |
| 2. + Non-cash expenses from share-based payments | | 5.5 | 3.7 | 10.9 | 7.5 |
| 3. + Depreciation of property, plant and equipment and amortization of intangible assets | | 13.6 | 10.3 | 26.1 | 19.3 |
| 4. + Income taxes | (3.) | 26.5 | 28.0 | 32.8 | 33.7 |
| 5. – Income taxes paid, less refunds | | –15.5 | –4.5 | –19.4 | –24.6 |
| 6. + / – Increase/decrease in provisions | | 0.0 | –4.0 | –0.2 | –0.4 |
| 7. – / + Other non-cash income/expenses | | 2.3 | –1.0 | 3.0 | –1.0 |
| 8. + / – Decrease/increase in inventories | | 67.9 | 145.1 | –73.9 | 48.2 |
| 9. + / – Decrease/increase in trade and other receivables | | –14.4 | –0.9 | –29.8 | –12.4 |
| 10. + / – Increase/decrease in trade payables and similar liabilities | (5.) | –101.1 | –69.3 | 25.3 | 20.3 |
| 11. – / + Increase/decrease in other assets/liabilities | | 47.0 | –1.2 | 35.0 | 1.7 |
| 12. = Cash flow from operating activities | (6.) | 79.1 | 156.9 | 62.4 | 147.7 |
| 13. – Cash paid for investments in property, plant and equipment | | –37.8 | –30.6 | –100.2 | –41.5 |
| 14. – Cash paid for investments in intangible assets | | –14.4 | –13.9 | –29.7 | –26.7 |
| 15. – Cash paid for acquisition of subsidiaries and other business entities less cash and cash equivalents acquired | | –26.7 | –28.3 | –26.7 | –29.2 |
| 16. + / – Cash received from/paid for investments in term deposits | | 20.0 | 10.0 | 90.0 | 10.0 |
| 17. + / – Change in restricted cash | | 7.3 | 0.0 | 7.7 | 0.0 |
| 18. = Cash flow from investing activities | (6.) | –51.5 | –62.7 | –58.9 | –87.3 |
| 19. + Cash received from capital increase by the shareholders less transaction costs | | 0.6 | 0.5 | 0.6 | 0.5 |
| 20. – Repurchase of treasury shares | | –0.7 | 0.0 | –0.7 | 0.0 |
| 21. + Cash received from loans | | 0.0 | 0.0 | 0.0 | 0.0 |
| 22. – Cash repayments of loans | | –0.8 | –0.8 | –1.6 | –1.6 |
| 23. = Cash flow from financing activities | | –1.0 | –0.3 | –1.8 | –1.1 |

02.4 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

→ 18

| IN EUR M | Notes | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|--------------|---|-------------------------|-------------------------|-------------------------|-------------------------|
| 24. = | Net change in cash and cash equivalents from cash-relevant transactions | 26.7 | 93.9 | 1.8 | 59.2 |
| 25. + / – | Change in cash and cash equivalents due to exchange rate movements | –1.5 | 0.8 | 0.7 | 0.4 |
| 26. + | Cash and cash equivalents at the beginning of the period | 949.9 | 941.2 | 972.6 | 976.2 |
| 27. = | Cash and cash equivalents as of Jun 30 | 975.1 | 1,035.9 | 975.1 | 1,035.9 |

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

CASH-RELEVANT INTERESTS

→ 19

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Interest paid | –1.9 | –1.3 | –4.6 | –2.0 |
| Interest received | 0.2 | 0.1 | 0.0 | 0.3 |
| Total | –1.7 | –1.2 | –4.6 | –1.6 |

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

FREE CASH FLOW

→ 20

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Cash flow from operating activities | 79.1 | 156.9 | 62.4 | 147.7 |
| Cash paid for investments in property, plant and equipment | –37.8 | –30.6 | –100.2 | –41.5 |
| Cash paid for investments in intangible assets | –14.4 | –13.9 | –29.7 | –26.7 |
| Cash paid for acquisition of subsidiaries and other business entities less cash and cash equivalents acquired | –26.7 | –28.3 | –26.7 | –29.2 |
| Free cash flow | 0.3 | 84.2 | –94.2 | 50.4 |

02.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

02.5.1 CORPORATE INFORMATION

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

The condensed and unaudited interim consolidated financial statements as of June 30, 2017 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, 2016.

ACCOUNTING AND MEASUREMENT PRINCIPLES

In general, the accounting policies as applied to the consolidated financial statements as of December 31, 2016 remain unchanged.

The first-time application of new accounting standards in the 2017 fiscal year did not have a material impact on the interim financial statements, as was explained in the 2016 annual report.

The condensed interim consolidated financial statements are presented in Euros.

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

BASIS OF CONSOLIDATION

The number of subsidiaries included in the basis of consolidation increased from 32 as of December 31, 2016 to 36 on account of entities founded and acquired in fiscal year 2017.

In the first half of 2017, Zalando invested in corporate acquisitions totaling EUR 26.7m. These acquisitions closed in June 2017 include Kickz Never Not Ballin' GmbH, Munich, Germany ("Kickz") and Anatwine Ltd, Cheltenham, United Kingdom ("Anatwine"). Henceforth, Zalando owns 100% and 78.4% of the voting equity interests in Kickz and Anatwine respectively.

Kickz is a leading multi-channel basketball retailer. With the addition of Kickz, Zalando will further strengthen its sports and lifestyle segment, especially in basketball.

02.5 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Furthermore, Zalando acquired additional shares of Anatwine in order to effectively obtain control of the company. Anatwine provides marketplace supply-side integration solutions for retailers and brands, especially in the fashion and lifestyle sectors. With this acquisition, Zalando will strengthen its ability to digitalize partner stock and connect it to retail channels.

Both acquisitions impacted additions to intangible assets totaling EUR 52.5m, including goodwill of EUR 33.6m and additions to property, plant and equipment totaling EUR 1.4m. In addition, Zalando remeasured its previously held equity interest in Anatwine at its acquisition-date fair value and recognized the resulting gain in the financial result totaling EUR 3.2m.

02.5.2 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1.) REVENUE

REVENUE

→ 21

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenue from the sale of merchandise | 1,069.3 | 899.5 | 2,023.9 | 1,683.2 |
| Revenue from other services | 31.1 | 17.0 | 56.8 | 29.4 |
| Total | 1,100.5 | 916.4 | 2,080.7 | 1,712.6 |

Zalando achieved strong growth in the second quarter of 2017 and increased its revenue by EUR 184.0m from EUR 916.4m to EUR 1,100.5m compared to the prior-year period. This corresponds to year-on-year revenue growth of 20.1% for the quarter ended June 30, 2017.

The increase in revenue can be primarily attributed to a larger customer base as well as an increase in average orders per active customer. As of June 30, 2017, the group had 21.2 million active customers compared to 18.8 million active customers as of June 30, 2016. This corresponds to an increase of 12.6%. The larger customer base ordered more frequently compared to the corresponding prior-year period. Specifically, the average number of orders per active customer increased by 11.2%. At the same time, the share of site visits on mobile devices increased by 5.0 percentage points compared to the corresponding prior-year period to 69.7% (prior-year: 64.7%). Sales growth was also supported by our ongoing investments in convenience like same-day delivery and return on demand. The average basket size decreased slightly to EUR 64.5 (prior year: EUR 66.2).

For the first six months of 2017 revenue shows a considerable 21.5% rise to EUR 2,080.7m (prior year: EUR 1,712.6m) compared to the corresponding prior-year period, driven by the aforementioned key performance indicators.

(2.) COST OF SALES

COST OF SALES

→ 22

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Non-personnel costs | 565.1 | 468.5 | 1,120.4 | 915.4 |
| Personnel costs | 19.9 | 14.7 | 39.4 | 30.4 |
| Total | 585.0 | 483.2 | 1,159.8 | 945.9 |

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 483.2m by EUR 101.8m to EUR 585.0m in the second quarter of 2017. The cost of sales as a percentage of revenue increased by 0.4 percentage points from 52.7% to 53.2%.

The cost of materials in the group totaled EUR 521.2m (prior year: EUR 436.6m).

Zalando generated a gross profit of EUR 515.5m in the second quarter of 2017 (prior year: EUR 433.3m).

For the first six months the cost of sales rose from EUR 945.9m to EUR 1,159.8m which is basically in line with revenue increase.

(3.) INCOME TAXES

INCOME TAXES

→ 23

| IN EUR M | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Deferred taxes | 11.7 | 17.4 | 15.2 | 21.7 |
| Current taxes in Germany | 14.9 | 10.6 | 17.5 | 11.9 |
| Total | 26.5 | 28.0 | 32.8 | 33.7 |

The current tax expenses incurred for the pre-tax income of the second quarter and first half year 2017 are reduced by the utilization of deductible tax losses brought forward.

(4.) EARNINGS PER SHARE

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

BASIC EARNINGS PER SHARE (EPS)

→ 24

| | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Net income for the period (in EUR m) | 47.4 | 50.9 | 52.6 | 55.5 |
| Basic weighted average number of shares (in millions) | 247.3 | 247.1 | 247.3 | 247.1 |
| Total (in EUR) | 0.19 | 0.21 | 0.21 | 0.22 |

The basic earnings per share developed in line with the slight decrease in net income from EUR 50.9m in the second quarter of 2016 to EUR 47.4m in the second quarter of 2017.

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

DILUTED EARNINGS PER SHARE (EPS)

→ 25

| | APR 1 – JUN 30, 2017 | APR 1 – JUN 30, 2016 | JAN 1 – JUN 30, 2017 | JAN 1 – JUN 30, 2016 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Net income for the period (in EUR m) | 47.4 | 50.9 | 52.6 | 55.5 |
| Diluted weighted average number of shares (in millions) | 258.7 | 254.8 | 258.3 | 255.1 |
| Total (in EUR) | 0.18 | 0.20 | 0.20 | 0.22 |

02.5.3 SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**(5.) TRADE PAYABLES AND SIMILAR LIABILITIES AND PREPAYMENTS RECEIVED**

Trade payables and similar liabilities rose by EUR 26.8m from EUR 920.5m to EUR 947.3m.

Moreover, under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 321.7m were transferred to various factors as of June 30, 2017 (December 31, 2016: EUR 282.3m). These are recognized in the statement of financial position under trade payables and similar liabilities.

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

(6.) NOTES TO THE STATEMENT OF CASH FLOWS

Zalando generated a positive cash flow from operating activities of EUR 79.1m in the second quarter of 2017 (prior-year period: EUR 156.9m).

Compared to the prior-year period, net income slightly decreased (from EUR 50.9m in the prior-year period to EUR 47.4m in the second quarter of 2017). The lower operating cash flow was mainly driven by cash outflows from increasing net working capital.

The negative net working capital development compared to the second quarter of 2016 of EUR 122.5m was mainly due to inventories, which showed a lower decrease than in the prior-year period due to higher inbounds for the fall/winter stock. Decrease in trade payables was stronger in the second quarter of 2017 due to a stronger decrease in purchased goods than in the prior-year period.

The net working capital development was partly compensated by the decrease in other assets less other liabilities of EUR 48.1m, which was influenced especially by cash inflows from lower outstanding VAT receivables.

The cash flow from investing activities amounted to EUR 51.5m and mainly represents investments in the logistics infrastructure of EUR 34.7m, relating primarily to the fulfillment centers in Gryfino close to Szczecin, Poland and Lahr, Germany as well as investments in internally developed software of EUR 13.8m. An amount of EUR 26.7m was invested in corporate acquisitions (see sec. 02.5.1).

The free cash flow decreased by EUR 83.9m, from EUR 84.2m in the prior-year period to EUR 0.3m in the second quarter of 2017, mainly driven by the aforementioned net working capital development and the investing activities.

Aggregate cash and cash equivalents increased by EUR 25.2m in the second quarter, resulting in Zalando carrying cash and cash equivalents of EUR 975.1m as of June 30, 2017.

In comparison to the first six months of 2016, the free cash flow decreased by EUR 144.6m from EUR 50.4m to EUR -94.2m in the first six months of 2017, mainly driven by the aforementioned net working capital development and investing activities.

02.5.4 OTHER SELECTED NOTES

(7.) 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 goods and services gave rise to liabilities of EUR 51.4m as of the reporting date (prior year: EUR 59.2m). Of this amount, EUR 51.4m (prior year: EUR 59.2m) is due to a reverse factoring provider on account of reverse factoring agreements between Zalando and related parties. As a result, there are no trade payables or similar liabilities due directly to related parties (as of December 31, 2016:

EUR 0.0m). However, trade receivables from related parties amount to EUR 0.5m (as of December 31, 2016: EUR 0.4m).

Merchandise of EUR 65.3m was ordered from related parties in the reporting period. The order volume totaled EUR 41.3m in the comparative period of the prior year. In addition, goods totaling EUR 1.0m were sold to related parties (prior year: EUR 0.0m). The cost of services received came to EUR 2.0m in the reporting period (prior year: EUR 0.2m).

(8.) SEGMENT REPORTING

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

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

SEGMENT REPORTING APR 1–JUN 30, 2017

→ 26

| IN EUR M | DACH | Rest of Europe | Others | APR 1 – JUN 30, 2017 |
|-------------|-------------|----------------|------------|-------------------------|
| Revenue | 542.9 | 469.8 | 87.8 | 1,100.5 |
| EBIT | 54.0 | 15.0 | 7.3 | 76.3 |

SEGMENT REPORTING APR 1–JUN 30, 2016

→ 27

| IN EUR M | DACH | Rest of Europe | Others | APR 1 – JUN 30, 2016 |
|-------------|-------------|----------------|-------------|-------------------------|
| Revenue | 471.4 | 383.2 | 61.8 | 916.4 |
| EBIT | 63.8 | 14.4 | -1.0 | 77.2 |

SEGMENT REPORTING JAN 1–JUN 30, 2017

→ 28

| IN EUR M | DACH | Rest of Europe | Others | JAN 1 – JUN 30, 2017 |
|-------------|-------------|----------------|-------------|-------------------------|
| Revenue | 1,017.9 | 898.1 | 164.7 | 2,080.7 |
| EBIT | 86.8 | -6.4 | 10.7 | 91.2 |

SEGMENT REPORTING JAN 1–JUN 30, 2016

→ 29

| IN EUR M | DACH | Rest of Europe | Others | JAN 1 – JUN 30, 2016 |
|-------------|--------------|----------------|-------------|-------------------------|
| Revenue | 877.3 | 717.7 | 117.6 | 1,712.6 |
| EBIT | 101.1 | –4.1 | –3.4 | 93.6 |

SEGMENT DEVELOPMENT FOR THE QUARTER

Zalando's increase in revenue was generated across all segments, thereby further expanding its market position across its segments.

In Q2 2017, revenue in the DACH segment grew by 15.2%, by 22.6% in the Rest of Europe segment and by 42.1% in the Other segment, compared to the prior-year period. The core DACH segment continued to generate the highest absolute level of revenue, the Rest of Europe segment shows the highest increase of revenue in absolute terms.

The DACH segment showed solid profitability with an EBIT margin of 9.9% in Q2 2017. The decrease of 3.6 percentage points compared to the prior-year period resulted from higher fulfillment costs due to ramp-up of new fulfillment centers to operate at full capacity and increased investments in our customer proposition. The EBIT margin of the Rest of Europe segment decreased by 0.6 percentage points from 3.8% to 3.2% mainly due to increased fulfillment costs. The Other segment recorded an increase of 9.9 percentage points, resulting in an EBIT margin of 8.3% in the second quarter of 2017. The positive development mainly resulted from a strong margin uplift due to profitable sourcing deals.

SEGMENT DEVELOPMENT FOR THE FIRST SIX MONTHS

In the first half of 2017, group revenue increased by 21.5% from EUR 1,712.6m in the corresponding prior-year period to EUR 2,080.7m.

In the DACH segment, the strongest segment in terms of revenue, revenue rose by 16.0% in the first six months of 2017 compared to the corresponding prior-year period. In the Rest of Europe segment, revenue grew 25.1%. Zalando's revenue growth in the Other segment was especially strong with 40.1%. Apparel remained the largest product category in terms of revenue in the first six months of 2017.

The EBIT margin in the DACH segment decreased from 11.5% in the first six months of 2016 to 8.5% in the first six months of 2017. This decline mainly results from higher fulfillment costs. EBIT margin for the Rest of Europe segment declined also slightly by 0.1 percentage points to –0.7% for the six-month period ended June 30, 2017. The EBIT margin in the Other segment improved from –2.9% in the first six months of 2016 to 6.5% in the first six months of 2017 mainly from a strong margin uplift due to profitable sourcing deals.

(9.) 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, August 8, 2017

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

02.6 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, August 8, 2017

The Management Board

Robert Gentz

David Schneider

Rubin Ritter

02.7 REVIEW REPORT

To ZALANDO SE

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes, and the interim group management report of ZALANDO SE, Berlin, for the period from 1 January 2017 to 30 June 2017, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs [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 condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report 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 condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU 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, August 8, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|-------------------------|-------------------------|
| Dr. Röders | Haas |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

03

SERVICE



460,000 m²

logistics space

03.1 GLOSSARY

ACTIVE CUSTOMERS

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

ADJUSTED EBIT

We define adjusted EBIT as EBIT before equity-settled share-based payment expense and other non-operating one-time effects.

ADJUSTED EBITDA

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

ADJUSTED FULFILLMENT COST RATIO

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

ADJUSTED MARKETING COST RATIO

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

AVERAGE BASKET SIZE

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

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.

CONTENT CREATION

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

CUSTOMER SERVICE

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

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).

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

SITE VISITS

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

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03.3 FINANCIAL CALENDAR 2017

FINANCIAL CALENDAR

| Date | Event |
|---------------------|---|
| Tuesday, November 7 | Publication of the third quarter results 2017 |

03.4 IMPRINT

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CONCEPT AND LAYOUT

With the collaboration of MPM Corporate Communication Solutions, Mainz

Statement relating to the future

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

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

